

Confidential

ZAZA COSMETICS MANUFACTURING BUSINESS PLAN



ZaZa

Glow Natural

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Table of Contents

Executive Summary	1
<i>Chart: Highlights</i>	3
Objectives	4
Keys to Success.....	4
Mission.....	4
Company Summary	5
Company Ownership	6
Start-up Summary	7
<i>Table: Start-up</i>	7
<i>Table: Start-up Funding</i>	8
<i>Chart: Start-up</i>	7
Company Locations and Facilities.....	Error! Bookmark not defined.
Products	7
Product Description	7
Competitive Comparison	16
Sourcing	17
Future Products	19
Market Analysis Summary	19
Market Segmentation	20
<i>Chart: Market Analysis (Pie)</i>	21
<i>Table: Market Analysis</i>	21
Target Market Segment Strategy	21
Market Trends.....	23
Industry Analysis	25
Main Competitors	25
Strategy and Implementation Summary	26
Strategy Pyramid.....	26
Value Proposition.....	28
Marketing Strategy.....	28
<i>Marketing Programs</i>	29
<i>Pricing Strategy</i>	30

<i>Promotion Strategy</i>	30
Sales Strategy	31
<i>Sales Forecast</i>	31
<i>Sales Programs</i>	33
Strategic Alliances	33
Milestones	34
<i>Table: Milestones</i>	34
Management Summary	35
Management Team	35
Personnel Plan	36
<i>Table: Personnel</i>	36
Financial Plan	37
Important Assumptions	37
<i>Table: General Assumptions</i>	37
Projected Cash Flow	38
<i>Chart: Cash</i>	38
<i>Table: Cash Flow</i>	38
Key Financial Indicators	39
<i>Chart: Benchmarks</i>	39
Break-even Analysis	40
<i>Chart: Break-even Analysis</i>	40
<i>Table: Break-even Analysis</i>	40
Projected Profit and Loss	41
<i>Table: Profit and Loss</i>	41
Projected Balance Sheet	42
<i>Table: Balance Sheet</i>	42
Business Ratios	43
<i>Table: Ratios</i>	43
Long-term Plan	44
Appendix	i
Table: Sales Forecast	i
Table: Personnel	ii
Table: Profit and Loss	iv

Table: Cash Flow vi

Table: Balance Sheet..... viii

Executive Summary

ZaZa Cosmetics is a company that has created a brand concept consisting of both skin care and athletic apparel utilizing multiple channels of distribution. We are seeking recurring investment to fund the growth of the brand, and position the company for an IPO. The plan that follows explains our market, our value proposition and our market segmentation strategy. The detailed financial plans provide a clear view of our sales and profit forecasts. These plans show how ZaZa Cosmetics will reach profitability in our third year of operation and generate shareholder return on equity within five years.

Mission

To establish ZaZa Cosmetics as an important brand that represents quality in skin care, fitness apparel and accessories. We will accomplish this using high quality manufacturing and research, a creative marketing program, and a comprehensive distribution network using both brick and mortar retail outlets, internet presence, and a consumer catalogue.

By utilizing this multi-channel approach we will be able to reach the niche market for quality personal care products rapidly and efficiently. It will allow us to develop ZaZa as the brand for quality skin and body care products within our target market.

The Company

ZaZa is a Brela Corporation. The company is 100% owned by Farida Hanif Bhaloo and Ahmed H. H. Mansoor, the founders. The board will consist of seven members: Mrs. Hanif, one additional member of management, three outside directors appointed by Mrs. Hanif, and two representatives appointed by the major investor(s).

Together, Farida and Mrs. Hanif have 15 years worth of combined experience in the retail industry. Both of them have held senior management positions with major companies in this area.

The company's main office is located in Kahama Urban Area. The leased office space should be sufficient for planned staff size growth within the first few years.

From Year 1 through Year 5 we will grow in head count from ten to sixty-five. The majority of this growth will come in store personnel, the rest will be support staff. We believe the plan shows a controlled and conservative ramp up of personnel.

Products

Skin and body care products will be developed and produced at our contract facilities in Kahama and Dar es Salaam. Production of apparel products will be managed through our contract manufacturer of sport-related apparel. Production of accessories will be managed through a contract with a manufacturer of quality sports-related accessories including: bags, hats, totes and socks for the wholesale market.

ZaZa will have two product lines, skin care and fitness apparel. Within the skin care line we will offer a wide array of products including body lotions, eye makeup removers, soaps, cleansing creams, facial scrubs and masks. Within the fitness apparel line we will first offer products such as tights and shorts, plus polyester and cotton tops.

Our pricing strategy is to position our products with a shelf price that is in the mid to lower quadrant of high-quality products and brands. We have accomplished this by making careful market comparisons and adjusting our packaging size. We believe our ability to create future product opportunities and growth will only be limited by our imagination and our ability to attract talented people who understand the concept of branding.

TheMarket

ZaZa will occupy a unique market position. No other brand offers a specialty line that includes skin care, cosmetics, fitness apparel and accessories. However, within each category significant brands do exist. Quality and price vary widely within each group. ZaZa will be positioned as a quality brand. The Tanzania cosmetics market has seen large annual growth rates over the past decade. Last year alone, the market grew by over \$10 million. Clear divisions between traditional categories are becoming blurred and new lines, such as aromatherapy are also emerging, creating new openings for profit.

In fitness apparel and accessories there is a tremendous opportunity since the female customer has been grossly overlooked. Most major companies do not produce products focused specifically on the female customer. Puma is the only brand that has developed a line of fitness apparel for women. Early sales for them have been exceptional, further highlighting the potential within this category.

In the skin care and cosmetics category the competition can be divided into three groups: Commercial; Clinical and Spa--private label brands associated with spas.

TheCustomer

Because ZaZa is a combined retail (direct to end user) and wholesale (to the end user through a reseller) strategy our target customer must be broken into two distinct groups, the end user and the reseller.

Our targeted end user is between the ages of 18 and 65. They are female urban professionals with at least some college. This consumer has an active lifestyle. They are concerned about social and environmental issues. Mind and body wellness are important to them. They belong to a health club; take yoga, pilate's or tai chi lessons. The effects of aging and the maintenance of a youthful appearance are a part of their life.

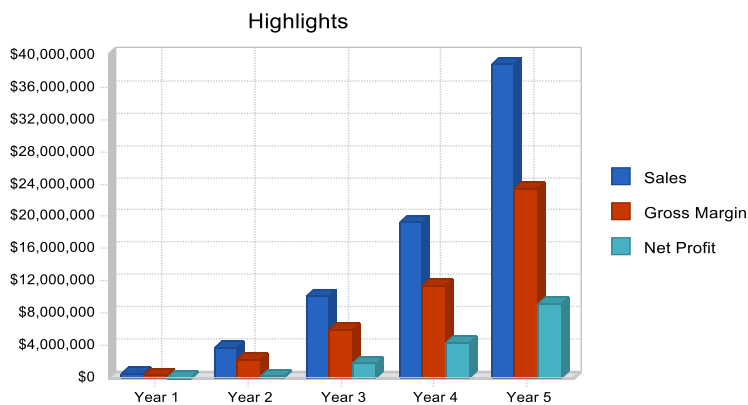
Our target customers (vs. end user) for wholesale distribution will be resellers who recognize the needs of this consumer and who she identifies with. We have used the term resellers because they will not be limited to retailers. We will reach the consumer through four distinct reseller channels. Spas and Health Clubs, Lifestyle Retailers, Cosmetic Specialty Retailers, and Boutique Department Stores.

There are a number of new demand trends that have impacted the market and created greater opportunities. These trends include a returning to age old, time proven, natural remedies; more consumers that are looking for more holistic and healing benefits from her skin care products, and today's consumer being more informed and more inquisitive about the benefits of her personal care products.

Financial

In order to launch its unique product line ZaZa requires an initial outlay. Sales at ZaZa retail stores are planned to grow rapidly from Year 1 through Year 5. During this time frame our wholesale revenues are planned to grow enormously. ZaZa will become profitable in our third year of operation. Initial growth will be financed by a combination of equity investment and debt financing. Our ratios are well within prudent limits, our growth plans are challenging, but realistic.

Chart: Highlights



Objectives

1. Launch ZaZa retail by the second quarter of Year 1.
2. Launch ZaZa wholesale by the third quarter of Year 1.
3. Achieve an above median maintained margin rate by the end of Year 4.
4. Generate a return on equity, ROE by the end of year 4.
5. Position ZaZa for a successful Initial Public Offering, IPO after redemption of capital.
6. Installation of ZaZa Manufacturing Machineries in the second year of business cycle.

Keys to Success

1. ZaZa Quality product.
2. Investment on Manpower.
3. Investment on Materials.
4. Investment on Money.
5. Investment on Methodologies.
6. Investment on a Well Equipped Lab.
7. Product logistics and quality control.
8. Product placement in key retail accounts.
9. Product lineage in Tanzania, Kenya, Uganda.
10. Morph business in Africa, ZaZa in the World.
11. A vertical retail presence in brick and mortar, catalogue and e-commerce.
12. The creation of a "buzz" about this "hot...new" brand among opinion leaders through a combination of Public Relations, PR and product placement.

Mission

To establish ZaZa as an important brand that represents quality in skin care, fitness apparel and accessories. We will accomplish this in the following ways:

1. High quality manufacturing and research.
2. A creative marketing and PR program.
3. Creation of a brick and mortar retail presence in 2023.
4. Development of a wholesale distribution network by the third quarter of 2023.
5. The successful launch of a ZaZa Web presence by the first quarter of 2024.
6. The successful launch of a consumer catalogue in the third quarter of 2024.

Company Summary

ZaZa is a multi-channel concept, combining a wholesale distribution network with a retail strategy, e-commerce, and a consumer catalogue. The face of retailing is changing. These changes are creating the potential for a new business model. This model will eliminate the need for a traditional brick and mortar retailer to open thousands of doors in order to reach the market, yet not eliminate the need for brick and mortar. At the same time it will eliminate the heavy ad spending that has been associated with e-commerce by utilizing a brick and mortar retail presence to develop brand awareness. Portions of this model exist in successful retail companies like Williams Sonoma and Crate and Barrel. Other pieces exist in successful wholesalers like Bliss and Clinique.

A few players have even touched on all the pieces (i.e. Aveda, MAC and Ralph Lauren). By utilizing this multi-channel approach we will be able to reach the niche market for quality personal care products rapidly and efficiently. It will allow us to develop ZaZa as the brand for quality skin and body care products within our target market. Our target consumer is interested in total mind and body fitness. She most likely participates in yoga, tai chi, pilate's or some form of mind and body program.

She is a professional over the age of 18 with a hectic lifestyle and high disposable income. Her busy lifestyle creates the need for self centering and pampering. She appreciates quality—especially in concert with service and selection. ZaZa will provide this customer with a total fitness brand. We are working with some of the best manufacturers globally to develop, and bring to market, high-quality products for skin and body care. In addition we have developed a ZaZa line of yoga and fitness apparel, a natural extension of the brand. These products have been developed utilizing the finest fabrics and proven fit specifications. ZaZa garments will provide the active female consumer with a brand of apparel designed for her and sold in an environment she can relate to.

BrickandMortar:

The first ZaZa store is scheduled to open in Kahama, Shinyanga in 2023. The store will be 1,700 square feet located in the Kahama District, a highly successful urban redevelopment area that has converted the warehouse and brewery district of Shinyanga to a residential and retail gem. The lofts in "the Pearl" range in price from \$20,000 for a studio to well over \$100,000 and they are sold long before completion. There will be over 50,000 residents in the Pearl when it is fully renovated.

The ZaZa location is situated in the heart of Shinyanga, Kahama Urban there after extending the fitness store and manufacturing lab in Dar es Salaam.

Wholesale:

We plan to launch ZaZa wholesale at Dar es Salaam, Mikocheni 'B' industrial area on Design show in the third quarter of 2023. We have secured a partnership with a well-respected distributor. Through this partnership we will be able to gain key show positions in the Kahama, Dar es Salaam, Dodoma, Arusha and Mwanza gift shows. In addition we will have a permanent position in their Dar es Salaam and Kahama showrooms. The wholesale strategy will target select spas, department stores and specialty stores that are recognized trend leaders. This product positioning will further establish the brand image of ZaZa.

E-commerce:

Unlike current e-commerce models, we do not intend to use the Internet to establish the brand or bring it to market. The e-commerce consumer is brand and convenience conscience. The early ventures have shown that it costs dearly to try and establish a brand via this medium. We will develop our initial Internet capabilities as a combination business-to-business tool and e-catalogue. Our site will be simple and direct with minimal cost. Many of our products are consumable.

We will be able to establish a user profile and contact the customer via email when she should be running low, to remind her, at the same time offering her an option to click and replenish. We will establish an EDI capability--directly with the end user. This contact will enable us to suggest add-on items based upon preferences of other users of the same item(s). In addition the e-commerce platform will provide us with a valuable wholesale tool. We will provide client companies with an access code that will allow them to place orders and utilize our product knowledge database as a training tool for their employees. ZaZa e-commerce capability will come online in early 2023.

Catalogue:

The ZaZa catalogue will launch in the fall of 2023. The initial mailing will target opinion leaders in key markets. Our catalogue will have a long in-home life due to the nature of the product and the editorial format. It will be our goal to inform and educate the consumer about the benefits of ZaZa products. We will focus on the ingredients and the benefits. The original ZaZa Tanzania Republic catalogue will be used as a model. By utilizing still-life photography we will be able to contain production costs while reinforcing our focus on the product.

Company Ownership

ZaZa is a Brela corporation. The company is 100% owned by Farida Hanif Bhaloo and Ahmed H. H. Mansoor, the founders. Miss Farida is the president and owns 80% of the stock while Mr. Ahmed is the vice president for product development and owns 20% of the shares. The planned future distribution of ownership will allocate a percent of shares for early investors proportionate

with their commitment. In addition, 10% of shares will be set aside for employee stock options and awards. Certain suppliers will be awarded warrants for their early contributions to the growth of the company. The specific amount of the warrants is to be determined, but will be proportionate to their level of contribution. Additional share options will be provided to members of the board of directors. The board will consist of seven members: Mrs. Hanif, one additional member of management, three outside directors appointed by Mrs. Hanif, and two representatives appointed by the major investor(s).

Start-up Summary

Start-up costs are shown in three areas. The first is in the start-up table, the second is within the cash flow assumptions and the third is in the P&L.

1. Start-up expenses: legal (incorporation and trademark registration), stationery (business cards and office supplies), etc., brochures, consultants (graphic design for logo and packaging), research and development (architecture fees for store and trade fixture design).
2. Start-up costs expressed in year one cash flow: FF&E for first ZaZa retail store.
3. Start-up costs included within year one P&L: brand marketing, management staff, travel costs to coordinate product development.

Table: Start-up

<i>Start-up</i>	
Requirements	
Start-up Expenses	
Legal	\$2,500
Stationery etc.	\$3,000
Brochures	\$10,000
Consultants	\$15,000
Research and Development	\$30,000
Expensed Equipment	\$60,000
Other	\$50,000
Total Start-up Expenses	\$170,500
Start-up Assets	
Cash Required	\$140,000
Start-up Inventory	\$44,500
Other Current Assets	\$0
Long-term Assets	\$65,000
Total Assets	\$249,500
Total Requirements	\$420,000

Table: Start-up Funding

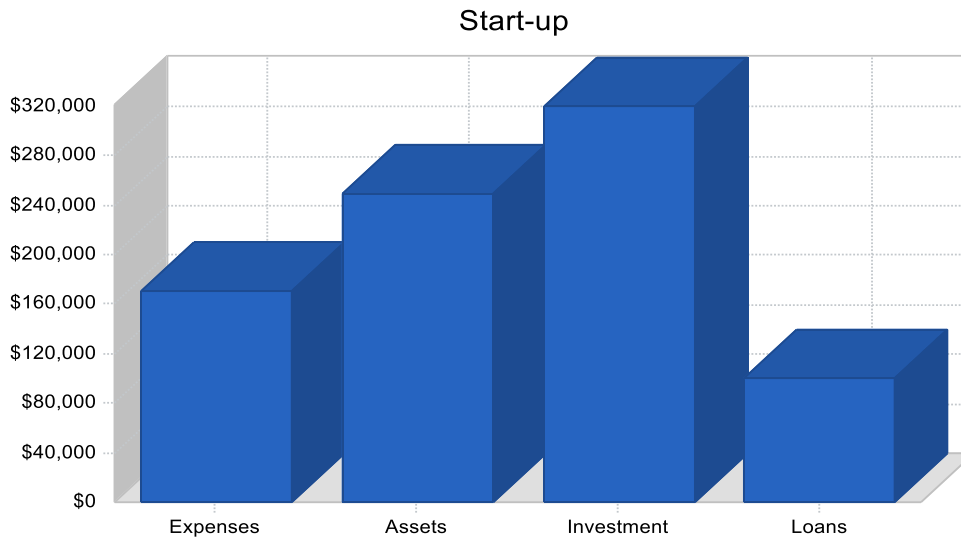
<i>Start-up Funding</i>	
Start-up Expenses to Fund	\$170,500
Start-up Assets to Fund	\$249,500
Total Funding Required	\$420,000
Assets	
Non-cash Assets from Start-up	\$109,500
Cash Requirements from Start-up	\$140,000
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$140,000
Total Assets	\$249,500
Liabilities and Capital	
Liabilities	
Current Borrowing	\$100,000
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$100,000
Capital	
Planned Investment	
Ray	\$256,000
Barbara	\$64,000
Additional Investment Requirement	\$0
Total Planned Investment	\$320,000
Loss at Start-up (Start-up Expenses)	(\$170,500)
Total Capital	\$149,500
Total Capital and Liabilities	\$249,500
Total Funding	\$420,000

Company Locations and Facilities

The company's main office is located in Kahama, Shinyanga. The office is approximately 400 square feet. An additional 800 square feet of office space can be made available within the building. This should be sufficient for planned staff size within the first few years. The company has a five-year lease on the current space with an additional five-year option. An option exists on the expansion space as well.

Distribution in the first year will be managed from a facility in Kahama, Urban Store. In years two through five we plan to manage distribution through a contract resource capable of handling both wholesale distribution and retail fulfillment. Skin and body care products will be developed and produced at our contract facilities in Dar es Salaam and Arusha, Mwanza and Dodoma, Tanzania.

Chart: Start-up



Production of apparel products will be managed through our contract manufacturer of sport-related apparel. They have a 50,000 square foot production facility in Portland, Oregon for high-quality technical apparel and a 200,000 square foot facility in Mexico for the production of t-shirts and other knitwear. (Partnership Deeds, Tanzania and Mexico)

Production of accessories will be managed through a contract with a manufacturer of quality sports-related accessories including: bags, hats, totes and socks for the wholesale market. Their office and distribution facilities are located in southern California. (Partnership Deeds, Tanzania and California)

Products

ZaZa distributes quality personal care products, fitness apparel and related accessories. This is accomplished through a combination of company-owned retail outlets and wholesale distribution.

Product Description

SkinCare

The initial launch for skin care products will be our "Water" range. The products in this range have been developed in our labs in Kahama. The Breat archipelago is unique in the entire world for its wide range of sea algae and seaweed. For four billion years the warm waters of the Gulf Stream have been flowing north along the French coast creating a unique ecosystem. The details of our product development and the relationship between the sea and the human body will be explained in greater detail in the marketing section. In this section we intend only to define the initial product range, each products benefits and our pricing strategy. Our methodology in choosing the water range for our initial launch is based on two primary issues:

1. The benefits of thalasso treatment are just coming to light in Africa.
2. Our name and logo make this launch of products from the sea a natural 'ZaZa'. We will be able to develop a meaningful and moving product story through this relationship.

The Water Range

Body lotion (intensive hydration)

Purpose: Fights dryness, restores and maintains hydrolipidic film, nourishes, regenerates, prevents aging and improves elasticity. Protects skin from the harsh environment. Leaves the skin firm and smooth.

Primary ingredients: A powerful marine osmoregulator extracted from green seaweed and Chondrus crispus extract maintain an in-depth long-term hydration rate of the epidermis. Carraghenans work on the skins surface with the skins natural proteins to create a protective film. Vegetable oil from Karite butter increases cell regeneration and insures suppleness.

Skin types: All

Use: Apply daily on dried skin all over the body with a soft circular motion.

Biocatalyst Tonic

Purpose: Finishes cleansing and leaves skin perfectly clean. Relieves, soothes and softens skin. Reactivates the physiologic epidermis' functions. Prepares the skin for make up. Hydrates the entire upper layer of epidermis.

Primary ingredients: Corallina officinalis contains trace elements of marine minerals and in excess of 300 enzymes. They promote elasticity of the dermis' structural fibers (keratogenesis). This ingredient prepares the skin for cosmetics. Critmum maritimum extract adds purifying and regenerating properties. Rose water contributes a relaxing effect.

Skin type: All

Use: Spray on nightly after make up removal and before applying night creams or during the day to relieve stress and brighten the complexion.

Eye makeup remover

Purpose: Removes eye make up. Soothes and relieves sensitive skin in eye area. Fortifies eyelashes.

Primary ingredients: Rhodophyceae extract promotes remineralization and hydration of skin while fortifying eyelashes. Rose water to tone sensitive skin while soothing and relieving eye shadows.

Skin type: All

Use: Soak on cotton ball lightly and gently apply on eyelids to remove make up.

Cleansing cream

Purpose: Soothes skin during make up removal. Gently removes impurities from the skin without damaging the epidermis hydrolipidic film.

Primary Ingredients: Crithmum maritimum extract is rich in essential oils with regenerating and anti-inflammatory properties. Shea butter to nourish the skin and add suppleness. Palm oil and Groundnut oil act as cleansing agents and soothe the skin.

Skin types: Sensitive, delicate and mature skins--gentle enough to be suitable for use as a baby cream.

Use: Apply on face and neck nightly to remove make up. Finish with Biocatalyst Tonic.

Multi protection day cream

Purpose: Acts like a second skin. Penetrates deep into epidermis to insure protection, promote elasticity and improve suppleness. Clarifies skin while soothing and hydrating.

Primary ingredients: Ulva lactuca extract, a fragile green algae that can resist wave pressure up to 20 tons per cubic centimeter because of an elastic fiber network similar to elastin. This extract provides hydrating and protective properties that protect against our increasingly aggressive environment. Shea butter nourishes skin and acts against dehydration.

Skin types: Dry and Normal

Use: Gently massage a few drops onto clean and toned skin each morning.

Regenerating facial scrub (micro marbles)

Purpose: Cleans off dead skin cells to promote regeneration of healthy new cells. Enlightens complexion and imparts radiance to the skin. Softens and purifies the epidermis.

Primary ingredients: Spherical micro-marbles exfoliate without causing irritation. Crithmun maritimum extract purifies epidermis and boosts cell regeneration.

Skin types: All

Use: Every other week for dry and sensitive skins, weekly for oily and normal skin types. Apply gently on clean skin, rinse with water and apply Biocatalyst Tonic.

Hydrating Cream Mask

Purpose: Softens skin. Provides equilibrium for cutaneous functions. Regenerates, while providing firmness. Maintains hydration of the epidermis.

Primary ingredients: Ulva lactuca extract is efficient in fighting skin slackening. Codium tomentosum extract provides long-lasting deep hydration of the upper epidermal layer. Enriched vitamin A, for skin regeneration.

Skin types: Is suitable for all skin types but most beneficial for sensitive skin.

Use: Apply on face, around eye contour area and on the neck after a gentle exfoliation. Allow to settle for three to five minutes, then wipe off excess with a soft tissue.

Purifying Cream Mask

Purpose: Smooths skin. Regenerates, enlightens and firms the skin. Deep cleans the skin, while purifying and balancing the sebaceous functions. Maintains hydration of the upper layers of the epidermis.

Primary ingredients: Laminaria digitata extract. This brown algae has anti-lipasic and sebostatic activities to fight against inflammation and regulate sebaceous secretions. Critmum maritimum extract rich in essential oils that purify the epidermis and boost cellular regeneration.

Vitamin A palmitate, to reinforce suppleness.

Skin types: Oily and combination skins.

Use: Apply on face (except eye area) and neck after a peeling or when skin is tired. Allow to settle for five to seven minutes, then gently remove excess.

Peel-Off facemask

Purpose: Forms a polymeric mask that cleans the skin and lightens the complexion.

Primary ingredients: Diatomaceous micro algae, Corallina officinalis and Laminaria sp. combine to increase cell metabolism.

Skin types: All

Use: Apply to face weekly. Leave on the face approximately ten minutes then peel off starting from the neck.

Royal sea cream (remineralizing face, body and hair algae mask)

Purpose: Toning, relaxing, remineralizing and detoxifying for the face, body and hair. Used as a hair mask it nourishes the bulb, soothes the scalp and strengthens the hair shaft. Applied on the body it becomes a remineralizing source.

Primary ingredients: Rhodophyceae and Pheophyceae provide minerals necessary to improve metabolism and elasticity of skin fibers. In addition they aid in the elimination of skin toxins. Red seaweed adds hydrating properties to the upper epidermal layer that are essential to skin suppleness.

Skin types: All

Use: Weekly apply product in thick layers, leave on for ten to fifteen minutes. Finish with a shower or a shampoo.

Super firming gel (algae firming gel)

Purpose: A firming and toning effect on the skin combined with a lipolytic action to support the acceleration of the elimination of fat cells.

Primary ingredients: Laminaria Digitata extract provides the lipolytic properties. Pelvetia Canaliculata improves blood circulation.

Skin types: All

Use: Gently massage the gel into belly, hips, and buttocks. For legs and thighs apply with an upward motion.

Tensing and regenerating cream

Purpose: Smooths and tenses the epidermis. Prevents dehydration of dry skin areas. Re-enforces cutaneous elasticity. Creates an instant lifting effect.

Primary ingredients: Algae oil from Laminaria digitata is rich in vitamin A to protect from free radicals and aid in fiber regeneration,

vitamin E which promotes hydration, vitamin C to speed up the healing process and vitamin F (from the Omega 6 family) to promote suppleness and nourish the skin.

Skin types: All

Use: In morning and evening apply a small amount of the active serum on arms, tummy, legs, bust and/or buttocks. Slightly massage until fully absorbed into the skin.

Sparkling sea pebbles

Purpose: Relaxes and soothes the skin. Re-mineralizes the skin by providing trace elements and minerals required for the body's natural balance. Delicately perfumes the skin.

Primary ingredients: Atomized sea water extracted from the Gulf Stream is combined with Patchouli (anti-inflammatory), lemon zest and mint (invigorating) and essential oils for aromatherapeutic benefit.

Skin type: Hypoallergenic for all skin types.

Use: After stepping into the bath place the pebble in the small of the back to benefit from the Jacuzzi effect. It can also be used for a very relaxing footbath.

Soothing after-sun gel

Purpose: Quickly calms the epidermis after sun exposure. Instantly stops the heat sensation. Rehydrates the epidermis.

Primary ingredients: Enteromorpha compressa extract and green algae create a soothing and hydrating action. This combination of ingredients has a peptide action that has been proven excellent in fighting problems caused by over-exposure to the sun (tightening, stinging, itching and heat sensation). It also reduces the intensity and duration of sunburn. Codium tomentosum extract is a powerful marine osmoregulator that helps in maintaining the epidermis hydration rate at the optimal level.

Skin types: All

Use: Apply generously on face and body. Within two hours of applying after-sun gel apply the hydrating milk to preserve and enhance the skins beauty.

Sun care hydrating milk (SPF 8)

Purpose: Protect the skin from the suns harmful rays. Ensure a uniform tan. Soften and smooth skin. Preserve the epidermis hydration.

Primary ingredients: A mix of three algae extracts to obtain protection against UVA and UVB rays while still allowing the skin to tan. A vegetable oil cocktail, rich in vitamins A and E to reinforce the skins hydration capacity and nutrients to ensure the skins suppleness. Glycerin provides a natural dampener to soften and smooth the skin.

Skin types: All

Use: Apply in an even layer all over the body. Renew application frequently during extended periods of sun exposure.

Anti-aging protective sun cream (SPF 12)

Purpose: Ensure a safe and rapid suntan. Preserve epidermal hydration. Fight against premature aging of the skin caused by the sun.

Primary ingredients: Chritmum Maritimum and Phaeodactylum Tricornotum phylo plankton combine to create a natural synergy rich in the essential fatty acids EPA/DHA. This ensures cellular regeneration and the formation of ceramids that are essential to the balance of the hydrolipidic film. Oil of Karite butter ensures the skin will maintain a supple texture and appearance. Palm oil (nourishing and softening), liquorice extract (anti-inflammatory) and a insaponifiable of Soya and Avocado extract aide in maintaining the skins fiber and give the cream its total care capacity.

Skin types: All

Use: During or before sun exposure. Apply frequently during extended periods of exposure to the sun.

Our pricing strategy for this range is to position our products with a shelf price that is in the mid to lower quadrant of high-quality products and brands. We have accomplished this by making careful market comparisons and adjusting our packaging size.

Fitness Apparel

Our initial apparel launch will be very tight and well focused. The range will include seven styles. Three of the styles will be offered in three colors with the remaining four offered in black. Sizing will be S-M-L in all items. The total number of stock keeping units will be 39. This creates a very manageable and understandable assortment. Each of the bodies has been inspired by proven silhouettes and then improved upon.

Long sleeve poly pique V-neck

Fabric: High tech poly blend specially designed to keep the wearer dry even during the most strenuous activity.

Activity: Medium to high activity workout.

Colors: Three (Black, plus two seasonal fashion colors)

Sizes: S-M-L

Suggested Retail: \$78

Wholesale: \$36

Landed Cost: \$18

Long sleeve poly pique mock

Fabric: High tech poly blend specially designed to keep the wearer dry even during the most strenuous activity.

Activity: Medium to high activity workout.

Colors: Three (Black, plus two seasonal fashion colors)

Sizes: S-M-L

Suggested Retail: \$78

Wholesale: \$36

Landed Cost: \$18

Lycra jacket - hip length

Fabric: Mid-weight stretch sport Lycra

Activity: Wear to and from the gym.

Color: Black

Sizes: S-M-L

Suggested Retail: \$128

Wholesale: \$60

Landed Cost: \$30

Lycra pant

Fabric: Mid-weight stretch sport Lycra

Activity: Special loose fit designed for yoga. Also excellent fit for the over 40 woman who no longer wants to wear tights to the gym.

Color: Black

Sizes: S-M-L

Suggested Retail: \$98

Wholesale: \$46

Landed Cost: \$23

Lycra tight

Fabric: Mid-weight stretch sport Lycra

Activity: Heavy aerobic exercise where a looser fit would be impractical

Color: Black

Sizes: S-M-L

Suggested Retail: \$98

Wholesale: \$46

Landed Cost: \$23

Lycra short

Fabric: Mid weight stretch sport Lycra

Activity: Heavy aerobic exercise

Color: Black

Sizes: S-M-L

Suggested Retail: \$68

Wholesale: \$32

Landed Cost: \$16

Lycra long sleeve crew top

Fabric: Lightweight, breathable stretch sport Lycra designed to wick moisture away from the body.

Activity: Post workout top designed to keep muscles warm and loose.

Color: Black

Sizes: S-M-L

Suggested Retail: \$88

Wholesale: \$42

Landed Cost: \$21

Rib cotton crew

Fabric: Lightweight ribbed cotton

Activity: To and from the gym

Colors: Black and two seasonal colors

Sizes: S-M-L

Suggested Retail: \$38

Wholesale: \$16

Landed Cost: \$8

Competitive Comparison

ZaZa will occupy a unique market position. No other brand offers a specialty line that includes skin care, cosmetics, fitness apparel and accessories. However, within each category significant brands do exist. Quality and price vary widely within each group. ZaZa will be positioned as a quality brand. We have eliminated the drugstore and discount brands from this comparison.

In the skin care and cosmetics category the competition can be divided into three groups: Commercial; Clinical and Spa--private label brands associated with spas.

The commercial brands are primarily sold through department stores. They vary widely in quality from Origins to ZaZa plus. They also vary widely in price. Their major advantage is their financial strength and their department store relationships.

The clinical brands are perceived to be "authentic." Their image is based upon the perception of treatment qualities versus purely cosmetic benefits. These brands are sold through their own retail outlets, specialty stores, department stores and/or health food stores. Kiehl's is perceived as one of the most authentic of the clinical brand.

The spa brands are sold almost exclusively at the spas they are associated with. This close affiliation provides a validation for the products but limits their ability to achieve wide market

distribution. Bliss and Aveda are notable exceptions. These two brands have achieved wide market distribution and brand recognition.

In fitness apparel and accessories the female customer has been grossly overlooked. Reebok and Avia had the best chance of capturing her at one time. However Reebok abandoned her to try to become a "legitimate" sports brand and acquired Avia. Avia has since been sold and has all but disappeared. Meanwhile the big two brands (Nike and Adidas) have ignored her. Recently Nike announced the formation of a women's division as a separate business unit. While this offers the possibility of a major competitor in the women's fitness category, it also highlights the opportunity. Puma is the only brand that has developed a line of fitness apparel focused specifically at this consumer. Their Nuala line has been developed with Christy Turlington. They have positioned this line to sell through women's specialty stores rather than traditional sport retailers. Early sales have been exceptional, further highlighting the potential within this category.

ZaZa will develop our market position by combining a retail strategy that includes a day spa with a wholesale distribution strategy. ZaZa will acquire the validity afforded the spa brands and access to broad distribution. ZaZa skin care and cosmetic products will offer therapeutic benefits to the user based upon the principles of Thalasso therapy in our water line and Botanical treatments in our earth line. Our color cosmetics will be mineral based and provide the user with esthetic benefits while nourishing the skin. In addition to providing retail appropriate packaging we will develop bulk sizes for distribution within the spa trade. Most day spas use generic products and do not have the ability to develop a private label line. The apparel and accessory lines will combine the newest in technical fabrics with fit specifications that allow the wearer full range of movement. We have developed affiliations with select yoga and fitness facilities for our apparel. All of our products will be positioned at the quality conscious consumer. Our marketing campaign and PR positioning will reinforce the ZaZa image. Our message will be to identify the benefits of our products and to develop an image that makes ZaZa products highly desirable. Meanwhile, our pricing strategy will be to maintain retail price points in the lower quadrant of the top quality brands. A detailed comparison of our pricing as it relates to our target market is in the appendix.

Sourcing

Skin care

Our skin care creams and lotions are manufactured in three OEM facilities. Two are in Tanzania, one is in Southern California.

Our primary facility is located in Kahama, Shinyanga, West Zone of Tanzania in Partnership with Brittany, on the north coast of France, considered to be one of the top algae specialists in the world. They process in excess of 500,000 tons of algae per year (30% of the current dry weight production world wide) for both agrochemical and cosmetic use. Founded in 1957, the company has grown to \$300,000,000 in annual sales with 300 employees.

Our partnership gives us access to the following critical resources:

- The ability to produce both small run (2 Kg) and large volume (2000 kg per day) of creams and lotions.
- An innovative R&D department with a strong technical background.
- An experienced quality control department.
- Managed compliance with Government rules and regulations.

Our franchise laboratories in France for marine biotechnology will work with us in developing and producing ZaZa's signature range of products from the sea.

Our second franchise facility is located in the South of France. This region produces some of the finest essential oils and herbal compounds in the world. The facility gives us access to the latest developments in aromatherapy, skin care, fragrances and essential oils.

Our third franchise factory is located in southern California. Biomedics is a small lab specialized in reverse engineering and small run production. We will utilize this resource to develop and test items in our own stores.

Packaging for the skin care products is being purchased from Luxepack. They manufacture in Europe and have distributors in the United States. This combination allows us to have access to the needed packaging at each of our production facilities without the need to purchase or warehouse large quantities. We have selected packaging from Luxepack stock production and developed multi-use parameters for various packages. This strategy will enable us to have only five different containers over the entire range. We will label each product with a self-adhesive label rather than screen-printing the packages, further leveraging the cost and efficiency of the packaging.

Labels will be printed and applied at each production facility from digitized art produced by our graphic director in Tanzania. This will provide us with complete creative control while allowing us to maximize efficiency at the factories.

Apparel

Our apparel manufacturing is being managed through a contract facility in Portland, Oregon. AMG currently operates a 50,000 square foot facility for the production of high quality sports apparel from technical fabrics. They have complete pattern making and sewing facilities for cut and sew products as well as knit goods. The availability of their technical knowledge and production capability provides ZaZa with significant flexibility in developing our assortments and managing inventory demands. During the early phases of development AMG will also handle fulfillment of apparel orders.

Pricing structure - skin care

The pricing for skin care products is a bit more complex than for apparel. Since we are purchasing all the components separately and collecting them centrally we must include all of the individual

costs in the process to determine landed cost. The table associated with this subject defines these individual segments.

Pricing structure - apparel

Our apparel pricing structure positions ZaZa as a quality brand. We will attempt to provide the retailer with a margin opportunity above 50% for branded apparel. Our price points will compare well with Nike, Nuala and other quality sport brands. We will be very well priced in comparison to Prada sport, Polo sport and the other designer brands venturing into this area.

Future Products

A corner stone of our strategy is the creation of sustainable growth through a combination of new product launches and replenish-able basics. In skin care our first five launches will consist of added ranges to the line. ZaZa's product line is based on five elements of the universe. Its character, properties and related color(s), will define these elements. Body care products will be scented with essential oils that are known to create or improve the related character. All body and bath products, except after sun care, will ultimately be offered in five ranges. Sun care will only be offered in balancing, calming and soothing. Because face creams and lotions are meant to rebalance and moisturize the skin, face care will be unscented and will only be offered in the Water range. Our skin care launches will occur at four-month intervals starting in August of 2023 with Water. Followed by the Earth range in the early months of 2024, Air in mid months of 2024, Fire in August 2024 and Metal in early months of 2025.

The colors associated with each range will allow us to create a line of cosmetics that works for all skin tones and an apparel assortment that covers the basics and can respond to color trends. The initial apparel launch will be August 2023. Our cosmetic launch will occur in early 2024. These dates are for wholesale. Our retail stores will have the respective groups available by early 2023. Future products will be tested in our retail stores four to six months prior to their wholesale launch. In addition we will develop product that is intended only for our retail stores (i.e. brushes and sponges). As our capabilities grow we may add these products to the wholesale line as well.

ZaZa is launching a brand. The successful execution of this strategy will provide us with the ability to transcend into other categories in the future, as long as we define our image and stay true to the base precepts. (Much like Ralph Lauren has done with his tie business.) For example, properly executed these five precepts can be applied to home products. We believe our ability to create new product opportunities and growth will only be limited by our imagination and our ability to attract talented people who understand the concept of branding.

Market Analysis Summary

The Africa cosmetics market grew by over \$100 million in 2019. (A rate of 2.3%.) A major factor in the growth of this segment was the impact of niche lines with spa positioning. Clear divisions between categories are becoming blurred. The Spa theme now touches on virtually all product

categories. Aromatherapy has gained mainstream acceptance and is present in all product categories. All categories (except Men's) experienced growth. 1999 sales (x\$100) and growth by category broke down as follows:

	Sales	Growth	Market Share
Skin Care	\$5,551	3.40%	28.00%
Color Cosmetics	\$6,173	8.90%	31.00%
Fragrance	\$3,345	1.40%	17.00%
Body and Bath	\$3,498	7.50%	17.00%
Men's Line	\$1,478	-2.50%	7.00%
Total	\$20,045	6.60%	100.00%

Within the market there are several distinct channels of distribution/price point classifications. They are:

- Prestige--department and specialty stores
- Broad--mass merchandisers, cosmetic discounters, drug stores, food stores and wholesale
- Alternate--direct sales (Avon, Mary Kay)
- Specialty--(Body Shop, Bath and Body Works), Spas and Salons

Of these categories Alternative accounted for the largest volume (\$7,288,000,000), the largest growth rate (+8.4%) and the largest market share (36%). Broad was ranked second at \$6,645,000,000 in sales, a 6.4% growth rate and a 33% share of market. Prestige was third at \$6,112,000,000 in sales, a 4.5% growth rate and a 31% market share.

Market Segmentation

For the purpose of this analysis we are focusing solely on the female market. Therefore our potential customers base (for the purpose of developing projections) does not include any statistics or provisions for male consumers. We have used the demographic report for spa goers conducted by spa weekly as a basis for our assumptions. Based upon this survey the spa goer is predominantly female (85%), well educated (46% attended college), and crosses income levels (26% earn less than \$35,000; 32% earn between \$35,000 and \$74,999 and 42% earn over \$75,000).

Using this demographic as the basis for our methodology we developed our potential customer base with the following parameters: Women with some college between the ages of 18 and 65. We completely discounted women with no college, women between 18 and 25, women over 65 and the entire male population. It is estimated that the female population will grow at a rate of 5.18% annually from 2000 to 2025 (source: the U.S. census bureau). This data is for the entire United States. Of the 33,642,000 women represented between the ages of 18 and 65 who attended college, 29,293,000 (87%) reside in major CMSA's.

Chart: Market Analysis (Pie)

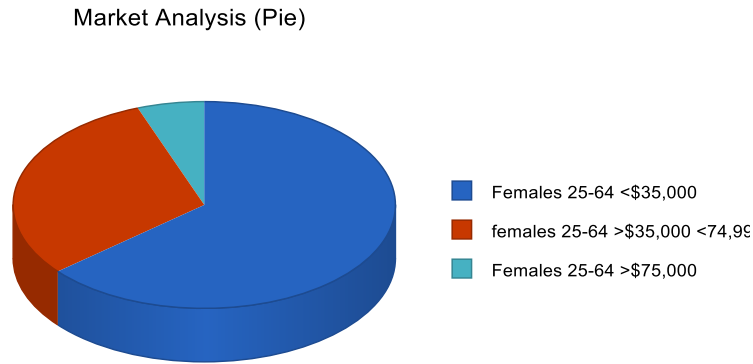


Table: Market Analysis

<i>Market Analysis</i>							
		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Females 25-64 <\$35,000	5%	21,475,000	22,548,750	23,676,188	24,859,997	26,102,997	5.00%
females 25-64 >\$35,000 <\$74,999	5%	10,276,000	10,789,800	11,329,290	11,895,755	12,490,543	5.00%
Females 25-64 >\$75,000	5%	1,891,000	1,985,550	2,084,828	2,189,069	2,298,522	5.00%
Total	5.00%	33,642,000	35,324,100	37,090,306	38,944,821	40,892,062	5.00%

Target Market Segment Strategy

Because ZaZa is a combined retail (direct to end user) and wholesale (to the end user through a reseller) strategy our target customer must be broken into two distinct groups, the end user and the reseller.

Our targeted end user is between the ages of 18 and 65. They are urban professionals with at least some college. This consumer has an active lifestyle. They are concerned about social and environmental issues. Mind and body wellness are important to them. They belong to a health club; take yoga, pilate's or tai chi lessons. The effects of aging and the maintenance of a youthful appearance are a part of their life. A recent survey conducted by The American Spa Industry revealed the following demographic for day spa goers: 85% are female, 46% have some college and 39% are college graduates, 63% are married, 32% have an annual income between \$45,000 and \$74,999, 40% have income above \$74,999 and 26% have incomes below 45,000, 47% are between 34 and 52 years of age.

They are predominantly female. They are well educated. Between 1993 and 1998 20% more BAs and MBAs were awarded to women than men. Women received 59% of all associate degrees, 55% of bachelor degrees, 53% of masters' degrees and 40% of doctoral degrees earned in the United States. Today college campuses are over 60% female. The buying power of this segment of the market continues to grow. There are currently over 109 million female consumers. Their buying power is estimated at \$4.4 trillion. (In comparison, the junior market is estimated at \$100 billion). In 1997 64% of working women earned more than one half of the family income. Today, businesses owned by women generate over \$3.6 trillion in annual sales. Of the net increase in the workforce between 1992 and 2005, 62% are projected to be women. In retail the female consumer is the primary decision maker in 85% of households. Women buy or influence the purchase of 80% of consumer goods. Their increasing educational attainment makes young women even more sophisticated and demanding consumers.

Today's female consumer is living a transactional life with multiple constituencies. Her life is on fast forward. In the last few years the sales of anxiety drugs to this consumer has surpassed the sales of anti-depressants. Her definitions are shifting, blurring the lines between home and office; private and public; professional and casual; even male and female. Age has become irrelevant. Life stages are no longer defined cleanly by age. (A 44-year-old first-time mother has much in common with a 22-year-old first-time mother.) Links between generations and mindsets are becoming very spread out. Today's female consumer defines herself more by mindset or approach to life than by age. Parents and teens are often on parallel treadmills. The older segment is interested in staying young and the younger segment is acting older.

In addition there has been a democratization of luxury. The upper-class family group is massive. More than eight million households have incomes above \$100,000. Luxury spending is growing four times faster than overall spending. Working women of all ages have more money and they are spending it on personal luxuries. This is a reaction to the chaos of 24/7 consumerism. She'll buy, but she wants more than just another product. She is not seeking empowerment--she is empowered. She is choosing to take better care of herself and others. She is looking for peace, solutions and fulfillment. Purchasing has moved beyond price. The Price:Value ratio has become more meaningful. She is seeking a "value added" experience or product. Our strategy of combined channels of distribution allows us to fit into her schedule while our product philosophy provides her with the benefits she is seeking.

Our target customers (vs. end user) for wholesale distribution will be resellers who recognize the needs of this consumer and who she identifies with. We have used the term resellers because they will not be limited to retailers. We will reach the consumer through four distinct reseller channels.

1. Spas and Health Clubs
2. Lifestyle Retailers
3. Cosmetic Specialty Retailers
4. BoutiqueDepartmentStores

Market Trends

The African cosmetics market (measured in shipments from manufacturers) grew by over \$100 million by 2019 year. (A rate of 2.3%.) A major factor in the growth of this segment was the impact of niche lines with spa positioning. Clear divisions between categories are becoming blurred. Spa theming now touches on several product categories. Aromatherapy has become mainstream and is present in all product categories. All categories (except Men's) experienced growth. The categories are:

- Skin Care--facial treatment and sun care
- Color Cosmetics--face makeup, eye makeup, lip color,nail color, applicators and organizers
- Women's fragrances--perfumes, colognes, fine fragrance and ancillary products
- Body & Bath--all hand and body care, bath and shower products (not included in fine fragrance) and aromatherapy
- Men's products--fragrances and ancillary products specifically for men's treatment

Within the market there are several distinct channels of distribution/price point classifications. They are:

- Prestige--department and specialty stores
- Broad--mass merchandisers, cosmetic discounters, drug stores, food stores and wholesale
- Alternate--direct sales
- Specialty--(Body Shop, Bath and Body Works), and Spas and salons

Of these categories Alternative accounted for the largest volume (\$7,288,000,000), the largest growth rate (+8.4%) and the largest market share (36%). Broad, was ranked second at \$6,645,000,000 in sales, a 6.4% growth rate and a 33% share of market. Prestige was third at \$6,112,000,000 in sales, a 4.5% growth rate and a 31% market share. The very narrow spread between Prestige and Broad is indicative of the consumers desire for quality products rather than price point driven creams and lotions.

The growth of the Body and Bath category and the Alternate channels is being driven by three major market influences:

1. An acceleration of cross distribution creating new opportunities for branded day spas and catalogues.
2. Pampering has taken a front seat in the consumers mind and is viewed as a need rather than a want. This has created an opportunity for new spa lines, spa-oriented products encompassing aromatherapy and new age positioning.
3. The day spa influence is creating consumer awareness of the benefits of quality skin care and body & bath products.

Today's skin care customer is looking for magic. She wants to believe that there is a potion in a bottle that will erase her wrinkles. Consumers spent a record \$11 billion on skin care alone in 1999. Approximately \$3.6 billion (32.7%) of that was spent on upscale creams. The baby boomers, who don't want to age without putting up a fight, have been spurring this growth. But even men and women in their early 30's have been turning to expensive creams and lotions. Most manufacturers believe this is being driven primarily by vanity.

At Bluespa we believe it is a result of a better-educated consumer base and easier access to information. We believe that you only need to look at the proliferation of personal trainers, gyms, spas and yoga schools, the awareness of vitamins and the benefits of eating and living healthy for both mind and body. These indicators are not unrelated and we believe they signal a change in values and lifestyle rather than just a fashion trend. While it may well have been spurred on by the growth in the stock market and the general economy, we do not believe that it is dependent upon the continued rapid growth of these factors. Once the consumer has recognized the benefits of these products they will not be willing to simply give them up.

The two major growth categories within these segments are face creams and anti-aging creams. In face creams the hottest "new" product is Crème de la Mer. This crème was formulated from, Alfalfa, Citrus, Kelp and Vitamins by a NASA physicist to heal scared tissues. A five-ounce bottle costs \$1,000. In interviews women have described it as "magical." Demand for these products is so high that retailers have begun to limit the quantity a customer can buy. When the cream was introduced in Hong Kong last September there was a waiting list of more than 500 people. When Sisley, another high-end facial crème, hit the shelves at Saks in San Francisco (at \$300 per ounce) the store had trouble keeping it in stock according to the cosmetics manager.

Certainly these are not your mothers' facial creams. This new generation of creams is more scientifically advanced than anything previous manufacturers brought to market. Research has shown that alpha hydroxy acids, retinol and anti-oxidants can smooth out wrinkles and even out irregular pigmentation. Other natural ingredients can speed up the regeneration process of skin cells, tone the skin, clarify the complexion, and reduce wrinkles as well. Even the legendary firm La Prairie, who pioneered sheep placenta in its formula and has women flying to Europe to use it, has begun to shift formulation to vitamins, anti-oxidants and herbal extracts.

Many manufacturers site the high cost of research as a major reason for the high price of their products. However this "new" trend is more a returning to age old, time proven, natural remedies than new science. One noted chemist and cosmetics researcher recently stated that charging more than \$100 for a vial (ounce) of any serum is unwarranted. She stated that while there are some very special ingredients that are costly, when prices go above this level it is just maxing out snob appeal. When you combine these facts with the rapidly increasing level of consumer education and the demand for a price-value equation, you can begin to see the market niche that is developing for high-quality skin care at price points reflective of their ingredients and value.

Industry Analysis

The cosmetics industry is in a state of flux. Traditional brands (Revlon, L'Oreal, Lancôme etc.) are viewed as old. The consumer is looking for more holistic and healing benefits from her skin care products. She is no longer content with just the appearance benefits offered by traditional brands. The Body Shop brought her an awareness of cruelty free and natural products. These initial nudges lead to today's consumer being more informed and more inquisitive about the benefits of her personal care products. Her skin crème needs to protect her from the sun's damaging rays, moisturize her skin and reduce the effects of aging. She is seeking relief from the effects of a hectic 24/7 lifestyle. She has learned the benefits of herbal therapy and aromatherapy. She has either experienced or read about the benefits (both physical and emotional) of a Day Spa.

Traditionally the dynamics of the industry have favored large houses because they can fund the major advertising and marketing campaigns associated with this industry. Today an underground (or gorilla) marketing effort can be more effective in gaining credibility with this market segment. In the past the volume of product required to produce a batch, and the cost of producing packaging have favored the larger players. Today, technology has evolved to allow the efficient production of small batches. Packaging resources exist that allow for efficient cost controls and rapid delivery of these components. In brief, the advantages of size that created barriers to entry for new players have been swept aside. The cosmetic giants still hold a dominant position in this industry and they will most likely continue to. But they have realized the need to acquire new brands and to keep their affiliation in the background. LVMH and Lauder have done an excellent job of identifying emerging brands and acquiring them.

In recent years names like MAC, Bloom, Bliss, NARS, Fresh and Kiehl's have been acquired. This strategy indicates that a few of the traditional big players recognize the benefits, for themselves and the industry, of emerging niche brands. Add to this equation the growth of the day spa industry in the United States over the last 20 years. In 1980 there were 25 day spas in America. By 1990 that number had risen to 200. Today there are over 3,000 day spas in the U.S. and 300 in Canada. Americans are beginning to understand the benefits and pleasures of taking care of themselves.

Main Competitors

Because we will develop our brand image and market positioning primarily through our skin care line, we will focus our competitive review on that segment of the market. The skin care market is very broad. It includes products labeled as body crème that range in price from \$10 for a five-ounce container to over \$300 an ounce. Our market positioning will be in the lower price quadrant of high quality natural products.

Our primary competitors for this customer are:

Kiehl's: Founded in 1851, this brand has an image that is well established with the consumer. Their main strength has been that the products work. Kiehl's has been a family business for four generations. The products are being made in small batches in a New York City facility. They have

a wide and varied distribution strategy. Their packaging and labeling is very clinical in appearance. In recent years the brand has experienced almost geometric growth. This has caused them serious internal problems. They have been unable to meet demand and have stopped adding customers. In spring 2000 Estee Lauder acquired them. According to internal sources Lauder will move the manufacturing to OEM facilities and shut down the internal capabilities. They plan to focus growth on traditional department stores and on a roll out of Kiehl's own stores. The obvious plus of this marriage is the availability of cash and technical resources. The potential risk is that Lauder will associate the brand closely with Department stores and that the OEM manufacturing will result in the changing of certain formulas and a reduction in product effectiveness.

Aveda: Founded in 1978 by Horst Rechelbacher (an artist), Aveda has become synonymous with quality hair-care products and salons. They are distributed, worldwide, by over 3,000 Aveda salons. It has nurtured a well-defined image and secured a very effective distribution network. Aveda salons are a combination of licensed properties and company owned locations. Their product philosophy is centered in Ayurveda healing and aromatherapy. Recently Estee Lauder acquired them.

Clinique: Clinique was launched in 1968 with skin care and makeup products that are all allergy tested and fragrance free. Clinique products are marketed as part of a three-step system: cleanse, exfoliate and moisturize. The products are marketed primarily through department stores. In recent years their image has become dated. Clinique makes a significant amount of their sales through "bonus week" at department stores. The 18 to 35 crowd does not consider them current and their product development hasn't kept pace with changing consumer awareness. Clinique is a division of Estee Lauder.

Fresh: Fresh distributes body and skin care products through their own stores, a consumer catalogue and wholesales globally to department and specialty stores. Their products are more "fashion" influenced than treatment based. They currently have two stores in New York City and one in Boston. Their target market is younger and less affluent than Bluespas'.

Essential Elements: A former stock analyst started essential Elements in 1995. The products are botanical based natural body crèmes and lotions. They are distributed primarily through day spas and specialty stores. Informed sources say they will be launching a consumer catalogue. Their main target for increasing distribution is through day spas and resorts.

Strategy and Implementation Summary

Our strategy is to develop ZaZa as a brand that represents quality and value. The tactics underneath this strategy and the programs we will put in place cover a broad range of disciplines. They are presented here in order of importance.

Strategy Pyramid

1. Products that perform:

- Continually develop and bring to market products that function as intended and represent an acceptable price--value proposition to the consumer.
 - Skin care and fragrance will be developed around two natural themes: Thalasso therapy, and Botanicals.
 - Working with female fitness instructors and students to develop an apparel and accessory range that meets their performance and fashion needs.
2. People:
 - Locate, nurture and develop a team that is talented, committed and understands the concept of brand.
 - Training and incentive programs will assist in inspiring our people to "walk the walk," and reward performance.
 - Employee stock option and profit sharing programs will be available at all levels.
 3. Targeted marketing programs:
 - Focus on PR campaigns and affiliations with opinion leaders that reinforce our image.
 - Print advertising will be focused on the benefits of our products, both physical and emotional. They will speak to the lifestyle our target consumer aspires to have. It will be carefully placed to insure the proper affiliation.
 - Point of sale graphics will reinforce our message of function and quality. We will create a package of shop in shop and concession concepts for spas and retail accounts.
 - Develop a team of "technical representatives" to support key accounts with product and sales training.
 4. Development of ZaZa day spas and retail stores:
 - Day spas will be carefully sited to generate acceptable revenue and enhance our brand image.
 - Existence of our own day spas will help to establish and reinforce our authority.
 - Retail stores will be located in major shopping areas and malls. ZaZa retail stores will bring the product and brand image to consumers in major markets.
 5. Distribution through day spas and resorts:
 - Further enhance the ZaZa image with the consumer by targeting prestige spas and resorts.
 6. Controlled distribution at wholesale:
 - Affiliating with retailers who have a consumer image and awareness that supports ZaZa will reinforce our image.
 7. Creation of the ZaZa catalogue:
 - Allow us to reach a broader (geographically) audience at reasonable cost and in a controlled method.
 - Explain our products and our philosophy in an informative and interesting format.
 - Create brand awareness in new markets and measure consumer acceptance prior to committing brick and mortar resources.
 8. Implementation of the ZaZa website:
 - Provide the consumer with a reference for treating the skin.
 - Provide a training tool for ZaZa accredited facilities on the Web.

- Wholesale customers will be able to utilize the site to train their staff and to place reorders or learn about new products.
- Retail and wholesale customers will be able to set up automatic replenishment on the Web and we will be able to reach out and remind them when they need product, based upon average usage data and time since last purchase.

Value Proposition

Our value proposition must be viewed at two levels. First, the end consumer, what do we offer her that she will recognize as a benefit and a value? Second, the retailer, their motivation to purchase and market our products will not always be in sync with the consumer's motivation to buy.

The end user is being bombarded with claims and propositions from cosmetic companies. They are all somewhat mysterious and expensive. She is unclear what really works for the skin and why. She is unclear how to choose the correct products for herself. Spas are seen as a luxury. A day of pampering, requiring a commitment of time and money. We will provide her with simple statements of benefit and recommended use for our products. Our day spas will offer a new approach to treatments. We will have a menu that is designed to provide the consumer with a relaxing and rejuvenating experience during lunch or in an hour before or after work. We will provide her access to the products she enjoyed at the spa and the information necessary to gain the maximum benefit from using them at home. Our multi-channel distribution strategy will insure her easy access to product when and where she needs it. By combining a simple approach to product knowledge, a distribution strategy that insures availability, a pricing proposition that puts us at the lower quadrant of the high quality brands and a quality brand image for ZaZa, we believe we will create a compelling value proposition for our target consumer.

Our target retail and spa customers are motivated by a different set of values. Today they need products that draw consumers to their establishments and offer them an acceptable return. They need their vendors to provide training and marketing support and they need to be able to offer their customers a reason to come to them. ZaZa will address each of these needs for our retail clients. Because we will create ZaZa as a brand we will be pulling consumers into their doors. Our technical representatives will offer them a resource for training and developing their own staffs while our shop in shop programs will offer them in-store fixturing and point of sale support, and our concession program will provide them the opportunity to have a complete ZaZa operated facility in their location. We will offer a product return and exchange privilege for qualified accounts that assures them a maintained margin of 50%. We will limit wholesale distribution so retail clients will gain a market advantage over their competitors. Because ZaZa has been conceived as a retail strategy, we will be able to better understand and serve the needs of the retailer.

Marketing Strategy

ZaZa will utilize a brand building (pull) strategy as the basis for our marketing plan. We will position our print media spend in magazines that influence our target consumer and validate the

brand. The publications we will utilize are: W, Vogue, Wallpaper, Cosmopolitan, Travel & Leisure, Vanity Fair, Departures, In Style, Food & Wine, Shape, Town and Country and the New York Times Sunday edition. These are the same publications retail buyers and trend analysts scour to find emerging brands or trends. In addition to paid ads in regional issues of the publications mentioned, we will retain a PR firm to develop a grass roots program for obtaining product placement and celebrity/trainer endorsements. Our media and PR strategy will bring the brand to the forefront for the consumer and set the stage for our image development. We will have a separate plan to market to spas and retailers at trade shows. In addition we will develop a unique in-store graphic and communication package that explains our products benefits and advantages at point of sale.

Marketing Programs

1. **Development of product packaging:**
Develop a packaging and labeling system that communicates the ZaZa message.
2. **Development of product brochures:**
Create a series of brochures that will function at point of sale and at trade shows.
3. **Creation of a Bluespa video:**
Develop a video that explains the connection between the sea and the human body.
4. **Selection of a PR firm:**
Begin the selection process for a retained public relations firm in April of 2023.
5. **Creation of our graphic language:**
It will be complete this project by March 1, 2023.
6. **Selection of an advertising firm:**
Begin the selection process for an advertising agency in March of 2023.
7. **Development of our print campaign:**
Development of this campaign will begin immediately after selecting an agency.
8. **Creation of consumer seminars:**
Develop and implement these programs by July 2023.
9. **Development of bonus week programs and products:**

To develop and source these products by October 2023, the first bonus week event will be on December 2023.

Pricing Strategy

Our pricing strategy at retail will be to create a price-to-benefits ratio that positions ZaZa as a superior value. At wholesale we will price our products to provide the retailer with a 50% maintained margin and offer a product exchange program for current accounts. Our wholesale prices will be derived after the appropriate retail is determined to insure that the shelf price represents a value to the consumer and the retailer has a 50% margin.

Promotion Strategy

Our promotional strategy will cover a broad range of programs.

Pricing:

We will not have price promotions in our own facilities and we will discourage our wholesale customers from reducing prices. Instead we will have a quarterly bonus week. During the bonus week consumers will receive a free gift with any ZaZa purchase over a pre set amount. The gift sets will consist of sample size ZaZa products from our most current launch in a specially designed tote or gym bag.

Consumer Mailers:

We will have a monthly mailer for ZaZa customers. It will be designed to educate the consumer about the benefits of a particular product or ingredient. The mailer will be redeemable for a sample of the product.

Seminars:

Our point of sale system will track consumer sales and usage by customer. We will invite our best customers to quarterly seminars on skin care and wellness.

Affiliations:

We will outfit select female yoga and fitness instructors in key cities.

Public Relations:

We will contract a top public relations firm to develop and execute a gorilla campaign. The objective will be to secure product placement in key publications and endorsements by opinion leaders.

Print Campaign:

We will have a paid placement program that includes monthly placement in regional issues of W, Vogue, Wallpaper, Cosmopolitan, Travel & Leisure, Vanity Fair, Departures, In Style, Food & Wine, Shape, Town and Country and the New York Times Sunday edition.

Sales Strategy

Our retail sales strategy consists of just two parts. First we will hire and train people who fit the ZaZa image and lifestyle. Our training programs will insure that they have the product knowledge necessary to serve the customers needs and close the sale. Second, our commission and retention programs will insure we recognize and reward performance. Our sales people will be on a commission program that compensates for follow up sales at progressively higher rates. This will provide an incentive for consumer follow up and the creation of repeat business. Our commission program will also insure that individual performance is monitored and recognized. Top performers will be singled out for recognition and poor performers will be given additional training or encouraged to seek a profession more suitable to their skills.

Our wholesale sales program will evolve through two phases as we grow. In the first phase leading showrooms will represent us. Alweil Studios will act as our national sales manager. They will be paid a 15% commission on all sales and will manage the contracts with other showrooms. This rate is three points above the average for small firms and five points above the average for larger accounts. These higher rates will motivate the reps to promote ZaZa products and aggressively pursue reorders. They will also handle order follow up and customer service. Their commission will be paid 50% at time of shipment and 50% at time of payment, insuring a vested interest in customer satisfaction and payment. After we reach \$6,000,000 in wholesale business to outside accounts we will begin to develop an internal sales force and customer satisfaction team. Our internal sales team will be paid 6% of sales. The customer satisfaction team will handle all post sale activities. Insuring delivery, claim processing and collection. (This team will cost approximately 8% of sales in salary and support costs.)

Sales Forecast

Sales at ZaZa retail stores are planned to grow astoundingly from 2023 to 2028. This represents a phenomenal growth rate per year for the first five years. This growth is comprised of two factors. First, average comparable store sales growth over five years. This average rate is a composite of the planned rates year one through year five. Second, a new store-opening schedule resulting in eight locations being open at the end of year five. The average store size is planned at 1,500 square feet. Mature store volume is planned at \$450 dollars per square foot. New stores are planned at \$325 per square foot. Catalogue sales are planned to begin in 2025 and projected to grow to triple in 2026. This is the result of three additional mailings in 2026. The addition of e-commerce and the catalogue escalates total sales direct to consumers by the end of 2026.

Wholesale sales are budgeted to grow enourmously by the end of 2026. While we believe this growth is achievable for the following reasons:

1. A great deal of our growth will come from adding doors. We will begin 2023 with no accounts. As we add accounts we will experience both per door growth and geometric growth in the size of our wholesale client base.
2. Our product launch schedule will result in our range being approximately 10 times as large in product offering by the beginning of 2026.

- Our advertising plan (media and PR) is to grow our annual media spend extensively by 2026. This will increase brand awareness by both the consumer and the retailer.

Our wholesale sales plans do not include sales to our own outlets or from the catalogue. Our margin plans reflect these sales coming from first cost. It is our belief that this approach assures a true measure of profitability for our retail stores and a true measure of growth for our wholesale efforts.

Table: Sales Forecast

<i>Sales Forecast</i>					
	Year 1	Year 2	Year 3	Year 4	Year 5
Sales					
Retail	\$245,801	\$487,500	\$1,033,500	\$2,219,100	\$4,803,942
Wholesale	\$224,500	\$3,000,000	\$8,000,000	\$15,000,000	\$30,000,000
Catalogue and Internet Sales	\$0	\$250,000	\$1,000,000	\$2,000,000	\$4,000,000
Total Sales	\$470,301	\$3,737,500	\$10,033,500	\$19,219,100	\$38,803,942
Direct Cost of Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Retail	\$61,450	\$121,875	\$258,375	\$554,775	\$1,200,986
Wholesale	\$85,310	\$1,140,000	\$3,040,000	\$5,700,000	\$11,400,000
Catalogue and Internet Sales	\$0	\$62,500	\$250,000	\$500,000	\$1,000,000
Subtotal Direct Cost of Sales	\$146,760	\$1,324,375	\$3,548,375	\$6,754,775	\$13,600,986

Chart: Sales Monthly

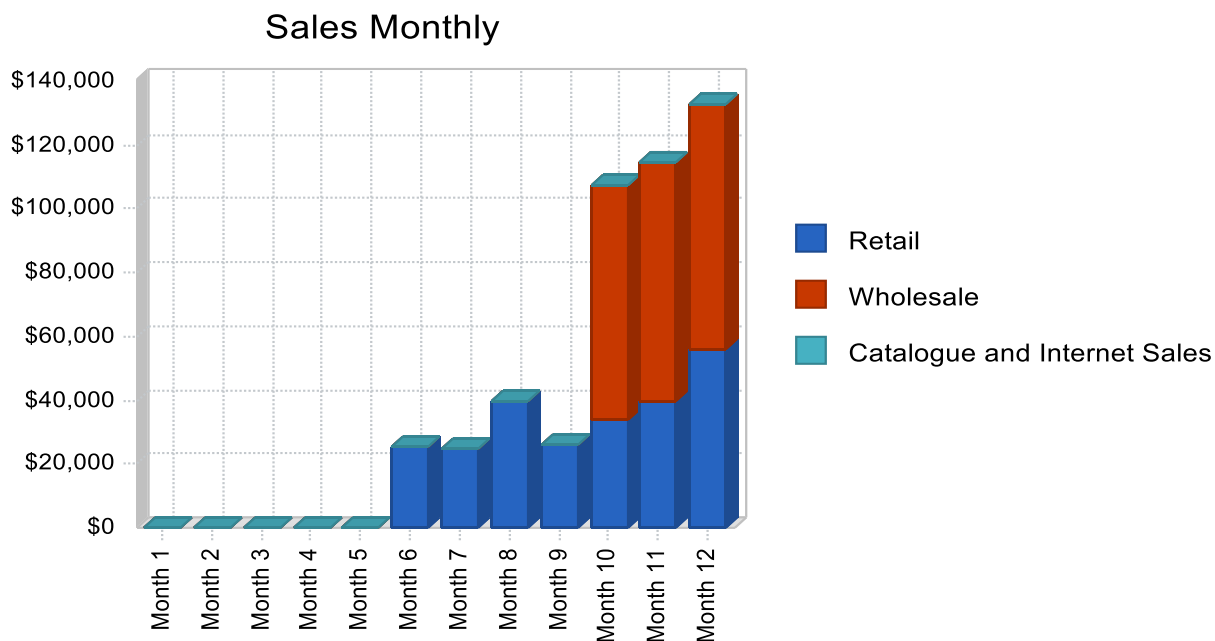
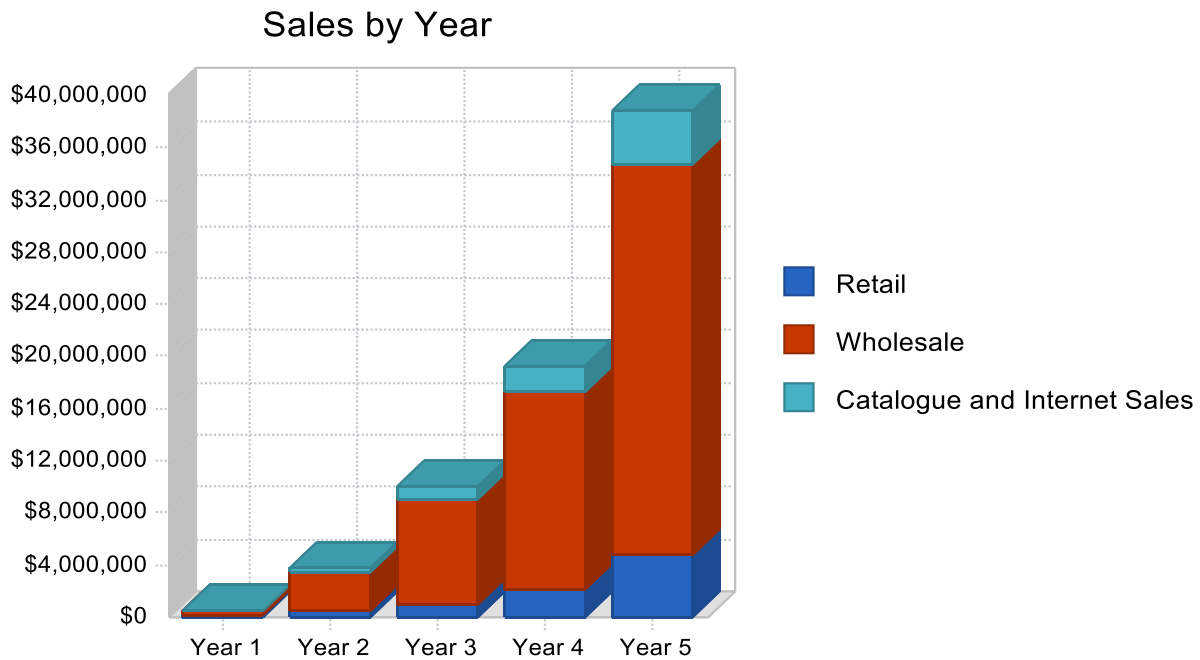


Chart: Sales by Year



Sales Programs

1. **Development of the ZaZa sales training program:**
To be completed in the second quarter of 2023.
2. **Creation of the ZaZa commission program:**
To be completed in the first second quarter of 2023. We will develop the program.
3. **Identification of and contracts with key wholesale showrooms:**
We will complete this task in the second quarter of 2023.
4. **Selection of a customs broker to insure efficient flow of inventory and accurate classification of product:** To be completed in March 2023.

Strategic Alliances

We have secured strategic alliances on the supply side. The arrangements with our labs in Kahama and Dar es Salaam give us access to gradable production flow, plus state of the art research and development resources. They will allow us the critical assets previously enjoyed only by the largest firms. We will develop additional alliances with yoga and fitness instructors in key cities.

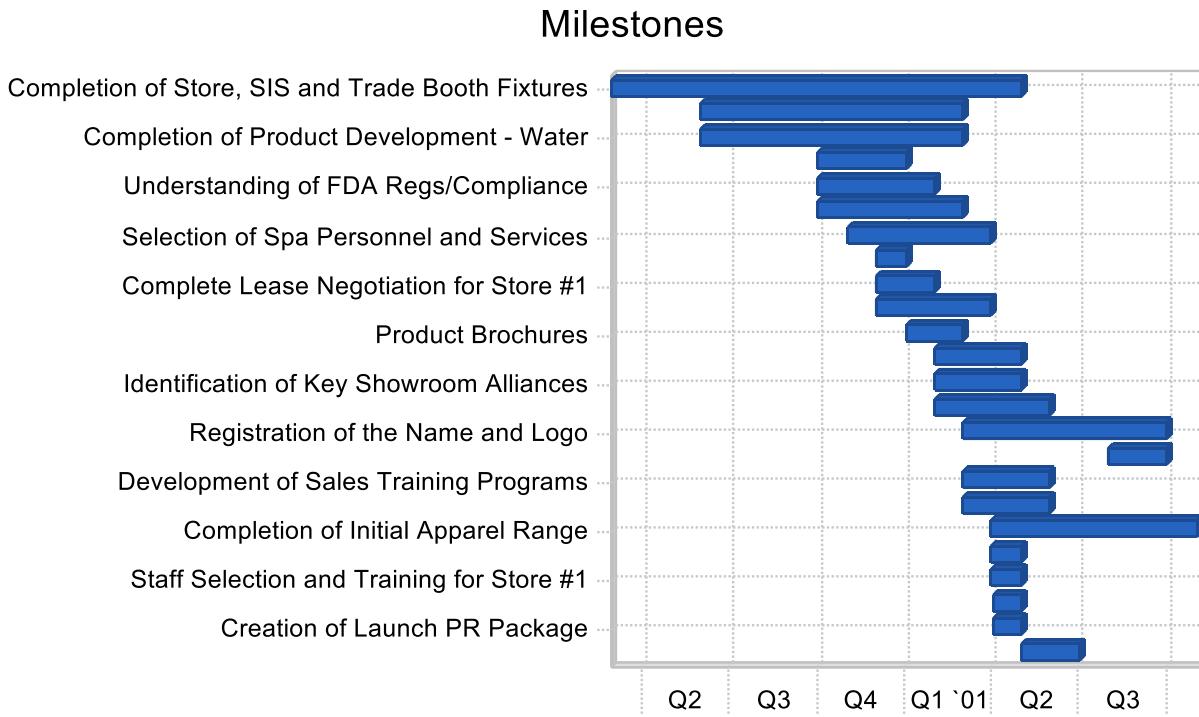
Milestones

The following table shows the milestones set for ZaZa.

Table: Milestones

<i>Milestones</i>					
Milestone	Start Date	End Date	Budget	Manager	Department
Completion of Store, SIS and Trade Booth Fixtures	3/1/2023	5/1/2024	\$150,000	1	Marketing
Completion of Product Development- Earth	6/1/2023	3/1/2024	\$10,000	1	Marketing
Completion of Product Development - Water	6/1/2023	3/1/2024	\$10,000	1	Marketing
Completion of Bluespa Video	10/1/2023	1/2/2024	\$10,000	2	Marketing
Understanding of FDA Regs/Compliance	10/1/2023	2/1/2024	\$0	1	Marketing
Package and Label Design	10/1/2023	3/1/2024	\$5,000	3	Marketing
Selection of Spa Personnel and Services	11/1/2023	4/1/2024	\$2,000	4	Marketing
Selection of a Customs Broker	12/1/2023	1/2/2024	\$0	1	Marketing
Complete Lease Negotiation for Store #1	12/1/2023	2/1/2024	\$5,000	1	Marketing
Store, SIS and Trade Booth Design	12/1/2023	4/1/2024	\$30,000	1	Marketing
Product Brochures	1/2/2024	3/1/2024	\$5,000	3	Marketing
Development of Accessory Range	2/1/2024	5/1/2024	\$4,000	5	Marketing
Identification of Key Showroom Alliances	2/1/2024	5/1/2024	\$3,000	6	Marketing
Product Development for Fire Range	2/1/2024	6/1/2024	\$5,000	1	Marketing
Registration of the Name and Logo	3/1/2024	10/1/2024	\$1,000	5	Marketing
Select a Director of Finance	8/1/2024	10/1/2024	\$20,000	1	Marketing
Development of Sales Training Programs	3/1/2024	6/1/2024	\$6,000	7	Marketing
Complete Store #1	3/1/2024	6/1/2024	\$75,000	1	Marketing
Completion of Initial Apparel Range	4/1/2024	11/1/2024	\$8,000	1	Marketing
Land Initial Product in U.S.	4/1/2024	5/1/2024	\$40,000	1	Marketing
Staff Selection and Training for Store #1	4/1/2024	5/1/2024	\$5,000	4	Marketing
Creation of Launch	4/2/2024	5/1/2024	\$50,000	3	Web
Creation of Launch PR Package	4/2/2024	5/1/2024	\$20,000	1	Web
Completion of Wholesale Reps.	5/1/2024	7/1/2024	\$10,000	8	Marketing
Totals			\$474,000		

Chart: Milestones



Management Summary

The initial management team is very compact. Our CEO and founder is the only current (full-time) employee. However we have utilized significant external resources and have secured a committed and talented team to join ZaZa as our funding gets in place. We will have our director of retail and spa operations. The Director will join us as creative director. Ms. Hanif will be the director of product development. We'll have one administrative assistant to Mrs. Hanif. In addition to our internal resources we have access to a significant pool of senior management and design talent. This resource has been detailed in the management team section.

Management Team

President and CEO

Vice president product development

Personnel Plan

From 2023 through 2027 we will grow in head count from ten to sixty-five. The majority of this growth will come in store personnel, going from four in 2023 to 32 in 2027. This will be a direct result of adding retail locations. Our support staff will grow from six to thirty-three in the same period. During this time frame our wholesale revenues are planned to grow almost exponentially. We believe the plan shows a controlled and conservative ramp up of personnel.

Table: Personnel

<i>Personnel Plan</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Production Personnel					
Shipping Manager	\$23,331	\$40,000	\$45,000	\$50,000	\$55,000
Shipping Clerk	\$5,499	\$22,000	\$23,000	\$24,000	\$25,000
Shipping Clerk	\$0	\$20,000	\$21,000	\$22,000	\$23,000
Shipping Clerk	\$0	\$0	\$20,000	\$21,000	\$22,000
Shipping Clerk	\$0	\$0	\$0	\$20,000	\$21,000
Subtotal	\$28,830	\$82,000	\$109,000	\$137,000	\$146,000
Store Manager(s)	\$20,466	\$64,000	\$128,000	\$256,000	\$384,000
Asst. Manager(s)	\$17,834	\$54,000	\$112,000	\$224,000	\$336,000
Sales	\$17,834	\$32,604	\$65,208	\$130,416	\$195,624
District Manager	\$0	\$0	\$42,000	\$46,000	\$52,000
Subtotal	\$56,134	\$150,604	\$347,208	\$656,416	\$967,624
President	\$40,000	\$110,000	\$121,000	\$133,100	\$146,410
Vice President of Product Develop	\$41,250	\$50,000	\$55,000	\$60,500	\$66,550
Director of Retail and spa	\$37,500	\$50,000	\$55,000	\$60,500	\$66,550
Director of Finance	\$0	\$65,000	\$71,500	\$78,650	\$86,515
Director of Human Resources	\$0	\$0	\$60,000	\$66,000	\$72,600
Director, Inventory Planning	\$0	\$65,000	\$71,500	\$78,650	\$86,515
Director of Marketing	\$24,000	\$75,000	\$82,500	\$90,750	\$99,825
Accounts Receivable Manager	\$0	\$40,000	\$50,000	\$55,000	\$60,500
Accounts Payable Manager	\$0	\$0	\$45,000	\$49,500	\$54,450
Visual Merchandising Manager	\$0	\$40,000	\$44,000	\$48,400	\$53,240
Training Manager	\$0	\$40,000	\$44,000	\$48,400	\$53,240
Distributor	\$0	\$35,000	\$38,500	\$42,350	\$46,585
Distributor	\$0	\$0	\$35,000	\$38,500	\$42,350
AR Clerk	\$0	\$30,000	\$33,000	\$36,300	\$39,930
AR Clerk	\$0	\$0	\$25,000	\$27,500	\$30,250
AP Clerk	\$0	\$0	\$30,000	\$33,000	\$36,300
AP Clerk	\$0	\$0	\$0	\$25,000	\$27,500
Administrative Assistant	\$29,997	\$40,000	\$44,000	\$48,400	\$53,240
Subtotal	\$172,747	\$640,000	\$905,000	\$1,020,500	\$1,122,550
Graphic Designer - Creative	\$0	\$35,000	\$50,000	\$55,000	\$60,500
Graphic Artist - Creative Personal	\$0	\$0	\$40,000	\$44,000	\$48,400
Copy Writer - Creative Personal	\$0	\$40,000	\$44,000	\$48,400	\$53,240
Subtotal	\$0	\$75,000	\$134,000	\$147,400	\$162,140
Total People	0	0	0	0	0
Total Payroll	\$257,711	\$947,604	\$1,495,208	\$1,961,316	\$2,398,314

Outside Management Advisors

Our outside management advisors provide a significant asset to ZaZa. They provide management with a valuable sounding board for strategic and creative decisions. They provide a deep experience base in all critical areas.

- a) marketing and graphic design
- b) real estate and strategic planning
- c) strategic planning and finance
- d) strategic planning and finance
- e) apparel design and manufacturing
- f) wholesale distribution
- g) fixture design and manufacture
- h) emerging trends and consumer marketing
- i) strategic planning and catalogue retailing

Financial Plan

ZaZa will become profitable in our third year of operation. Initial growth will be financed by a combination of equity investment and debt financing. Our ratios are well within prudent limits and our growth plans are challenging, but realistic. The tables in this section explain the detail behind our financing plan and our growth plans.

Important Assumptions

Our assumptions are detailed in the proceeding tables. We have planned for relatively slow but stable general economic growth and an interest rate on borrowing of 9.5%. Because our business is a combination of retail and wholesale our collection days may look somewhat optimistic. That is caused by our assumption that approximately 70% of our retail sales will be done on credit cards and debit cards. There is a three-day payment lag on these sales. We assumed that wholesale customers would pay on an average of 50 days and that in year one 60% of our business would be on terms. As we develop our customer base (at wholesale) this number is ramped up to 80% by year five. (Our terms will be C.O.D. on all opening orders.) Our payments to vendors are assumed at 45 days.

Table: General Assumptions

<i>General Assumptions</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Plan Month	1	2	3	4	5
Current Interest Rate	9.50%	9.50%	9.50%	9.50%	9.50%
Long-term Interest Rate	9.00%	9.00%	9.00%	9.00%	9.00%
Tax Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0	0	0	0	0

Projected Cash Flow

Our cash flow projections are shown on the following table. Cash flow after capital expenditures and investment varies between positive and negative, depending upon our rate of expansion and increasing accounts receivable.

Chart: Cash

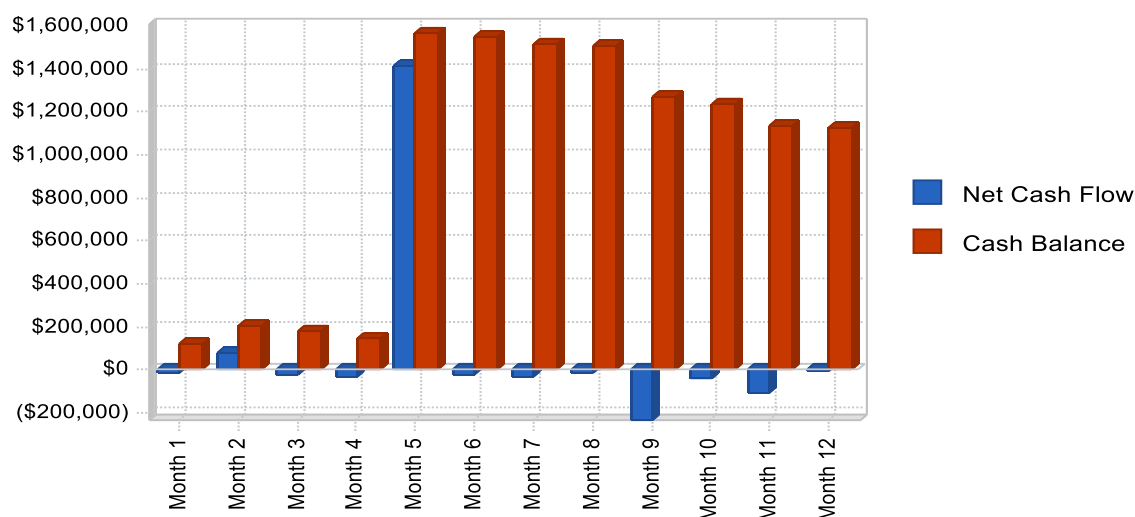


Table: Cash Flow

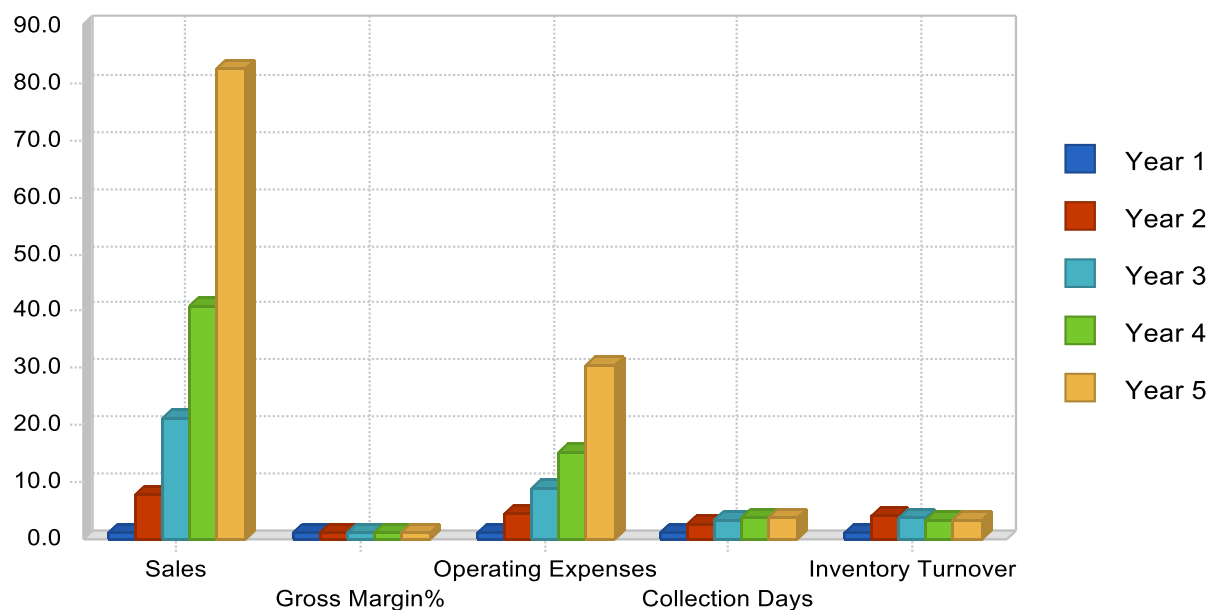
<i>Pro Forma Cash Flow</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Received					
Cash from Operations					
Cash Sales	\$247,196	\$747,500	\$2,006,700	\$4,228,202	\$8,924,907
Cash from Receivables	\$75,398	\$1,158,168	\$4,692,171	\$10,380,295	\$20,022,298
Subtotal Cash from Operations	\$322,594	\$1,905,668	\$6,698,871	\$14,608,497	\$28,947,205
Additional Cash Received					
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$100,000	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$1,500,000	\$1,200,000	\$1,500,000	\$1,500,000	\$0
Subtotal Cash Received	\$1,922,594	\$3,105,668	\$8,198,871	\$16,108,497	\$28,947,205
Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5
Expenditures from Operations					
Cash Spending	\$257,711	\$947,604	\$1,495,208	\$1,961,316	\$2,398,314
Bill Payments	\$283,496	\$2,571,646	\$6,645,289	\$12,562,469	\$26,443,600
Subtotal Spent on Operations	\$541,207	\$3,519,250	\$8,140,497	\$14,523,785	\$28,841,914

Additional Cash Spent					
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$150,000	\$50,000	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$50,000	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$192,873	\$242,846	\$465,692	\$806,384	\$851,384
Dividends	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$934,080	\$3,812,096	\$8,606,189	\$15,330,169	\$29,693,298
Net Cash Flow	\$988,514	(\$706,428)	(\$407,318)	\$778,328	(\$746,093)
Cash Balance	\$1,128,514	\$422,086	\$14,768	\$793,097	\$47,003

Key Financial Indicators

This topic compares five key indicators in regards to how much they change over time. The indicators include sales, gross margin, operating expenses, inventory turnover, and collection days. We chose these five indicators because they all have real impact on the health of a business. We focus not on gross amounts as much as changes. The chart actually shows changes on a year-to-year basis, rather than gross amounts. For example, growing sales from \$1 million to \$2 million shows up exactly the same in the chart as growing sales from \$20,000 to \$40,000.

The indicator value is a good way to compare different concepts on the same chart. Sales and operating expenses are measured in gross amounts, gross margin is in percentage terms, collection days are in days and inventory turnover is in turns per year. **Chart: Benchmarks**



Break-even Analysis

Our break-even analysis is based upon 2023 planned expenses. We have included all operating expenses in fixed expenses. As the business grows this number will be updated. We consider it an important factor in our business and expense planning.

Chart: Break-even Analysis

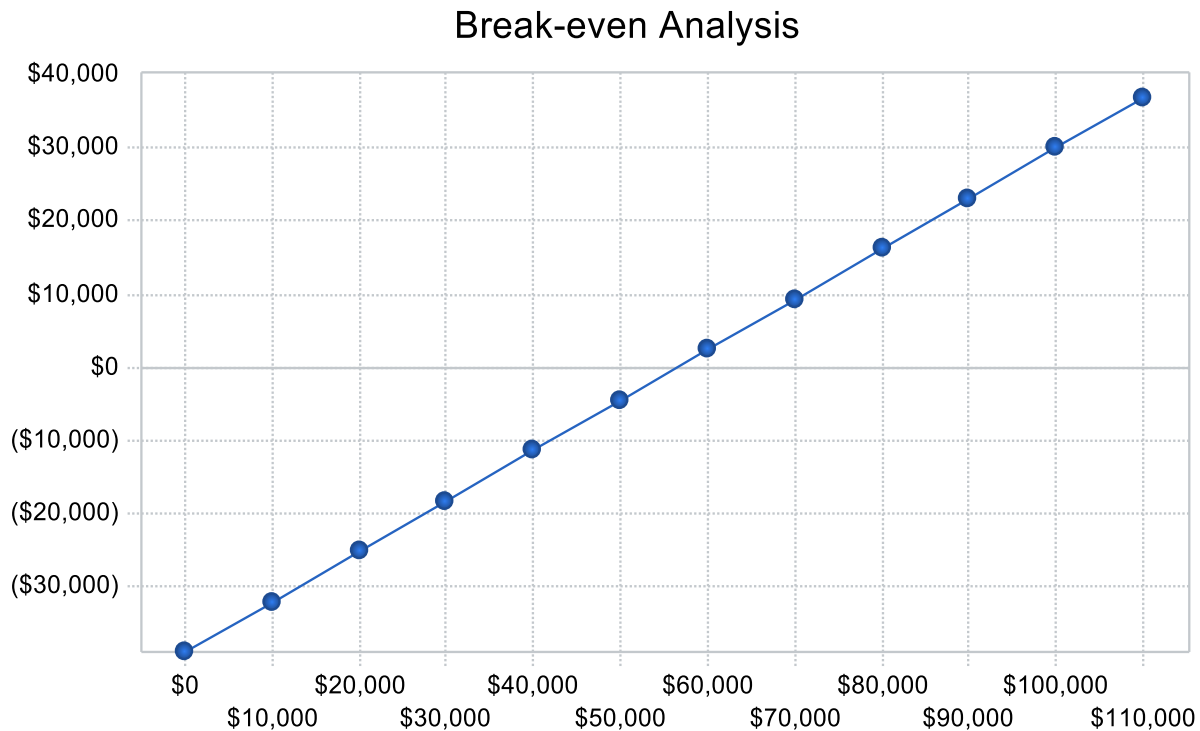


Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$56,505
Assumptions:	
Average Percent Variable Cost	31%
Estimated Monthly Fixed Cost	\$38,872

Projected Profit and Loss

ZaZa is expected to reach profitability in year three. Certain expenses in the early years may appear outside the accepted ranges (i.e. marketing) as a % of sales. This is a result of our strategy to bring the brand to prominence in five years and should be considered as a start-up cost. Likewise, our initial salary numbers and staffing reflect our growth plan rather than a stable or mature business. Our margin numbers may appear high.

This is the result of a combined retail and wholesale strategy. Our retail stores and catalogue will calculate margin from first cost rather than wholesale. Our wholesale effort will not receive sales credit for internal sales (this reflects a more accurate picture of retail profitability and of wholesale growth). Our margins are projected lower in years two and three to account for promotions to wholesalers intended to assist in reaching our wholesale sales targets.

In years four and five, margins move up again as the number of retail stores increases and the catalogue comes online. As the retail business overtakes the wholesale business we believe maintained margins can exceed median. Wholesale commissions are calculated at a straight percent of sales. We have assumed a continuation of outside sales management in these tables.

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	\$470,301	\$3,737,500	\$10,033,500	\$19,219,100	\$38,803,942
Direct Cost of Sales	\$146,760	\$1,324,375	\$3,548,375	\$6,754,775	\$13,600,986
Production Payroll	\$28,830	\$82,000	\$109,000	\$137,000	\$146,000
Ecommerce & Catalog Production & Fulfillment	\$0	\$125,000	\$500,000	\$900,000	\$1,600,000
Total Cost of Sales	\$175,590	\$1,531,375	\$4,157,375	\$7,791,775	\$15,346,986
Gross Margin	\$294,711	\$2,206,125	\$5,876,125	\$11,427,325	\$23,456,957
Gross Margin %	62.66%	59.03%	58.57%	59.46%	60.45%
Operating Expenses					
Sales and Marketing Expenses					
Sales and Marketing Payroll	\$56,134	\$150,604	\$347,208	\$656,416	\$967,624
Advertising/Promotion Retail	\$9,832	\$19,500	\$41,340	\$88,764	\$192,158
Advertising/Promotion Brand	\$80,000	\$250,000	\$500,000	\$1,000,000	\$2,000,000
Travel & Entertainment	\$16,192	\$74,750	\$200,670	\$384,382	\$776,079
Selling Supplies	\$4,703	\$37,375	\$100,335	\$192,191	\$388,039
Wholesale Commissions	\$26,940	\$360,000	\$960,000	\$1,800,000	\$3,600,000
Total Sales and Marketing Expenses	\$193,801	\$892,229	\$2,149,553	\$4,121,753	\$7,923,900
Sales and Marketing %	41.21%	23.87%	21.42%	21.45%	20.42%
General and Administrative Expenses					
General and Administrative Payroll	\$172,747	\$640,000	\$905,000	\$1,020,500	\$1,122,550
Marketing/Promotion	\$0	\$0	\$0	\$0	\$0
Depreciation	\$14,166	\$37,170	\$73,740	\$146,880	\$220,015
Leased Equipment	\$16,200	\$21,600	\$36,000	\$50,400	\$79,200

Utilities	\$1,820	\$13,081	\$35,117	\$67,267	\$135,814
Insurance	\$2,351	\$7,475	\$20,067	\$38,438	\$77,608
Bad Debt	\$1,327	\$37,375	\$100,335	\$192,191	\$388,039
Legal Fees	\$1,412	\$7,475	\$20,067	\$28,829	\$58,206
Licenses & Permits	\$471	\$3,738	\$10,034	\$9,610	\$19,402
Office Supplies	\$2,351	\$18,688	\$50,168	\$96,096	\$194,020
Telephone	\$1,819	\$13,081	\$35,117	\$67,267	\$135,814
Taxes/non-income tax	\$7,054	\$56,063	\$150,503	\$288,287	\$582,059
Payroll Taxes	\$38,657	\$142,141	\$224,281	\$294,197	\$359,747
Other General and Administrative Expenses	\$12,290	\$24,375	\$51,675	\$110,955	\$2,400,197
Total General and Administrative Expenses	\$272,665	\$1,022,262	\$1,712,104	\$2,410,917	\$5,772,671
General and Administrative %	57.98%	27.35%	17.06%	12.54%	14.88%
Creative Expenses:					
Creative Payroll	\$0	\$75,000	\$134,000	\$147,400	\$162,140
Consultants	\$0	\$0	\$0	\$0	\$0
Contract/Consultants	\$0	\$74,750	\$200,670	\$384,382	\$388,039
Total Creative Expenses	\$0	\$149,750	\$334,670	\$531,782	\$550,179
Creative %	0.00%	4.01%	3.34%	2.77%	1.42%
Total Operating Expenses	\$466,466	\$2,064,241	\$4,196,327	\$7,064,452	\$14,246,750
Profit Before Interest and Taxes	(\$171,755)	\$141,884	\$1,679,798	\$4,362,873	\$9,210,206
EBITDA	(\$157,589)	\$179,054	\$1,753,538	\$4,509,753	\$9,430,221
Interest Expense	\$10,490	\$2,375	\$0	\$0	\$0
Taxes Incurred	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$182,244)	\$139,509	\$1,679,798	\$4,362,873	\$9,210,206
Net Profit/Sales	-38.75%	3.73%	16.74%	22.70%	23.74%

Projected Balance Sheet

The following table is our balance sheet projection through 2026.

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	\$1,128,514	\$422,086	\$14,768	\$793,097	\$47,003
Accounts Receivable	\$147,707	\$1,979,539	\$5,314,168	\$9,924,770	\$19,781,508
Inventory	\$43,140	\$127,473	\$341,537	\$654,212	\$1,320,874
Other Current Assets	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Total Current Assets	\$1,369,361	\$2,579,098	\$5,720,473	\$11,422,079	\$21,199,385
Long-term Assets					
Long-term Assets	\$257,873	\$500,719	\$966,411	\$1,772,795	\$2,624,179
Accumulated Depreciation	\$14,166	\$51,336	\$125,076	\$271,956	\$491,971
Total Long-term Assets	\$243,707	\$449,383	\$841,335	\$1,500,839	\$2,132,208

Total Assets	\$1,613,068	\$3,028,481	\$6,561,808	\$12,922,918	\$23,331,593
Liabilities and Capital	Year 1	Year 2	Year 3	Year 4	Year 5
Current Liabilities					
Accounts Payable	\$95,813	\$221,716	\$575,245	\$1,073,483	\$2,271,951
Current Borrowing	\$50,000	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$145,813	\$221,716	\$575,245	\$1,073,483	\$2,271,951
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$145,813	\$221,716	\$575,245	\$1,073,483	\$2,271,951
Paid-in Capital	\$1,820,000	\$3,020,000	\$4,520,000	\$6,020,000	\$6,020,000
Retained Earnings	(\$170,500)	(\$352,744)	(\$213,235)	\$1,466,563	\$5,829,435
Earnings	(\$182,244)	\$139,509	\$1,679,798	\$4,362,873	\$9,210,206
Total Capital	\$1,467,256	\$2,806,765	\$5,986,563	\$11,849,435	\$21,059,642
Total Liabilities and Capital	\$1,613,068	\$3,028,481	\$6,561,808	\$12,922,918	\$23,331,593
Net Worth	\$1,467,256	\$2,806,765	\$5,986,563	\$11,849,435	\$21,059,642

Business Ratios

The following table outlines our ratios in several key areas. These are compared with the Industry profile average ratios as determined by for the Toilet Preparation Manufacturing industry, NAICS code 325620. One of our key objectives is to generate an acceptable return on shareholder equity and assets.

Table: Ratios

<i>Ratio Analysis</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Industry Profile
Sales Growth	n.a.	694.70%	168.45%	91.55%	101.90%	10.59%
Percent of Total Assets						
Accounts Receivable	9.16%	65.36%	80.99%	76.80%	84.78%	27.07%
Inventory	2.67%	4.21%	5.20%	5.06%	5.66%	25.40%
Other Current Assets	3.10%	1.65%	0.76%	0.39%	0.21%	24.02%
Total Current Assets	84.89%	85.16%	87.18%	88.39%	90.86%	76.49%
Long-term Assets	15.11%	14.84%	12.82%	11.61%	9.14%	23.51%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities	9.04%	7.32%	8.77%	8.31%	9.74%	28.36%
Long-term Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	25.69%
Total Liabilities	9.04%	7.32%	8.77%	8.31%	9.74%	54.05%
Net Worth	90.96%	92.68%	91.23%	91.69%	90.26%	45.95%
Percent of Sales						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Margin	62.66%	59.03%	58.57%	59.46%	60.45%	35.83%
Selling, General & Administrative Expenses	101.41%	55.29%	41.82%	36.76%	36.71%	19.94%
Advertising Expenses	2.09%	0.52%	0.41%	0.46%	0.50%	4.44%
Profit Before Interest and Taxes	-36.52%	3.80%	16.74%	22.70%	23.74%	3.15%

Main Ratios						
Current	9.39	11.63	9.94	10.64	9.33	2.17
Quick	9.10	11.06	9.35	10.03	8.75	1.10
Total Debt to Total Assets	9.04%	7.32%	8.77%	8.31%	9.74%	58.41%
Pre-tax Return on Net Worth	-12.42%	4.97%	28.06%	36.82%	43.73%	8.60%
Pre-tax Return on Assets	-11.30%	4.61%	25.60%	33.76%	39.48%	3.58%
Additional Ratios	Year 1	Year 2	Year 3	Year 4	Year 5	
Net Profit Margin	-38.75%	3.73%	16.74%	22.70%	23.74%	n.a
Return on Equity	-12.42%	4.97%	28.06%	36.82%	43.73%	n.a
Activity Ratios						
Accounts Receivable Turnover	1.51	1.51	1.51	1.51	1.51	n.a
Collection Days	50	130	166	186	181	n.a
Inventory Turnover	3.93	15.52	15.13	13.57	13.77	n.a
Accounts Payable Turnover	3.96	12.17	12.17	12.17	12.17	n.a
Payment Days	27	21	21	23	22	n.a
Total Asset Turnover	0.29	1.23	1.53	1.49	1.66	n.a
Debt Ratios						
Debt to Net Worth	0.10	0.08	0.10	0.09	0.11	n.a
Current Liab. to Liab.	1.00	1.00	1.00	1.00	1.00	n.a
Liquidity Ratios						
Net Working Capital	\$1,223,549	\$2,357,382	\$5,145,228	\$10,348,596	\$18,927,434	n.a
Interest Coverage	-16.37	59.74	0.00	0.00	0.00	n.a
Additional Ratios						
Assets to Sales	3.43	0.81	0.65	0.67	0.60	n.a
Current Debt/Total Assets	9%	7%	9%	8%	10%	n.a
Acid Test	8.08	2.13	0.11	0.79	0.04	n.a
Sales/Net Worth	0.32	1.33	1.68	1.62	1.84	n.a
Dividend Payout	0.00	0.00	0.00	0.00	0.00	n.a

Long-term Plan

ZaZa will show the company growing to a multi-billion dollar a year distributor of high quality natural skin-care products and related fitness apparel for women. We will begin life as a wholesale company with a retail component and evolve to a retail company with a wholesale component within our first ten years. Our public offering in year five will provide the funding to launch a retail roll out that will take us to 500 stores in the following five years, expand our e-commerce program and grow our catalogue distribution.

It will allow us to begin development of new product lines that complement ZaZa and further define our image. We will move to worldwide distribution. Once the brand has been established it will have significant cache with not only the African market but also the Asian market and our European manufacturing ties will provide us a logical place in that market. ZaZa will become one of the most recognized brands in quality skin care and related products for the active female consumer.

Appendix

Table: Sales Forecast

<i>Sales Forecast</i>													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
Sales													
Retail	\$0	\$0	\$0	\$0	\$0	\$25,185	\$24,725	\$39,871	\$25,895	\$34,125	\$39,871	\$56,129	
Wholesale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$73,100	\$74,800	\$76,600	
Catalogue and Internet Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Sales	\$0	\$0	\$0	\$0	\$0	\$25,185	\$24,725	\$39,871	\$25,895	\$107,225	\$114,671	\$132,729	
Direct Cost of Sales													
Retail	\$0	\$0	\$0	\$0	\$0	\$6,296	\$6,181	\$9,968	\$6,474	\$8,531	\$9,968	\$14,032	
Wholesale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,778	\$28,424	\$29,108	
Catalogue and Internet Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Subtotal Direct Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$6,296	\$6,181	\$9,968	\$6,474	\$36,309	\$38,392	\$43,140	

Table: Personnel

<i>Personnel Plan</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Production Personnel												
Shipping Manager	\$0	\$0	\$0	\$0	\$0	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333
Shipping Clerk	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,833	\$1,833	\$1,833
Shipping Clerk	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Shipping Clerk	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Shipping Clerk	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$3,333	\$3,333	\$3,333	\$3,333	\$5,166	\$5,166	\$5,166
Sales and Marketing Personnel												
Store Manager(s)	\$0	\$0	\$0	\$0	\$1,800	\$2,667	\$2,667	\$2,667	\$2,667	\$2,667	\$2,667	\$2,664
Asst. Manager(s)	\$0	\$0	\$0	\$0	\$1,500	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,336
Sales	\$0	\$0	\$0	\$0	\$1,500	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,336
District Manager	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$4,800	\$7,333	\$7,333	\$7,333	\$7,333	\$7,333	\$7,333	\$7,336
General and Administrative Personnel												
President	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000	\$4,000
Vice President of Product Development	\$0	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Director of Retail and Spa Operations	\$0	\$0	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Director of Finance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Director of Human Resources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Director, Inventory Planning & Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Director of Marketing	\$0	\$0	\$0	\$0	\$0	\$0	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Accounts Receivable Manager	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Payable Manager	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Visual Merchandising Manager	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Training Manager	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Distributor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Distributor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AR Clerk	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AR Clerk	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AP Clerk	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AP Clerk	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Assistant	\$0	\$0	\$0	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333
Subtotal	\$3,000	\$6,750	\$10,500	\$13,833	\$13,833	\$13,833	\$17,833	\$17,833	\$18,833	\$18,833	\$18,833	\$18,833
Creative Personnel												
Graphic Designer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Graphic Artist	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Copy Writer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total People	0	0	0	0	0	0	0	0	0	0	0	0
Total Payroll	\$3,000	\$6,750	\$10,500	\$13,833	\$18,633	\$24,499	\$28,499	\$28,499	\$29,499	\$31,332	\$31,332	\$31,335

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	\$0	\$0	\$0	\$0	\$0	\$25,185	\$24,725	\$39,871	\$25,895	\$107,225	\$114,671	\$132,729
Direct Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$6,296	\$6,181	\$9,968	\$6,474	\$36,309	\$38,392	\$43,140
Production Payroll	\$0	\$0	\$0	\$0	\$0	\$3,333	\$3,333	\$3,333	\$3,333	\$5,166	\$5,166	\$5,166
Ecommerce & Catalog Production & Fulfillment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$9,629	\$9,514	\$13,301	\$9,807	\$41,475	\$43,558	\$48,306
Gross Margin	\$0	\$0	\$0	\$0	\$0	\$15,556	\$15,211	\$26,570	\$16,088	\$65,750	\$71,113	\$84,423
Gross Margin %	0.00%	0.00%	0.00%	0.00%	0.00%	61.77%	61.52%	66.64%	62.13%	61.32%	62.02%	63.61%
Operating Expenses												
Sales and Marketing Expenses												
Sales and Marketing Payroll	\$0	\$0	\$0	\$0	\$4,800	\$7,333	\$7,333	\$7,333	\$7,333	\$7,333	\$7,333	\$7,336
Advertising/Promotion Retail	\$0	\$0	\$0	\$0	\$0	\$1,007	\$989	\$1,595	\$1,036	\$1,365	\$1,595	\$2,245
Advertising/Promotion Brand	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	\$10,000	\$20,000	\$20,000	\$20,000
Travel & Entertainment	\$0	\$0	\$0	\$0	\$0	\$756	\$2,000	\$1,196	\$4,000	\$2,145	\$3,440	\$2,655
Selling Supplies	\$0	\$0	\$0	\$0	\$0	\$252	\$247	\$399	\$259	\$1,072	\$1,147	\$1,327
Wholesale Commissions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,772	\$8,976	\$9,192
Total Sales and Marketing Expenses	\$0	\$0	\$0	\$0	\$4,800	\$9,348	\$10,569	\$20,523	\$22,628	\$40,687	\$42,491	\$42,755
Sales and Marketing %	0.00%	0.00%	0.00%	0.00%	0.00%	37.12%	42.75%	51.47%	87.38%	37.95%	37.05%	32.21%
General and Administrative Expenses												

General and Administrative Payroll		\$3,000	\$6,750	\$10,500	\$13,833	\$13,833	\$13,833	\$17,833	\$17,833	\$18,833	\$18,833	\$18,833	\$18,833
Marketing/Promotion		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation		\$0	\$0	\$0	\$1,574	\$1,574	\$1,574	\$1,574	\$1,574	\$1,574	\$1,574	\$1,574	\$1,574
Leased Equipment		\$0	\$0	\$0	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
Utilities		\$0	\$0	\$0	\$0	\$0	\$126	\$124	\$199	\$129	\$375	\$402	\$465
Insurance		\$0	\$0	\$0	\$0	\$0	\$126	\$124	\$199	\$129	\$536	\$573	\$664
Bad Debt		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,327
Legal Fees		\$0	\$0	\$0	\$0	\$0	\$76	\$74	\$120	\$78	\$322	\$344	\$398
Licenses & Permits		\$0	\$0	\$0	\$0	\$0	\$25	\$25	\$40	\$26	\$107	\$115	\$133
Office Supplies		\$0	\$0	\$0	\$0	\$0	\$126	\$124	\$199	\$129	\$536	\$573	\$664
Telephone		\$0	\$0	\$0	\$0	\$0	\$126	\$124	\$199	\$129	\$375	\$401	\$465
Taxes/non-income tax		\$0	\$0	\$0	\$0	\$0	\$378	\$371	\$598	\$388	\$1,608	\$1,720	\$1,991
Payroll Taxes	15%	\$450	\$1,013	\$1,575	\$2,075	\$2,795	\$3,675	\$4,275	\$4,275	\$4,425	\$4,700	\$4,700	\$4,700
Other General and Administrative Expenses		\$0	\$0	\$0	\$0	\$0	\$1,259	\$1,236	\$1,994	\$1,295	\$1,706	\$1,994	\$2,806
Total General and Administrative Expenses		\$3,450	\$7,763	\$12,075	\$19,282	\$20,002	\$23,124	\$27,684	\$29,030	\$28,935	\$32,472	\$33,029	\$35,820
General and Administrative %		0.00%	0.00%	0.00%	0.00%	0.00%	91.82%	111.97%	72.81%	111.74%	30.28%	28.80%	26.99%
Creative Expenses:													
Creative Payroll		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Consultants		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract/Consultants		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Creative Expenses		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Creative %		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Operating Expenses		\$3,450	\$7,763	\$12,075	\$19,282	\$24,802	\$32,472	\$38,253	\$49,553	\$51,563	\$73,159	\$75,520	\$78,575
Profit Before Interest and Taxes		(\$3,450)	(\$7,763)	(\$12,075)	(\$19,282)	(\$24,802)	(\$16,916)	(\$23,042)	(\$22,983)	(\$35,475)	(\$7,409)	(\$4,407)	\$5,848
EBITDA		(\$3,450)	(\$7,763)	(\$12,075)	(\$17,708)	(\$23,228)	(\$15,342)	(\$21,468)	(\$21,409)	(\$33,901)	(\$5,835)	(\$2,833)	\$7,422
Interest Expense		\$693	\$1,385	\$1,286	\$1,188	\$1,089	\$990	\$891	\$792	\$693	\$594	\$495	\$396
Taxes Incurred		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit		(\$4,143)	(\$9,148)	(\$13,361)	(\$20,469)	(\$25,890)	(\$17,906)	(\$23,933)	(\$23,774)	(\$36,167)	(\$8,003)	(\$4,901)	\$5,452
Net Profit/Sales		0.00%	0.00%	0.00%	0.00%	0.00%	-71.10%	-96.80%	-59.63%	-139.67%	-7.46%	-4.27%	4.11%

Table: Cash Flow

<i>Pro Forma Cash Flow</i>		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received													
Cash from Operations													
Cash Sales		\$0	\$0	\$0	\$0	\$0	\$25,185	\$24,725	\$39,871	\$25,895	\$34,312	\$40,135	\$57,073
Cash from Receivables		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,430	\$72,967
Subtotal Cash from Operations		\$0	\$0	\$0	\$0	\$0	\$25,185	\$24,725	\$39,871	\$25,895	\$34,312	\$42,565	\$130,041
Additional Cash Received													
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing		\$0	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received		\$0	\$0	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received		\$0	\$100,000	\$0	\$0	\$1,500,000	\$25,185	\$24,725	\$39,871	\$25,895	\$34,312	\$42,565	\$130,041
Expenditures													
Expenditures from Operations													
Cash Spending		\$3,000	\$6,750	\$10,500	\$13,833	\$18,633	\$24,499	\$28,499	\$28,499	\$29,499	\$31,332	\$31,332	\$31,335

Bill Payments	\$38	\$1,185	\$2,413	\$2,935	\$5,083	\$5,851	\$10,778	\$12,777	\$23,635	\$27,133	\$102,573	\$89,094
Subtotal Spent on Operations	\$3,038	\$7,935	\$12,913	\$16,768	\$23,716	\$30,350	\$39,277	\$41,276	\$53,134	\$58,465	\$133,905	\$120,429
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	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500
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	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$192,873	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$15,538	\$20,435	\$25,413	\$29,268	\$86,216	\$42,850	\$51,777	\$53,776	\$258,507	\$70,965	\$146,405	\$132,929
Net Cash Flow	(\$15,538)	\$79,565	(\$25,413)	(\$29,268)	\$1,413,784	(\$17,665)	(\$27,052)	(\$13,905)	(\$232,612)	(\$36,653)	(\$103,840)	(\$2,889)
Cash Balance	\$124,462	\$204,027	\$178,614	\$149,346	\$1,563,130	\$1,545,465	\$1,518,413	\$1,504,508	\$1,271,896	\$1,235,243	\$1,131,403	\$1,128,514

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>													
	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
Assets													
Current Assets													
Cash	\$140,000	\$124,462	\$204,027	\$178,614	\$149,346	\$1,563,130	\$1,545,465	\$1,518,413	\$1,504,508	\$1,271,896	\$1,235,243	\$1,131,403	\$1,128,514
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$72,913	\$145,019	\$147,707
Inventory	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500	\$38,204	\$32,023	\$22,055	\$15,581	\$36,309	\$38,392	\$43,140
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Total Current Assets	\$184,500	\$168,962	\$248,527	\$223,114	\$193,846	\$1,657,630	\$1,633,668	\$1,600,436	\$1,576,563	\$1,337,477	\$1,394,465	\$1,364,813	\$1,369,361
Long-term Assets													
Long-term Assets	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$257,873	\$257,873	\$257,873	\$257,873
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$1,574	\$3,148	\$4,722	\$6,296	\$7,870	\$9,444	\$11,018	\$12,592	\$14,166
Total Long-term Assets	\$65,000	\$65,000	\$65,000	\$65,000	\$63,426	\$61,852	\$60,278	\$58,704	\$57,130	\$248,429	\$246,855	\$245,281	\$243,707
Total Assets	\$249,500	\$233,962	\$313,527	\$288,114	\$257,272	\$1,719,482	\$1,693,946	\$1,659,140	\$1,633,693	\$1,585,906	\$1,641,320	\$1,610,094	\$1,613,068
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$0	\$1,105	\$2,318	\$2,766	\$4,894	\$5,494	\$10,364	\$11,990	\$22,818	\$23,698	\$99,615	\$85,791	\$95,813
Current Borrowing	\$100,000	\$87,500	\$175,000	\$162,500	\$150,000	\$137,500	\$125,000	\$112,500	\$100,000	\$87,500	\$75,000	\$62,500	\$50,000
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$100,000	\$88,605	\$177,318	\$165,266	\$154,894	\$142,994	\$135,364	\$124,490	\$122,818	\$111,198	\$174,615	\$148,291	\$145,813
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$100,000	\$88,605	\$177,318	\$165,266	\$154,894	\$142,994	\$135,364	\$124,490	\$122,818	\$111,198	\$174,615	\$148,291	\$145,813
Paid-in Capital	\$320,000	\$320,000	\$320,000	\$320,000	\$320,000	\$1,820,000	\$1,820,000	\$1,820,000	\$1,820,000	\$1,820,000	\$1,820,000	\$1,820,000	\$1,820,000
Retained Earnings	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)	(\$170,500)
Earnings	\$0	(\$4,143)	(\$13,291)	(\$26,652)	(\$47,122)	(\$73,012)	(\$90,918)	(\$114,850)	(\$138,625)	(\$174,792)	(\$182,795)	(\$187,696)	(\$182,244)
Total Capital	\$149,500	\$145,357	\$136,209	\$122,848	\$102,378	\$1,576,488	\$1,558,582	\$1,534,650	\$1,510,875	\$1,474,708	\$1,466,705	\$1,461,804	\$1,467,256
Total Liabilities and Capital	\$249,500	\$233,962	\$313,527	\$288,114	\$257,272	\$1,719,482	\$1,693,946	\$1,659,140	\$1,633,693	\$1,585,906	\$1,641,320	\$1,610,094	\$1,613,068
Net Worth	\$149,500	\$145,357	\$136,209	\$122,848	\$102,378	\$1,576,488	\$1,558,582	\$1,534,650	\$1,510,875	\$1,474,708	\$1,466,705	\$1,461,804	\$1,467,256

End Note

End Note