



# The Package

*The Gifts Guys Really Want*

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## The Package Knowledge Premium

Unlike the sometimes elitist atmospheres of specialty shops, The Package is approachable and welcoming. In much the same way George Zimmer's Men's Wearhouse has revolutionized making a man presentable at a board meeting or interview, The Package helps men become connoisseurs of everything from playing poker and cutting cigars to choosing the right bottle of wine.

The Knowledge Premium is that level of service that The Package provides to any customer that desires it. Sales staff is readily available to explain products as well as show customers the art of using them. The Knowledge Premium is what makes a pool cue something unique or a cigar more than just a cigar. While The Package may charge higher prices for somewhat similar items, it is the quality of product *and* delivery of the Knowledge Premium that makes customers want to come back again and again.

## Executive Summary

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### **The Total Package**

The Package is a mall based store specializing in men's gifts. Selling products unique in either product type or manufacturer, it aims to provide customers with the products men *really* want. Additionally, Package sales associates demonstrate product tips and tricks to customers, so that Package patrons leave the store not only with a new product, but also a new skill.

### **Choosing gifts for men is a struggle**

According to mall surveys completed by The Package, women struggle to find gifts for their boyfriends, husbands, and male family members. Unfortunately, few stores sell desirable, non-gadget gifts for men. The result? Men are *tired* of receiving the "staple gifts" of tacky ties and useless gizmos.

### **The Package sells modern, sophisticated products**

The Package is a step forward in gift giving. Incorporating the images of timeless social heroes from the past such as Sinatra and the Rat Pack, Hugh Hefner, and James Bond, the store will appeal to those seeking items with modern yet classically sophisticated style. The Package will be the place to get men what they *really* want.

The Package will not only offer products that cater to the "risqué fun factor" of nearly all men, which includes drinking, smoking, gaming, and sexuality, but will provide the knowledge that goes along with each. Whether it is a \$35 Zippo or a \$395 Predator Break Cue, The Package will show customers why they *have* to own it and how to maximize the *enjoyment* of owning it. (What's the point of a Zippo lighter if you can't perform at least one trick with it? The Package will show you how.)

### **Denver is the beginning**

In the initial stage of development, The Package will focus on the Denver metro area. Following development in this region the company will expand to locations that are socio-economically comparable to Denver metro area.

### **Denver is *only* the beginning**

The Package plans to roll out 25 stores across two regions (western and northeast) of the United States within five years. In addition to an online portal, The Package will become the de facto standard for men's gifts in mid to upscale malls across the country.

### **Managed by professionals**

The Package will bring in a CEO by Year 1 with an extensive, successful retail background. Year 3 will see the addition of a CFO to help with funding and loan issues. A marketing manager with retail experience will be incorporated to ensure proper brand development. The Package founding team will make up an advisory board that will offer help, feedback and suggestions to head management.

### **Financially profitable**

The Package will break even in Year 4, and generate net revenues of nearly \$70 million by year five. An initial seed round of \$1.5 million with a growth round of \$5 million in year 2 (30% and 41% ownership, respectively) will allow the company to expand to 25 stores in two regions. In year five, The Package may look to be acquired by other retailers such as The Sharper Image or Brookstone.

## Company Overview

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The Package is strategically headquartered in Denver, Colorado, and is ready to develop and expand into a multimillion dollar enterprise. Within five years, The Package will be a \$70 million company with 25 stores, plus national presence via its online portal.

...and just why is this going to work?

### **The Package's Purpose**

The Package is adamant about providing unique and quality products for the Everyday Renaissance Man. Catering to the vices of alcohol, gaming, tobacco, and sexuality, The Package allows men to once again proclaim "It's ok to be a guy!" via the products and knowledge available in its approachable, sophisticated, and friendly stores. The Package carries the perfect gifts for even the most imperfect of men.



### **History and Current Status**

Conceptually identified in 2002, The Package has yet to be officially incorporated, but is poised to accept investor relationships and carve its niche in the men's Specialty Retail industry.

### **Objectives**

The Package is ready to move beyond the concept stage and solicit investor funding to develop initial concept stores. The success of the concept stores (years 1 and 2) will pave the way for an additional 22 stores in the coming years.

At the end of a five year growth period, The Package Founders and subsequent investors will be prepared to sell the firm to a larger retail corporation at the end of the five year growth period.

## Product Selection

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### **Welcome to The Package**

Like the interior of a modern Lexus or BMW, the Package envelopes the shopper in an array of light hardwood floors, tasteful chrome, warm lighting, and supple leather accents; it is an approachable oasis of sophistication that whisks the shopper into a dimension of society of he or she has only seen in movies showcasing the high roller lifestyle of James Bond, Frank Sinatra, Dean Martin, or Hugh Heffner.

The store is busy as usual; its energy feels more like a party at The Bellagio than a panicked grab for the last electronic golf tee at Brookstone. A friendly and knowledgeable sales associate educates a crowd of shoppers on the art of lighting a Zippo. These demonstrations are part of the entertainment value that accompanies The "Total" Package shopping experience.



**Libby Brauva Martini Set (4 pc. Set)**  
The unique and artsy design of this glass will definitely cause a few doubletakes

A shopper browsing The Package's online portal (ThePackage.com) finds the same style and panache as the mall-located store. Online tips and tricks through simple animations and videos will make for a snazzy addition to the Package Portal. It is not just the products that matter; it's also about how to use them with style. A partnership with ZippoTricks.com is just one of many future relationships that the company could employ.

The Package caters to the vices of men; drinking, smoking, gaming, and sexuality. As such, most products are in some way related to these interests. From Libby Brauvara martini sets (\$24.99) to Walnut Cedar lined humidors (\$84.99), The Package has something every guy can appreciate. (See Appendix 2 for more product examples.)

### **Drinking Products**

There is more to drinking than the alcohol. The Package sells the glassware, tools (wine openers, shakers, etc), and literature needed to make the "Package Perfect" drink.

### **Smoking Products**

Along with a fine array of cigars, The Package offers cutters, ashtrays, and humidors. In addition, pipes, smoking tobacco, and lighters are available.

### **Gaming**

No poker night is complete without the chips, cards, and gaming tables available at The Package. Of course, unique pool cues, dart boards, and the rule/trick books necessary to win any game are offered as well.

### **Sexuality**

A Package Man has sex appeal, thanks to the shaving products, colognes, and nighttime apparel (boxers and robes) sold at The Package.

### **Stage of Development**

As of spring 2003, The Package is in the working stages of solidifying an optimal product mix. Potential store sites have been scouted, and most operational costs have been determined. Currently, The Package is seeking investor and product supplier relationships. Once initial funding is secured, The Package will be ready to develop the first store within a year.

## Industry and Market Analysis

### Retail Trends

The retail industry is currently experiencing the effects of a recessive economy, war with Iraq, and September 11<sup>th</sup>. Some facts about areas reflected by most recent trends:

- Low interest rates fuel new home purchases or refinancing, increasing spending on furnishings, accessories, and other retail products.
  - Home improvement and decoration spending increased.
  - The Package offers many “decorative” products.
- As male vanity (“Manity”) becomes commonplace, according to Faith Popcorn Predictions, men will begin to realize they will not lose masculinity by caring about how they look.
  - “Sexuality” themed products at The Package, like shaving accessories and cologne, offer customers the ability to positively alter their appearance and increase sex appeal.

The Package operates in the *Specialty Retail* industry. Some competitors, specifically those that cater to the needs and wants of men, are The Sharper Image and Brookstone. With 160 and 250 stores respectively, in addition to healthy store expansion rates, the business of catering to men’s desires shows no sign of slowing down.

### Marketplace Analysis

The unique product mix of The Package places it within three segments of the Specialty Retail industry: Food & Tobacco, Apparel and Personal Care, and Entertainment. Specialty Retail is by no means a small part of total retail sales. In fact, this broad segment covers nearly 75% of all retail sales. The Package offers products in the categories of Shaving, Smoking, Apparel, and Drinking Accessories. As such, the company is subject to effects from each sectors performance.

### Shaving Accessories

- A \$1.81 billion market in 2001.
- Mass Merchandising outlets have a 45% market share.
- Personal Care product prices remained constant in the last year

### Smoking Accessories

- From 1992-2002, the number of cigar and tobacco stores increased over 21%.
- Prices for tobacco products (other than cigarettes) rose 6% in last year alone.

### Alcohol Accessories

- Prices of alcoholic beverages consumed at home (distilled spirits) increased 3% in the last year.
- Wine prices have remained constant in the last year.

### Apparel

- Men’s apparel prices fell 3% in the last year.

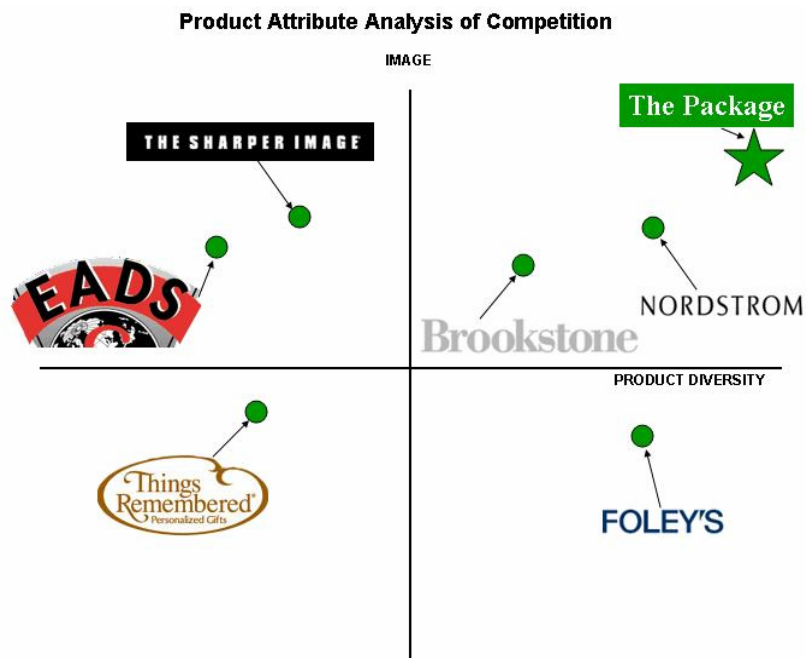


## Marketplace Buyer Analysis

The Package’s main market is segmented into two basic groups: males between 22 and 40 years old, and the women that buy gifts for these men.

Gift-hunting customers in this market often make purchase decisions after entering the store. They know they need a gift, but they need help finding the *right* one. Even when these customers enter the store with a specific purchase in mind the excitement of the store can still inspire many additional “impulse” purchases.

Research by The Package Founders has determined that customers are currently dissatisfied with this market because the stores that claim to sell gifts for men lack variety. Their products are limited to golf paraphernalia, ties, and products that require batteries to make life easier—mostly gadgets, barbeque tools, and office toys. There are not stores that offer products for the after-hours activities of the Everyday Renaissance Man. Customers want a place where they can buy items that give the user a more sophisticated image and/or items are not found at every other mall store.



## Marketplace Competitor Analysis

### Restoration Hardware

Restoration Hardware sells a collection of merchandise that is not traditionally found in a mall environment. Their merchandise strategy and store designs appeal to a well educated, 35 to 60 year old customer. The company sells through retail locations, mail order catalogues and on the internet. While this company uses original ideas to define themselves in a competitive marketplace, their product mix is often limited to items for the house, not the man.

### **Brookstone Inc.**

Brookstone sells an assortment of functional, high quality, and distinctive products. They offer lawn and garden, health and fitness, home and office, and travel and auto products. Brookstone stores are typically located in high-traffic regional shopping malls and airports. The company aims to make products that will make the life of their customer easier, better and more enjoyable. A majority of the company's sales are attributed to products purchased as gifts, especially for men and they are priced to be affordable to the typical mall shopper.

### **Sharper Image**

The products sold by this Specialty Retailer are coined to be innovative, useful, and entertaining. They offer an assortment of items in the electronics, recreation and fitness, personal care, toys, and house wares. Products are sold through stores, catalogs and the internet. The company also participates in business to business operations consisting of corporate rewards and incentive programs and wholesale operations. Stores are located throughout the U.S. in densely populated downtown financial districts and business centers, upscale shopping malls, and drive-up suburban locations. The Sharper Image focuses on gadgets; nearly everything is mechanical and made of metal.

### **Specialty Cigar Stores**

There are a variety of specialty cigar stores and smoke shops found in malls and in other shopping areas. These businesses sell premium cigars, lighters, cutters, humidors, ashtrays, flasks, and other gifts. While these shops are great for serious cigar smokers, they can be intimidating to the "amateur" who is interested in buying a cigar for a one time occasion. Additionally, they do not offer a variety of gift ideas; the product mix is solely focused on tobacco products.

### **Things Remembered**

This retail company aims to help their customers celebrate life's special moments through personalized gifts. They sell in stores and kiosks, operating in more than 800 locations in 46 states, Things Remembered Direct and thingsremembered.com. The stores offer a wide range of the finest quality gifts that can be personalized with embroidery or engraving. Things remembered is a gift store that appeals to people's emotions, but only sentimentally. Unfortunately, the *real* gift offered is the engraving service, rarely just the product itself.

### **Department Stores**

Mall-based department stores such as Nordstrom, Foleys, and Neiman Marcus sell some specialty gifts at moderate prices. Some of these include sleepwear, underwear, shaving kits, small leather goods, fragrances, gadgets, and games. These stores target customers with a mid to high range of disposable income and maintain an advantage by offering a wide product mix. Department stores are large, impersonal, and overwhelming. Prices are more competitive than smaller specialty stores because of the lack of originality and massive buying power of the corporations.



# Marketing Plan

## Introduction

The Package provides more than just the sum of its inventory, it also sells an image. That being said, proper marketing is vital to the “total package” provided to the customer who walks out of the store with not only a gift or product, but the knowledge to use it with style. Imagine a son bringing his father an Art of Shaving collection and then sharing the knowledge that he learned about it from a Package Expert. Or imagine a girlfriend bringing her boyfriend a sexy pair of boxers, and then pleading with him to put them on. The possibilities of satisfaction scenarios are endless.

## Target Market Strategy

The Package’s target market is men age 22-40 with an income of at least \$35,000, and the women that buy things for them (girlfriends, wives, mother-in-laws, sisters, etc). He may possess some or all of the following characteristics:

- **The Package Man is Sociable**

He likes to surround himself with people, and particularly enjoys telling stories and demonstrating talents. He may routinely meet with friends for poker night, or host the occasional party.

- **The Package Man is a Renaissance man**

He does many things, but none of them particularly well. He may know how to mix a rum and Coke, but he’d really like to make that perfect dry martini.

**The Old Classic Martini**  
(a wonderful twist on the Martini)  
2 oz. gin  
1 oz. dry vermouth  
2 dashes orange bitters  
1 dash maraschino

- **The Package Man accessorizes his surroundings**

He likes *nice* things of great quality or unique design. Whether a bachelor apartment or basement gaming refuge, he surrounds himself with the items that reaffirm the image he wants to project.

The Package’s end user and target market are often two different groups, (men, and the women who buy for them.) It is important to uphold the image of providing gifts directly to men, even though the majority may be purchased by females (golf clubs and power tools are sold the same way).

Acquiring promotional and marketing items from The Package’s suppliers, such as The Art of Shaving, will prove to be a frugal and effective way of marketing. The Package expects that suppliers’ promotional activity will be an important addition to the entertainment aspect of shopping at the store. For example, product distributors commonly offer free demonstrations, display cases and giveaways.

## Product and Sales Strategy

Customers choose to buy products from The Package not only because of their brand or category exclusivity, but because of the product’s ability to provide an experience. The products sold at The Package often require skills to use them to their fullest benefit.

Within the store, The Package sells products by educating customers. Sales associates might demonstrate the skills necessary to properly cut a cigar or shuffle a deck of cards with one hand. A carefully selected manager trained sales staff will sell items in the stores. Because knowledge of the

products is the key to sales success, each employee will go through an initial comprehensive training program that explains the products, as well as the philosophy behind the company, supplemented by periodic training on new products.

A key part of The Package's marketing strategy to reach the target market is sponsoring local events, festivals and the like. For example, a Package customer may not be surprised to find his favorite Package Expert showing off the latest move with a *Predator* Break Cue during a Package sponsored night at Shakespeare's Billiards Hall in downtown Denver. Or, they may attend a drink mixing class/mixer at Triana's, a trendy downtown Boulder lounge. The Package employees will be actively selling products at any sponsored events, a sales strategy that is often used by other retailers. The Men's Wearhouse, for example, holds "Dress for Success" seminars at schools, businesses, and community centers.

The Package not only offers products, but an overall experience. By using products in their "natural environment," customers simply get more out of their gift.

### **Pricing Strategy**

The Package's products are ultimately priced slightly higher than identical products at competitors' stores, because they include a "knowledge premium." Why will customers pay *more* for similar products? They pay for the perceived value (and rightfully so) of the personal, *educational* interaction with The Package sales staff. Typical of Specialty Retail stores, The Package will carry gifts and accessories ranging from \$10 up to \$2,000. Market research shows that the highest turnover items will be on the lower end of the price spectrum, while the highest priced items provide something truly unique, bringing an additional level of class to the store.

### **Online Distribution Strategy**

The online store will sell select products from the vendors whom sell products in the retail store. The product orders will be sent to the manufacturers where the orders will be processed and sent directly to the consumers. Research proves that this is standard industry practice when retail companies develop online stores.

### **Advertising and Promotional Strategy**

The Package will advertise both specific products and the general store image via a variety of marketing vehicles. First, it will maximize free promotion with a Package Expert who appears on local TV and Radio shows (such as local news station's "What's Hot" segments.) The Package will also make use of local radio spots on KBCO, KOA – two stations whose listeners are similar to The Package's target market. Regional print advertising in local newspapers will focus heavily on grand openings and holidays. Part of this strategy includes an edgy campaign that appeals directly to the Everyday Package Man. As the company grows, The Package plans to advertise in Maxim, GQ, and women's magazines such as Cosmo and In Style.

An additional method of acquiring repeat business will be through direct mailings. By creating personal relationships with customers, in the same way The Men's Wearhouse does, The Package will create a loyal following. After establishing a customer mailing list The Package will send promotional reminders prior to customer birthdays, Valentines Day, Christmas and Father's Day. The purpose of these direct mailings is to suggest customers buy their gifts in our store as well as promote specific products and promotional sales.

## Operations Plan

Customers come to the Package to find unique products and to learn about current trends. Consequently, The Package must constantly offer an updated and diverse product mix by establishing relationships with manufacturers, performing marketing research, and attending trade shows. The Package product Buyer actively selects products aligned with the company's "Modern Rat Pack" image.

The Package personnel are product experts (or are educated to be so) and are expected to pass this knowledge onto the customers. Small, weekly seminars will be held either in stores or at specified locations and allow customers to learn how to perform tasks that every man (or woman) wants to be able to do, like: Cutting and lighting cigars, mixing classic drinks, shooting pool, etc.

### The Package Brand

A brand is a promise between the product and the user. The Package has made a conscious decision to brand the image of the store, but not re-brand the products within, as they hold their *own* brand value. For example, when a customer thinks "The Package" they will immediately think "style and knowledge." When they think of a product from the Art of Shaving line, they will not only think of the quality of this brand, but also the store that sells it. It will be beneficial to create a symbiotic marketing relationship with product suppliers.

### Pricing and Quality Strategy

Given the nature of the products sold at The Package, product quality is an inherent factor in its success. A Zippo butane lighter is by definition of a higher quality than a plastic Bic disposable. However, part of The Package's success depends on a higher price point strategy which is inline with the quality image presented. Classic marketing research has shown that the same set of martini glasses that could sell for \$9.99 at a discount retailer would be able to command a higher price in a "specialty" retailer.

Because of the higher price strategy, the Knowledge Premium aspect of The Package will be greatly emphasized. Market research has proven that customers are willing to pay for the knowledge of a product as much as they are for the product itself. (The "...For Dummies" line of books is a successful implementation of this theory.) Within the interaction between Package Expert and customers, the knowledge is passed on in a fun and informative way. It is in this key sales approach that the Knowledge Premium is delivered, in both the service and financial aspects of the business model.



Rocket Cocktail Shaker \$30

### Inventory Storage Solutions & Changing Product Demand

In line with traditional mid-sized retail companies, inventory will be allocated and stored at the distributor's warehouses, thus eliminating the need for The Package to provide storage beyond current store-held inventory supplies.

Properly anticipating product demand around popular gift-giving holidays will be a key factor in ordering sufficient products. It is also essential to have alternative inventory selections in the event that primary sources are unable to compete with demand.

## ThePackage.com

As recently as January 24<sup>th</sup>, 2003, Fortune.com noted that 41% of all small businesses reported higher sales after “going online.” 55% of those sites claim that the online sales portion pays for its own costs or is turning a profit. Eliminating many of the “online-only” stores from this survey, and the numbers continue to improve.

Given the possible success of an internet sales portal plus the added benefits of online advertising, consumer convenience, and lower costs, The Package has decided it must employ an online store.

An advantage of online sales is the ability to eliminate standard storage and retail. Industry experts have confirmed with The Package that it would not be difficult to develop a system which allows for shipment of orders directly from suppliers to the customer. It is vital to maintain a strong relationship between ThePackage.com and suppliers. The online aspect of The Package has been designed to be scalable. The fifth year of sales can more accurately determine if it is profitable for the company to further develop this aspect of the business.

### Package Experts: Our Most Valuable Asset

Every Package employee is considered a Package Expert. Because the company plans to pay its sales staff more than the industry average, it expects only the highest level of customer-oriented people. From store managers to sales associates, every Package Expert must be *enthusiastic* about the products they sell. Above basic knowledge of every product category is to be expected of all employees. Those employees which can be perform and teach the tricks that accompany the product sold will see value in the form of higher commissions. Only at The Package will it be common to find a sales associate practicing a new card trick or billiards shot during a slow part of the day!

Operation Costs	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Direct</b>					
In-Store Sales					
Inventory and Training Costs	380,000	1,203,000	3,875,000	11,090,000	13,385,000
Labor Costs	139,200	637,200	2,166,000	5,352,000	5,352,000
<b>Total Direct Costs</b>	<b>519,200</b>	<b>1,840,200</b>	<b>6,041,000</b>	<b>16,442,000</b>	<b>18,737,000</b>
<b>Indirect</b>					
Salary Expenses			42,000	42,000	42,000
Depreciation	14,643	138,571	358,214	358,214	358,214
Rent	103,500	310,500	1,035,000	2,587,500	2,587,500
<b>Total Cost of Revenues</b>	<b>637,343</b>	<b>2,289,271</b>	<b>7,476,214</b>	<b>19,429,714</b>	<b>21,724,714</b>
% of Revenue	85.0%	84.8%	66.5%	60.2%	55.7%

*In Year 1, managerial salary costs are calculated for the CEO instead, who also acts as store manager.*

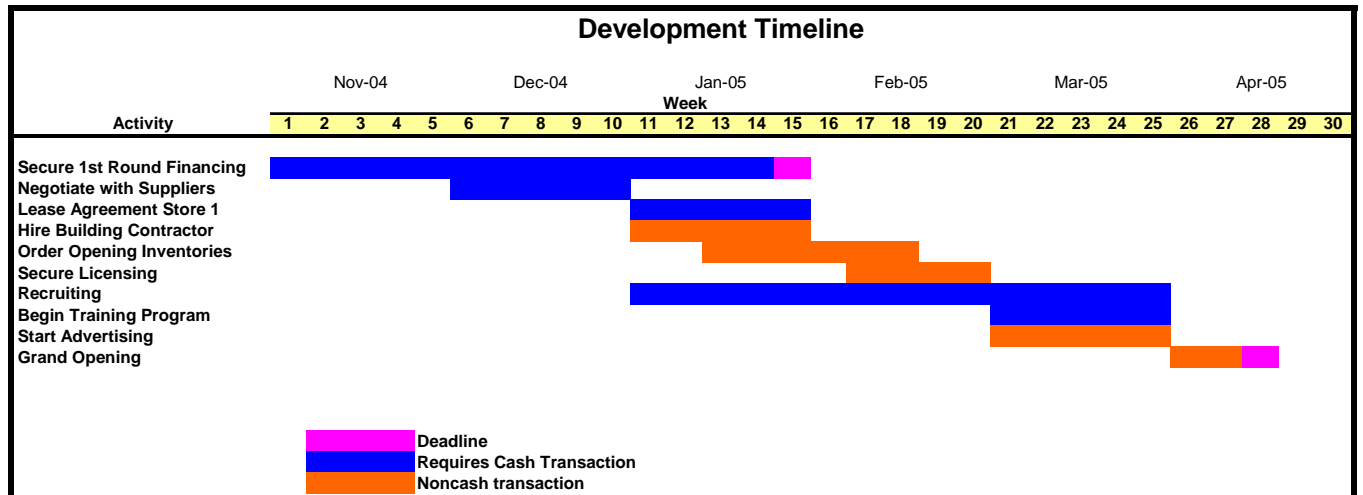
## Development Plan

### Development Strategy

The chief priority for The Package founding team is to secure first round financing by January 2004. The next step toward opening the first retail store is to contact suppliers and negotiate terms of purchase. The relationship with vendors that begins here should prove to be a valuable instrument in the company's future because suppliers understand industry trends as well as what people are buying and can therefore help The Package buyer determine what items that will sell.

At the same time The Package is building relationships with suppliers/vendors, the founders will actively seek to determine the location of the first store, work with contractors to create a store design, and work out a building contract. Other important development goals include ordering the opening inventories in plenty of time (because empty shelf space at the grand opening is unacceptable), securing the required licensing, and creating a job description for employees. Hiring the right employees requires deciding what kind of employees the market expects, observing who the competition hires, and determining the critical attributes of ideal personnel. Recruits undergo a training program will be put in place.

In April 2004 The Package will begin Advertising in local media and announce the grand opening. The Package believes that a formal grand opening is an important marketing tool because it will give the store free press, an immediate presence in the community, and a chance to have full control over our first impression on customers. The first retail Package store will open in April 2004.



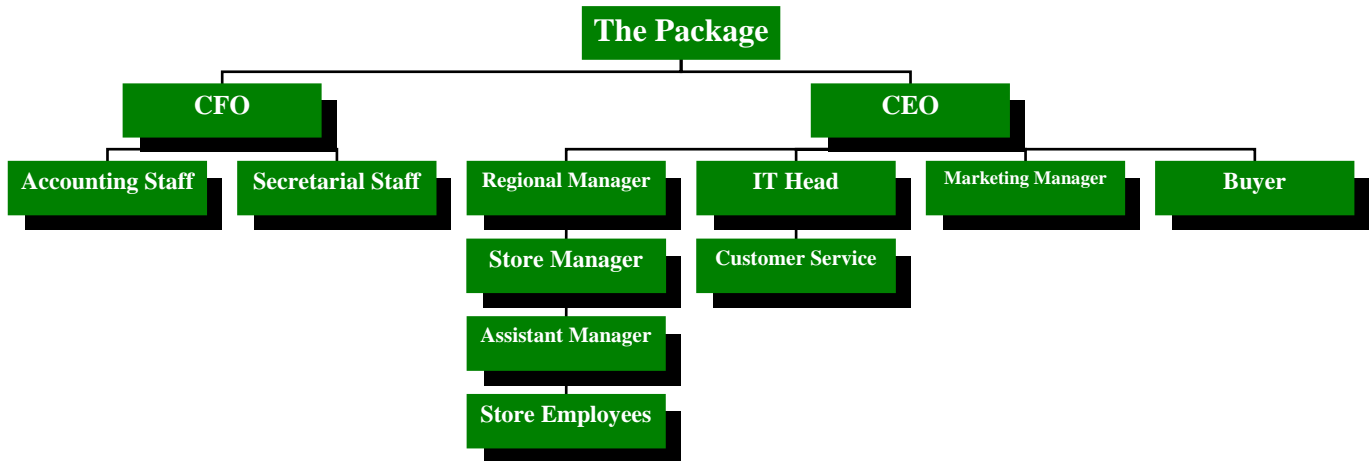
### Development Expenses

The most significant expenses in the future development plans include building costs, purchasing inventories, licensing costs, advertising, trademark, and the grand opening celebration. Hiring a contractor and related building expenses is \$95,000 store. Opening inventories must be paid for up front because the company has no credit history with vendors; yet, The Package's will be able to work out some credit terms since vendors should be interested in the overall success of the store. The Package expects inventory costs of \$375,000 per store per year which translates to opening inventory costs of \$93,750 (A quarter of yearly inventories). Licensing and trademark costs are included in legal expenses which are estimated at \$1,500 per store. The Package has allocated print and radio advertising expenses of \$40,000 for year 1 as well as allowing \$10,000 for both a direct mailing campaign and Package seminars. The grand opening will be planned within a budget set at \$20,000.

## Management Plan

### Company Organization

The Package will be organized in accordance with the chart seen below. In year zero, the founders plan to hire a CEO who has an appropriate background in the retail industry. In Year 1, the CEO will act as store manager and will be supported by an in-store assistant manager and well-trained store employees. Year 1 will also see the hiring of a marketing manager. In Year 2, with two more stores opening, a small accounting staff will be incorporated. In Year 3, the company will appoint a CFO and open a corporate headquarters. This current alignment is scalable, ready to be expanded beyond the initial two regions.



### Management Team:

Although The Package Founders will continue to be involved in much of the store operations, they plan to turn over control of the company to a qualified CEO in year one, The Package Founders will help to develop the image of The Package with the marketing manager and buyer. The key people that will determine the success of this business are the CEO, CFO, IT Head, and the Marketing Manager, below is a list of critical attributes for each of these positions. In addition to hiring these key people, The Package will seek to hire store managers that are charismatic, experienced in retail, and have the interpersonal skills necessary to motivate the sales staff. In fact, it is this “front line of customer service” that will provide much of the value to the company.

### Job Descriptions:

**All Management Positions:** Every top manager hired by The Package must have a willingness to work for an exciting Start-up Company and live in Denver area. Furthermore the company requires experience in retail and management and excellent communication skills.

**CEO:** Looking for a highly motivated individual with strong time management, leadership skills and follow through abilities. Position demands personal creativity and the ability to motivate it in others.

**CFO:** This position requires solid knowledge of financial and accounting systems and a background in finance.

**IT Head:** Must have experience with online retail, POF and inventory systems, and must be highly skilled in software development. Should have management experience and ability to allocate responsibility to a team.

**Buyer:** The individual in this position should have a strong retail background, willingness to research industry trends and work closely with vendors, also needs excellent communication skills as they will function as a communication channel between upper management and suppliers.

### Administrative Expenses

The anticipated administrative expenses for The Package are summarized in the table below. The company assumes that each year these expenses will decrease as a percentage of revenues, its also assumed there will be one headquarters opened in year three that will house all employees not working in the retail stores. Additionally, it is important to understand that while The Package retail stores, as well as advertising and promotional campaigns, aim to develop a company image through distinct operational and creative strategies, the assumptions behind general and administrative expenses follow traditional industry standards in the spirit of entrepreneurial success.

General and Administrative Expenses					
<b>Drivers</b>					
Salaries and Benefits	60,000	72,000	537,600	670,800	760,800
Depreciation	0	16,667	16,667	16,667	0
HQ rent	0	0	48,000	48,000	48,000
<b>All other expenses % of Revenue</b>	3,750	13,500	56,250	161,250	195,000
<b>Total General &amp; Administration</b>	63,750	102,167	658,517	896,717	1,003,800
<b>Total Operating Expenses</b>	342,700	1,190,867	4,498,767	10,739,967	11,345,800
% of Revenue	45.7%	44.1%	40.0%	33.3%	29.1%

## Financial Plan

Underneath the high-style Las Vegas concept of The Package, there is a calculated growth strategy through the creation of a network of stores and regions that is the key to the company's success.

### Financial Comparables:

	The Sharper Image	Brookstone	Nieman Marcus	Average	The Package
<b>Ratios</b>					<b>Year 5</b>
Accounts Receivable % of Rev	2.2%	2.3%	0.7%	1.7%	1.4%
Inventory % of Rev	13.7%	15.8%	22.3%	17.2%	14.2%
Accounts Payable % of Rev	5.1%	3.2%	9.1%	5.8%	7.0%
Current Ratio	1.83	1.76	2.17	1.9	2.2
<b>Profitability</b>					
Gross Profit % of Rev	3.7%	36.3%	32.3%	24.1%	44.3%
Sales & Marketing % of Rev	15.1%	6.5%	3.5%	8.4%	26.5%
General & Administration % of Rev	23.7%	27.1%	22.8%	24.5%	2.6%
Operating Expenses % of Rev	38.8%	33.6%	26.3%	32.9%	29.1%



Sales and Marketing % of Revenue is higher than the industry because of the increased employee to sales ratios and accelerated marketing in the interest of branding. The General & Administrative % of Revenue ratio is below the industry average because of a far less complex G & A system. With just 25 stores, The Package headquarters' expenses are far below what a larger corporation would need.

**WMF Manhattan Bar Tool Set \$27**

*Tend bar like a pro with this complete bar tool set from WMF. Set includes ice tongs, stirring spoon, bar knife, cocktail strainer, jigger and sleek stand for storage.*



## Summary of Financial Projections

Income Statement	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues</b>	750,000	2,700,000	11,250,000	32,250,000	39,000,000
<b>Gross Profit</b>	112,657	410,729	3,773,786	12,820,286	17,275,286
<b>Operating Expenses</b>	342,700	1,190,867	4,498,767	10,739,967	11,345,800
<b>EBIT</b>	(230,043)	(780,138)	(724,981)	2,080,319	5,929,486
<b>Net Earnings</b>	(\$230,043)	(\$780,138)	(\$886,981)	\$1,917,056	\$3,534,891
% of Revenues	-30.7%	-28.9%	-7.9%	5.9%	9.1%
Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Operating Activities</b>					
Net Earnings	(230,043)	(780,138)	(886,981)	1,917,056	3,534,891
Depreciation	14,643	155,238	374,881	374,881	358,214
Net Cash Provided/(Used) by Operating Activities	(519,900)	(1,157,400)	(1,985,100)	(1,633,063)	2,120,106
Property & Equipment	(102,500)	(917,500)	(1,537,500)	0	0
<b>Financing Activities</b>					
Increase/(Decrease) Short Term Debt			1,000,000		(1,000,000)
Increase/(Decrease) Long Term Debt			500,000	(100,000)	(100,000)
Increase/(Decrease) Preferred Stock		5,000,000			
Dividends Declared					
Net Cash Provided / (Used) by Financing	0	5,000,000	1,600,000	(100,000)	(1,100,000)
Increase / (Decrease) In Cash	(622,400)	2,925,100	(1,922,600)	(1,733,063)	1,020,106
Cash at Beginning of Year	1,600,000	977,600	3,902,700	1,980,100	247,037
<b>Cash at End of Year</b>	977,600	3,902,700	1,980,100	247,037	1,267,143
Balance Sheet	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>					
<b>Current Assets</b>					
Cash	977,600	3,902,700	1,980,100	247,037	1,267,143
Accounts Receivable	37,500	135,000	375,000	1,075,000	1,300,000
Inventories	375,000	1,188,000	3,825,000	10,965,000	13,260,000
Other Current Assets	27,000	97,200	270,000	774,000	936,000
Total Current Assets	1,417,100	5,322,900	6,450,100	13,061,037	16,763,143
<b>Property &amp; Equipment</b>	87,857	850,119	2,012,738	1,637,857	1,279,643
<b>Total Assets</b>	1,504,957	6,173,019	8,462,838	14,698,894	18,042,786
<b>Liabilities and Stockholder's Equity</b>					
<b>Current Liabilities</b>					
Total Current Liabilities	135,000	583,200	3,260,000	7,679,000	7,588,000
Long Term Debt (Less Current Portion)	0	0	500,000	400,000	300,000
<b>Stockholder's Equity</b>					
Common Stock	100,000	100,000	100,000	100,000	100,000
Preferred Stock	1,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Retained Earnings	(230,043)	(1,010,181)	(1,897,162)	19,894	3,554,786
Total Equity	1,369,957	5,589,819	4,702,838	6,619,894	10,154,786
<b>Total Liabilities and Equity</b>	1,504,957	6,173,019	8,462,838	14,698,894	18,042,786
Growth					
Revenue Annual Growth		260%	317%	187%	21%
Net Earnings Annual Growth		239.1%	13.7%	Nil	84.4%

## Financial Model Assumptions:

The growth rate of The Package is consistent with other mall based specialty stores, such as the Sharper Image, Brookstone, and Neiman Marcus. The three comparables are similar in customer base, nature of products, and store locations.

**Sales and Inventory:** Projected sales and inventory levels of The Package are based on competitors' public financial statements, averaged and adjusted on a square foot basis. Inline with industry standards, inventory is keystoneed (purchased at one half of MSRP.) Inventory turn rates match comparable company figures.

**Regions:** Based on store growth strategy, The Package maximizes the number of stores within two geographic regions (western and northeast states) before moving onto others, for the purposes of inventory logistics, management, and marketing.



**Store and HQ Personal:** Store employee wages, commissions, and bonuses (included in salary) reflect retail industry averages, and then appropriately inflated to attract premium employees. HQ personnel salaries are based on small scale business operations.

**Online Sales:** Operational by Year 3. Online sales assume a transaction of \$40-45 per customer. The number of customers grows at a rate parallel to brick and mortar sales. It is important to note that online sales are not a main source of revenue for the company, but provide an important brand identity.

**Advertising and Marketing Expenses:** Advertising expenses are derived from pricing options from major newspapers, magazines, and radio stations in the Denver Metro area as of April 2003.

**Accounts Receivable and Accounts Payable:** Derived from comparable's averages. Accounts Payables as a percent of revenue are slightly inflated during later growth stages.

**Rent, Utilities and Build-out:** Reflect current market prices for Broomfield's Flatirons Crossing as provided by Wescor Inc, the mall's leasing agent. For purposes of simplicity, this price is assumed to echo mid-upscale mall rental prices nationwide. Similarly, warehouse and HQ rent fall within current Colorado market prices.

**Funding:** Timed to maintain positive cash flow during growth periods. The Specialty Retail industry earns 60% of sales in the fourth quarter, thus creating a need for additional short term and long term loans.

## Sources and Use of Funds

Like any retail business, investor funds would be used for obtaining retail space, securing inventory, and paying employees. The Package founders are able to allocate \$100,000 for this need, but would require an additional \$1,500,000 in equity startup capital to complete the first two stores and the building of the next wave of growth. A second investment of \$5,000,000 will be required in year 3 to allow for a total of 25 stores, an online portal, and a headquarters, to be built. A short term bridge financing loan of \$1,000,000 (secured via inventory collateral methods) will be used to help fund 3 year, 4<sup>th</sup> quarter inventory supplies during this period of growth. The Package also seeks to implement a long term loan of \$600,000 in year three to assist with liquidity. The Package will break even in the beginning of Year 4, and, if desirable, will be able to pay off all debt by year 5.

## Business Risks

### Trend and Pricing Risks

Research indicates that despite of health moral lifestyle trends, the industries of smoking, drinking, gaming, and apparel remain fairly resilient to economic swings. However, because The Package sells many of its items at price points above the competition, a frugal consumer marketplace could impact sales dramatically.

### Supply Risks

An issue somewhat unique to The Package is maintaining levels of inventory. According to industry insiders, such as the founder of Testosterone-Aspen, acquiring large amounts of inventory from small specialty suppliers that reside overseas can be an issue. While this certainly would not affect one or two stores, expansion plans could be inhibited by available supply. Determining which suppliers, or combination thereof, should be used to mitigate this risk is essential.

### Competition Risk

Because of low barriers to entry, similar companies could be quickly founded in reaction to the success of The Package. Exclusive distribution contracts with suppliers must be obtained to mitigate the effects of competitors.

### Location and Mix

As overall mall success varies nationwide, The Package must diligently research potential expansion sites and adjust its product mix to mirror local trends and customs.

## Offering Plan

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### **Investment Requirements**

The Package initially requires \$1,600,000 in seed funding for the first two years of operations. \$100,000 of this amount will be provided by The Package founding team. This amount will fund the opening and operations of the first three stores to prove the concept is viable.

A second round of financing in year two of \$5 million is required for regional expansion of The Package concept. This round will assist in the creation of an additional 22 stores, a headquarters, and regional and online operations.

### **Valuation**

Using the venture capital method of valuation, The Package has a market value of \$71 million in year five, assuming net earnings of \$3.5 million, and an industry P/E ratio of 20.

### **Two Rounds of Offerings**

The Package will offer two rounds of equity funding for a total of \$6.5 million. The seed round of \$1.5 million will be offered in year zero for a 30% equity stake in the company at a 60% annual rate of return. The second round of financing of \$5 million will be offered in operational year 2 for a 41% equity stake in the company at a 50% annual rate of return.

### **Exit Strategy**

By year five, The Package will be an attractive target for acquisition by a larger retail corporation such as The Sharper Image, Brookstone, or Neiman Marcus. Investors will be able to capitalize on their investments at this time.

## Appendix 1: Financial Statements

### The Package Break Even Schedule

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Revenue</b>	750,000	2,700,000	11,250,000	32,250,000	39,000,000
<b>Cost of Revenue</b>					
Variable	519,200	1,840,200	6,041,000	16,442,000	18,737,000
Fixed	118,143	449,071	1,435,214	2,987,714	2,987,714
Total	637,343	2,289,271	7,476,214	19,429,714	21,724,714
<b>Operating Expenses</b>					
Variable	60,000	216,000	900,000	2,580,000	3,120,000
Fixed	282,700	974,867	3,598,767	8,159,967	8,225,800
Total	342,700	1,190,867	4,498,767	10,739,967	11,345,800
<b>Total Costs &amp; Expenses</b>					
Variable	579,200	2,056,200	6,941,000	19,022,000	21,857,000
Fixed	400,843	1,423,938	5,033,981	11,147,681	11,213,514
Total	980,043	3,480,138	11,974,981	30,169,681	33,070,514
<b>Variable Costs/Revenue Ratio</b>	0.77	0.76	0.62	0.59	0.56
<b>Break-Even Point Revenues</b>	1,760,142	5,971,781	13,142,791	27,178,161	25,510,532

### The Package Income Statement

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>NET REVENUES</b>	750,000	2,700,000	11,250,000	32,250,000	39,000,000
<b>COST OF REVENUE</b>	637,343	2,289,271	7,476,214	19,429,714	21,724,714
% of Revenues	85.0%	84.8%	66.5%	60.2%	55.7%
<b>GROSS PROFIT</b>	112,657	410,729	3,773,786	12,820,286	17,275,286
% of Revenues	15.0%	15.2%	33.5%	39.8%	44.3%
<b>OPERATING EXPENSES</b>					
Sales & Marketing	278,950	1,088,700	3,840,250	9,843,250	10,342,000
Research & Development					
General and Administration	63,750	102,167	658,517	896,717	1,003,800
Total Operating Expenses	342,700	1,190,867	4,498,767	10,739,967	11,345,800
% of Revenues	46%	44%	40%	33%	29%
<b>EARNINGS FROM OPERATIONS</b>	(230,043)	(780,138)	(724,981)	2,080,319	5,929,486
<b>EXTRAORDINARY INCOME / (EXPENSE)</b>					
<b>EARNINGS BEFORE INTEREST &amp; TAXES</b>	(230,043)	(780,138)	(724,981)	2,080,319	5,929,486
<b>INTEREST INCOME / (EXPENSE)</b>			(162,000)	(150,000)	(38,000)
<b>NET EARNINGS BEFORE TAXES</b>	(230,043)	(780,138)	(886,981)	1,930,319	5,891,486
<b>TAXES</b>				(13,263)	(2,356,594)
<b>NET EARNINGS</b>	(230,043)	(780,138)	(886,981)	1,917,056	3,534,891
% of Revenues	-30.7%	-28.9%	-7.9%	5.9%	9.1%

## The Package Balance Sheet

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	977,600	3,902,700	1,980,100	247,037	1,267,143
Accounts Receivable	37,500	135,000	375,000	1,075,000	1,300,000
Inventories	375,000	1,188,000	3,825,000	10,965,000	13,260,000
Other Current Assets	27,000	97,200	270,000	774,000	936,000
Total Current Assets	1,417,100	5,322,900	6,450,100	13,061,037	16,763,143
<b>PROPERTY &amp; EQUIPMENT</b>	87,857	850,119	2,012,738	1,637,857	1,279,643
<b>TOTAL ASSETS</b>	<b>1,504,957</b>	<b>6,173,019</b>	<b>8,462,838</b>	<b>14,698,894</b>	<b>18,042,786</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Short Term Debt			1,000,000	1,000,000	
Accounts Payable & Accrued Expen	108,000	486,000	1,890,000	5,805,000	6,552,000
Other Current Liab	27,000	97,200	270,000	774,000	936,000
Current portion of long term debt			100,000	100,000	100,000
Total Current Liabilities	135,000	583,200	3,260,000	7,679,000	7,588,000
LONG TERM DEBT (less current portion)			500,000	400,000	300,000
<b>STOCKHOLDERS' EQUITY</b>					
Common Stock	100,000	100,000	100,000	100,000	100,000
Preferred Stock	1,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Retained Earnings	(230,043)	(1,010,181)	(1,897,162)	19,894	3,554,786
Total Equity	1,369,957	5,589,819	4,702,838	6,619,894	10,154,786
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,504,957</b>	<b>6,173,019</b>	<b>8,462,838</b>	<b>14,698,894</b>	<b>18,042,786</b>

## The Package Cash Flow Statement

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>OPERATING ACTIVITIES</b>					
Net Earnings	(230,043)	(780,138)	(886,981)	1,917,056	3,534,891
Depreciation	14,643	155,238	374,881	374,881	358,214
Working Capital Changes					
(Increase)/Decrease Accounts Receivable	(37,500)	(97,500)	(240,000)	(700,000)	(225,000)
(Increase)/Decrease Inventories	(375,000)	(813,000)	(2,637,000)	(7,140,000)	(2,295,000)
(Increase)/Decrease Other Current Assets	(27,000)	(70,200)	(172,800)	(504,000)	(162,000)
Increase/(Decrease) Accts Pay & Accrd Expens	108,000	378,000	1,404,000	3,915,000	747,000
Increase/(Decrease) Other Current Liab	27,000	70,200	172,800	504,000	162,000
Net Cash Provided/(Used) by Operating Activiti	(519,900)	(1,157,400)	(1,985,100)	(1,633,063)	2,120,106
<b>INVESTING ACTIVITIES</b>					
Property & Equipment	(102,500)	(917,500)	(1,537,500)		
Other	0	0	0		
Net Cash Used in Investing Activities	(102,500)	(917,500)	(1,537,500)		
<b>FINANCING ACTIVITIES</b>					
Increase/(Decrease) Short Term Debt			1,000,000		(1,000,000)
Increase/(Decrease) Curr. Portion LTD			100,000		
Increase/(Decrease) Long Term Debt			500,000	(100,000)	(100,000)
Increase/(Decrease) Common Stock					
Increase/(Decrease) Preferred Stock		5,000,000			
Dividends Declared		0			
Net Cash Provided / (Used) by Financing		5,000,000	1,600,000	(100,000)	(1,100,000)
<b>INCREASE/(DECREASE) IN CASH</b>	<b>(622,400)</b>	<b>2,925,100</b>	<b>(1,922,600)</b>	<b>(1,733,063)</b>	<b>1,020,106</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,600,000</b>	<b>977,600</b>	<b>3,902,700</b>	<b>1,980,100</b>	<b>247,037</b>
<b>CASH AT END OF YEAR</b>	<b>977,600</b>	<b>3,902,700</b>	<b>1,980,100</b>	<b>247,037</b>	<b>1,267,143</b>

**The Package**  
The Gifts Guys Really Want.

**The Package**  
Cash Flow Statement

Year 1 by Months													Estimated	Annual
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Projection
<b>OPERATING ACTIVITIES</b>														
Net Earnings	(5,751)	(11,502)	(5,751)	(6,901)	(11,502)	(16,103)	(11,502)	(11,502)	(11,502)	(23,004)	(46,009)	(69,013)	(230,043)	(230,043)
Depreciation	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	14,643	14,643
Working Capital Changes														
(Increase)/Decrease Accounts Receivable	(3,125)	(3,125)	3,125	(625)	(2,500)	(2,500)	2,500			(6,250)	(12,500)	(12,500)	(37,500)	(37,500)
(Increase)/Decrease Inventories	(18,750)	(37,500)		15,000	(18,750)	(30,000)	0	15,000		(37,500)	(112,500)	(150,000)	(375,000)	(375,000)
(Increase)/Decrease Other Current Asset:	(18,750)	(37,500)		53,550	(1,800)	(1,800)	1,800			(4,500)	(9,000)	(9,000)	(27,000)	(27,000)
Increase/(Decrease) Accts Pay & Accrd I	9,000	9,000	(9,000)	1,800	7,200	7,200	(7,200)			18,000	36,000	36,000	108,000	108,000
Increase/(Decrease) Other Current Liab	11,250	11,250	(11,250)	(8,550)	1,800	1,800	(1,800)			4,500	9,000	9,000	27,000	27,000
Net Cash Provided/(Used) by Operating	(24,906)	(68,157)	(21,656)	55,494	(24,332)	(40,183)	(14,982)	4,718	(10,282)	(47,534)	(133,788)	(194,293)	(519,900)	(519,900)
<b>INVESTING ACTIVITIES</b>														
Property & Equipment	(102,500)													
Other														
Net Cash Used in Investing Activities	(102,500)													
<b>FINANCING ACTIVITIES</b>														
Increase/(Decrease) Short Term Debt														
Increase/(Decrease) Curr. Portion LTD														
Increase/(Decrease) Long Term Debt														
Increase/(Decrease) Common Stock														
Increase/(Decrease) Preferred Stock														
Dividends Declared														
Net Cash Provided / (Used) by Financing														
<b>INCREASE/(DECREASE) IN CASH</b>	(127,406)	(68,157)	(21,656)	55,494	(24,332)	(40,183)	(14,982)	4,718	(10,282)	(47,534)	(133,788)	(194,293)	(622,400)	(622,400)
<b>CASH AT BEGINNING OF PERIOD</b>	1,600,000	1,472,594	1,404,437	1,382,781	1,438,275	1,413,943	1,373,761	1,358,779	1,363,497	1,353,215	1,305,681	1,171,893		1,600,000
<b>CASH AT END OF PERIOD</b>	1,472,594	1,404,437	1,382,781	1,438,275	1,413,943	1,373,761	1,358,779	1,363,497	1,353,215	1,305,681	1,171,893	977,600		977,600

**The Package**  
Cash Flow Statement

Year 2 by Months													Estimated	Annual
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 2	Projection
<b>OPERATING ACTIVITIES</b>														
Net Earnings	(19,503)	(39,007)	(19,503)	(23,404)	(39,007)	(54,610)	(39,007)	(39,007)	(39,007)	(78,014)	(156,028)	(234,041)	(780,138)	(780,138)
Depreciation	12,937	12,937	12,937	12,937	12,937	12,937	12,937	12,937	12,937	12,937	12,937	12,937	155,238	155,238
Working Capital Changes														
(Increase)/Decrease Accounts Receivable	26,250	(11,250)	11,250	(2,250)	(9,000)	(9,000)	9,000	0	0	(22,500)	(45,000)	(45,000)	(97,500)	(97,500)
(Increase)/Decrease Inventories	307,500	(114,750)	20,250	33,750	(63,450)	(91,800)	16,200	37,800	0	(135,000)	(364,500)	(459,000)	(813,000)	(813,000)
(Increase)/Decrease Other Current Asset:	18,900	(8,100)	8,100	(1,620)	(6,480)	(6,480)	6,480	0	0	(16,200)	(32,400)	(32,400)	(70,200)	(70,200)
Increase/(Decrease) Accts Pay & Accrd I	(67,500)	40,500	(40,500)	8,100	32,400	32,400	(32,400)	0	0	81,000	162,000	162,000	378,000	378,000
Increase/(Decrease) Other Current Liab	29,700	56,700	(56,700)	(46,980)	6,480	6,480	(6,480)	0	0	16,200	32,400	32,400	70,200	70,200
Net Cash Provided/(Used) by Operating	308,283	(62,970)	(64,167)	(19,468)	(66,120)	(110,073)	(33,270)	11,730	(26,070)	(141,577)	(390,591)	(563,105)	(1,157,400)	(1,157,400)
<b>INVESTING ACTIVITIES</b>														
Property & Equipment				(917,500)										
Other														
Net Cash Used in Investing Activities				(917,500)										
<b>FINANCING ACTIVITIES</b>														
Increase/(Decrease) Short Term Debt														
Increase/(Decrease) Curr. Portion LTD														
Increase/(Decrease) Long Term Debt														
Increase/(Decrease) Common Stock														
Increase/(Decrease) Preferred Stock	5,000,000													
Dividends Declared														
Net Cash Provided / (Used) by Financing	5,000,000													
<b>INCREASE/(DECREASE) IN CASH</b>	5,308,283	(62,970)	(64,167)	(936,968)	(66,120)	(110,073)	(33,270)	11,730	(26,070)	(141,577)	(390,591)	(563,105)	2,925,100	2,925,100
<b>CASH AT BEGINNING OF PERIOD</b>	977,600	6,285,883	6,222,913	6,158,746	6,158,746	5,221,778	5,155,658	5,045,584	5,012,314	5,024,044	4,997,973	4,856,396	4,465,805	977,600
<b>CASH AT END OF PERIOD</b>	6,285,883	6,222,913	6,158,746	5,221,778	5,155,658	5,045,584	5,012,314	5,024,044	4,997,973	4,856,396	4,465,805	3,902,700		3,902,700

## The Package Cash Flow Statement

Years 3, 4 & 5 by Quarters

	Year 3					Year 4					Year 3	Year 4
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	Annual Projection	Annual Projection
<b>OPERATING ACTIVITIES</b>												
Net Earnings	(112,998)	(149,247)	(149,247)	(475,489)	(886,981)	169,360	272,661	272,661	1,202,373	1,917,056		
Depreciation	93,720	93,720	93,720	93,720	374,881	93,720	93,720	93,720	93,720	374,881	(886,981)	1,917,056
Working Capital Changes												
(Increase)/Decrease Accounts Receivable	72,500	(31,250)		(281,250)	(240,000)	195,833	(89,583)	0	(806,250)	(700,000)		
(Increase)/Decrease Inventories	550,500	(318,750)		(2,868,750)	(2,637,000)	1,997,500	(913,750)	0	(8,223,750)	(7,140,000)	(240,000)	(700,000)
(Increase)/Decrease Other Current Assets	52,200	(22,500)		(202,500)	(172,800)	141,000	(64,500)	0	(580,500)	(504,000)	(2,637,000)	(7,140,000)
Increase/(Decrease) Accts Pay & Accrd	(171,000)	157,500		1,417,500	1,404,000	(922,500)	483,750	0	4,353,750	3,915,000	(172,800)	(504,000)
Increase/(Decrease) Other Current Liab	(52,200)	22,500		202,500	172,800	(141,000)	64,500	0	580,500	504,000	1,404,000	3,915,000
Net Cash Provided/(Used) by Operating	432,722	(248,027)	(55,527)	(2,114,268)	(1,985,100)	1,533,914	(153,202)	366,382	(3,380,157)	(1,633,063)	172,800	504,000
											(1,985,100)	(1,633,063)
<b>INVESTING ACTIVITIES</b>												
Property & Equipment		(1,537,500)			(1,537,500)							
Other											(1,537,500)	
Net Cash Used in Investing Activities		(1,537,500)			(1,537,500)							
											(1,537,500)	
<b>FINANCING ACTIVITIES</b>												
Increase/(Decrease) Short Term Debt	1,000,000				1,000,000							
Increase/(Decrease) Curr. Portion LTD	100,000				100,000						1,000,000	
Increase/(Decrease) Long Term Debt	500,000				500,000				(100,000)	(100,000)	100,000	
Increase/(Decrease) Common Stock											500,000	(100,000)
Increase/(Decrease) Preferred Stock												
Dividends Declared												
Net Cash Provided / (Used) by Financin	1,600,000				1,600,000				(100,000)	(100,000)		
											1,600,000	(100,000)
<b>INCREASE/(DECREASE) IN CASH</b>	2,032,722	(1,785,527)	(55,527)	(2,114,268)	(1,922,600)	1,533,914	(153,202)	366,382	(3,480,157)	(1,733,063)	(1,922,600)	(1,733,063)
<b>CASH AT BEGINNING OF PERIOD</b>	3,902,700	5,935,422	4,149,895	4,094,368		1,980,100	3,514,014	3,360,812	3,727,194		3,902,700	1,980,100
<b>CASH AT END OF PERIOD</b>	5,935,422	4,149,895	4,094,368	1,980,100		3,514,014	3,360,812	3,727,194	247,037		1,980,100	247,037

	Year 5					Year 5
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	Annual Projection
	350,069	527,954	527,954	2,128,915	3,534,891	3,534,891
	89,554	89,554	89,554	89,554	358,214	358,214
	858,333	(108,333)	0	(975,000)	(225,000)	(225,000)
	8,755,000	(1,105,000)	0	(9,945,000)	(2,295,000)	(2,295,000)
	618,000	(78,000)	0	(702,000)	(162,000)	(162,000)
	(4,713,000)	546,000	0	4,914,000	747,000	747,000
	(618,000)	78,000	0	702,000	162,000	162,000
	5,339,956	(49,826)	617,507	(3,787,532)	2,120,106	2,120,106



## Appendix 2: Sample Products Catalog

### 58" 2-Pc Tiger Decal Cue

\$110

A Pool cue with a personality.



### Predator Break Cue

\$395

Why not look like a pro? A cue for the man who knows it is more than a game.



### Elephant Lunar Rocks (Pool Balls)

\$225

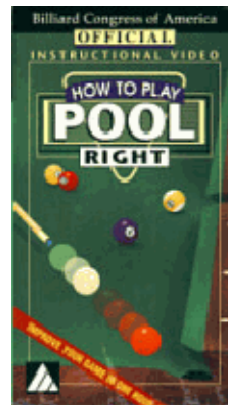
The Elephant Lunar Balls were used in the movie Pluto Nash starring Eddie Murphy. They are something to brag about.



### The BCA 'How to Play Pool Right' Video

\$17.95

One hour video teaches the fundamentals of stance, grip, bridge, and stroke and the advanced techniques of English, position play, and patterns. Replete with state-of-the-art graphics, this video can improve your game whether you are a beginner, intermediate or advanced player.



### Poker Gift Set

\$35

A gift set for those who enjoy the odd game of poker or are new to the game. So call the boys, visit the liquor store and break open the piggy bank.

# The Package

The Gifts Guys Really Want.

### **The Cards**

\$130

Inlaid Italian briarwood high glossy finish, artistic inlay case with brass piano hinges. Complete with two decks of playing cards. Made in Italy.



### **The Caribbean Platinum Humidor**

\$149.50

Holding 50-75 Cigars, this humidor includes a Cedar Aerator (Top & Bottom), Gold Plated Quadrant Corner Hinges, Platinum Large Capacity Humidifier, Solid Hardwood Construction, and Includes a Divider. It's enough to impress even the most knowledgeable of cigar smokers.

### **Black Marble Oval**

\$25

Holds two cigars, very Elegant.



### **Cohiba XV : Extra Vigroso**

\$135

The Newest Cohiba For 2001. Offering Full Bodied Flavor & A Very Rich Taste, Featuring A Sumatra-Seed Wrapper & CT-Broadleaf Binder! A sure sign of good taste in cigars.

# **The Package**

**The Gifts Guys Really Want.**



### **Mansilk Boxers**

\$35

Worn under your clothes or on the outside as loungewear nothing feels better than a pair of silk boxers! Made by Mansilk using the best heavy-weight jacquard silk available for durability and longevity.



### **Romeo Bathrobe**

\$70

This 100 % cotton robe with Velour on outer side and terry on inner side to make any rugged man comfortable.

### **Dexter Drivz Newport Blue Suede Slipper**

\$84.95

Who knows whom you will see when you go to fetch that morning paper.



# **The Package**

**The Gifts Guys Really Want.**



### **WMF Manhattan Bar Tool Set**

\$75

Tend bar like a pro with this complete bar tool set from WMF. Set includes ice tongs, stirring spoon, bar knife, cocktail strainer, jigger and sleek stand for storage.

### **Galleria Multi Color Martini Glasses - Set of 6**

\$120

Beautiful waves of color are accented by 24 Karat Gold Paint. Each glass is hand painted and handcrafted in the highest quality glass studios in Romania. Each is a unique and special work of art.



# **The Package**

**The Gifts Guys Really Want.**

### Appendix 3: Images from Testosterone-Aspen

A section of gaming inventory encased in mahogany and marble



Shaving and cologne accessories



Gaming items



Selected Cigars within Testosterone's Humidor



**The Package**  
The Gifts Guys Really Want.