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Amarin  
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## Executive Summary

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### Amari Means Balance

Professional women today must juggle a great deal of responsibilities in the home and in the workplace. Women with schedules that are stretched very thin lack the personal relaxation and balance that their bodies and minds require to be healthy. Currently, busy women often use day spas in an attempt to fulfill their physical needs for relaxation and stress relief. However, day spas, and the services they provide, are becoming more and more uniform only offering the basic massages, facials, and body wraps. Most women feel that if they have been to one day spa for physical relaxation, they have been to them all. Isn't there a better relaxation solution out there that caters to both the physical and emotional relaxation needs of today's modern woman? The answer is yes, and the solution is Amari Wellness Springs and Spa. Amari isn't a day spa for professional women it is a *wellness facility* centered on its signature Asian Wellness Springs. Amari goes beyond the services provided by a day spa by offering its female guests access to the Wellness Springs and specialty saunas, in addition to unique spa services and a retail center.

### A Historical Perspective

For thousands of years Asian cultures have found a nurturing escape in the form of mineral springs. Now, Amari takes this time-tested emotional and physical panacea and makes it available to women in the Denver Metro Area. Amari's Asian roots promote the belief that caring for oneself requires a holistic approach. This means that a balanced existence includes addressing both the physical and emotional needs of a person through relaxation. At Amari we provide more than relaxation services; we provide a relaxation *experience* by engaging guests in a personal way that is memorable the moment they step in the door.

### Strong Opportunity

Amari's extensive market research conducted in the target marketplace uncovered startling results. After completing 60 surveys (35 of which were completed in our target location totaling 1,050 usable question responses), seven out of eight respondents said that they would *probably* or *definitely* visit Amari. After further processing of the data, it was also revealed that the *probably* or *definitely* visitors would drive five miles further and visit Amari twice as often when compared to Amari's most direct competitor, day spas.

Also using the surveys, the calculated number of women within the Denver Metro Area who would probably or definitely visit Amari is 100,000 and grows to 120,000 by year five. This market of 100,000 women currently spends \$28 million on spa services and products.

### Target Market

Amari's initial target is female spa-goers, age 28-42, with an average household income of \$104,000. We will first focus our grassroots marketing efforts on the early adopters and the more adventuresome within this segment. From there, Amari's ample marketing budget (\$320,000 or 17% of revenue in year one) will cover rollout to the rest of the target market, and later penetrate other desirable segments.

### **Experienced Board of Advisors**

Amari's esteemed board of advisors will include individuals with proven success implementing similar business models. Kathy Nelsen is the spa director of Kabuki Springs and Spa in San Francisco. She led Kabuki to break-even and repay initial angel investments by the end of Kabuki's first year of operation. The next advisor is Mike Modiri, the founder and director of Juvenex spa in New York. Mike opened Juvenex two years ago, and based on Juvenex's overwhelming success, he is currently in the process of doubling the square footage of the facility. These contacts have been integral in the formation of Amari and will continue to provide helpful guidance for management decisions.

### **Financially Profitable**

Amari requires \$1.7 million to begin operations. The founders of Amari will provide \$120,000 in common stock. The Amari team will then relinquish 65% of the company in return for \$730,000 from angel investor (preferred round A). Finally, \$850,000 in long-term convertible debt at 10% will also be provided by angels. Amari will reach revenues of \$4.7 million by year five and will break-even in month thirteen of operations. In year five, Amari will have net earnings of 16% of revenues.

## **Company Overview**

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In most western cultures including ours, wellness understanding can be summed by the following, "If I get sick, I go to a doctor and get well". Consider what many scholars think to be the single greatest achievement in western medicine: Louis Pasteur's discovery of the vaccine. Many are aware of vaccines, but how many knew that Pasteur renounced his findings on his death bed? Many may ask, what drove Pasteur's change? The answer can be found all around us – it is the same fundamental paradigm shift that is growing steadily throughout our country. From Oprah to professional athletes, Americans are shifting from the sickness model of health to the wellness model. A shift from doctors to diets and from pills to prevention.

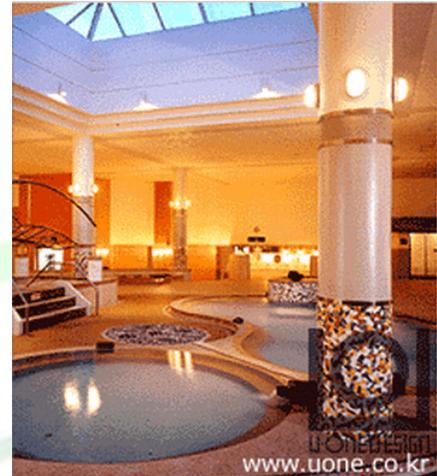
At Amari we focus heavily upon the idea of balance, which permeates the whole facility from our logo to our recommended Healing Combinations. Amari will capitalize on its unique offerings utilizing a premium pricing strategy to provide an incredibly profitable venture for its investors.

## Product Service Description

Upon setting foot into our lavish 7,500 square foot facility, the first thing to touch our guests' senses is the soothing sound of cascading water from one of our numerous fountains. All those who enter Amari are cordially greeted, offered soothing herbal tea, and will receive a lavender and lemon hot towel to relax and cleanse their hands as their experience with Amari begins.

First time guests will be shown the entire facility by one of our knowledgeable receptionists. The tour begins in our locker room where each guest will be shown where the plush robes, towels and traditional bamboo slippers are provided. From there, the guest will be shown our signature "Wellness Springs" area. Emphasis will be placed on the respective healing attributes of each of our four springs, as well as those of our two specialty saunas.

After the tour of our Wellness Springs, the guests are led under a stone archway into the spa treatment area of our facility and shown some of the treatment rooms.



Upon leaving the spa area they are shown the "Ohm Room". This a darkly lit room, illuminated only by small candles behind Asian rice paper screens. The clientele use this place for a final moment of quietness, usually after getting a treatment and before re-entering the locker-room. Before returning to the lobby, guests will be given a moment to peruse our retail center, items including skin/hair care products, health and wellness publications and various gift items, including living bamboo chutes, which can be put on guest accounts. Finally the guests are asked if there are any questions and handed our informative literature. The Amari brochure will communicate the following:

- History of wellness springs as a longstanding Asian tradition.
- Membership information and benefits.
- A complete menu of all spa treatments along with our professional recommendation of what springs or saunas should come before or after each treatment.
- A list of our partners throughout the community.

**Wellness Springs & Sauna Rooms:** This extravagant communal area will consist of four springs and two sauna rooms. All of which will aide guests in achieving the balance and wellness that is missing in their daily routine. The entire area will be available to guests at a flat rate and with no time limit. All springs and saunas will have a thorough description of the health benefits attributed to each and a digital readout of the current ambient temperature for ease of customer use.

**Springs Component:** Japanese style Sake Spring, Massage Spring (whirlpool jets), Mineral Spring and a Cold Plunge (55 degrees). All springs will have seating around the outer edge so guests can relax or submerge themselves up to their shoulders. All Springs will have water flowing into them from a variety of beautiful fountains.

**Sauna Component:** Our guests will enjoy our specialty eucalyptus steam room as well as a Hwangto clay sauna, both of which provide a soothing escape, but are best when used in conjunction with the springs exemplified in the Amari Purification Program below.



*Hwangto Clay Sauna Room*

**Spa Treatment Rooms:** Our facility will have 10 treatment rooms. We will offer a unique twist on the traditional menu items of a day spa that include: massages, facials, body treatments, body scrubs, and body wraps. Amari will attract and maintain the best staff in the area to administer these services. Every member of Amari’s staff will have the necessary schooling and credentials for each respective position. Maintaining the well-trained staff will be achieved by giving all fulltime practitioners a benefits package including a membership to the Wellness Springs. We have also created various Wellness Combinations packages involving a combination of spa treatments complemented by our saunas and springs to create the maximum wellness experience possible.



*Eucalyptus Steam Room*

Take for example our *“Amari Purification Program. This purification journey will begin with our Hwangto Sauna to initially prepare the body at a comfortable low heat by beginning perspiration and toxin release. This is followed by our Eucalyptus Steam room to eliminate impurities, followed by a refreshing cool water plunge to re-balance the body.*

*Next, an Organic Sea Salt Glow combined with aromatic oils will be used on your skin to stimulate circulation and refine your skin's natural texture. Then soak in our Seaweed Whirlpool or Sake Spring for the ultimate in skin nourishment and finally finish off with a calm meditative moment in our Ohm Room to relax before ending your experience with Amari.”*

**High End Retail:** “54% of all spa goers buy spa products during their visit” (2004 ISPA). Our retail center will be located just outside of the spa area. It will include traditional skin/hair care products as well as Asian themed gifts like our very own bamboo slippers and plush cotton

robes. Among the health and wellness publications, and selection of assorted juices, there will be information on the current local artist’s art that adorns the walls of the facility that month.

**The Sensual Environment**

**Sight:** Our Asian theme will permeate the entire facility, from the pagoda over the Sake Spring to the living giant bamboo stalks that can be found throughout. The goal is to provide an ambiance of harmony and tranquility that is soothing to the eyes and helps visitors and members get a sense of an escape from their ordinary environment. To accomplish this, we will use natural materials and tones throughout the entire facility.

**Sound:** The natural and peaceful sound of running water will unify all the different areas of the facility.

**Smell:** The visitor will be greeted with subtle and soothing aromas such as eucalyptus and lavender.

**Touch:** To create harmony with the rest of the interior, we will utilize inviting textures and materials. From the bamboo slippers to the rice paper partitions, our guests will remain surrounded by the most inviting textures possible.

**Feature Benefits Table 1A**  
**General Facility**  
 (“Guests say” based on market research)

<b>Feature</b>	<b>Benefit</b>	<b>“Guests Say”</b>
<b>Wellness Springs</b>	Healing pools and Saunas with specific health attributes	“A convenient and healthy increase in my quality of life”
<b>All Female Members</b>	Invites a more secure and relaxing environment	“I don’t have men hitting on me all the time like at the gym”
<b>Retail Center</b>	Guests may peruse a wide array of specialty/Asian products	“I can take some of the Amari experience home with me”
<b>The Spa Area</b>	Further emphasizing our dedication to total wellness through massage and other treatments. All treatments come with <b>Free</b> Pass to Wellness Springs area	“Their amazing treatments are a perfect compliment to the Wellness Springs”
<b>Memberships</b>	Once a week access to Wellness Springs. 15% off all spa treatments	“They know my name, I’m in every week!”
<b>Flat Rate, No Time Limit</b>	Passes to Wellness Springs are one price with no limit on how long guests may use the facility	“I can come when I want and stay for as long as I want, it’s just great”
<b>Amari’s Environment</b>	The core of Amari is its sensual theme that provide guests with an accessible escape	“I can leave my busy schedule for a soothing escape whenever I want”

\* See Membership information Appendix 5

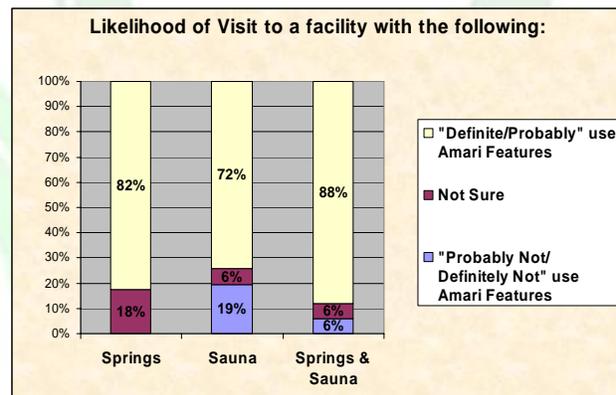
**Feature Benefits Table 1B**  
**Wellness Springs**  
 (“Guests say” based on market research)

Features	Benefits	Guests Say
<b>Sake Spring</b>	Contains natural antioxidants, aides in digestion, and helps stressed bones and joints	“Wildly exotic and it helps in so many different ways”
<b>Seaweed Spring</b>	The mineral salts and vitamins in seaweed are naturally hydrating and rejuvenating to your skin	“My skin feels youthful, supple and firm after using the Seaweed Spring”
<b>Whirlpool Mineral Spring</b>	Opens pores, cleanses the body, acts as a mild antiseptic and is vital for the growth and maintenance of bone	“I feel nourished inside and out, from my skin to my spine, this is <i>my</i> favorite”
<b>Cold Plunge 55 degrees</b>	A refreshing offset to all other areas of the spring, increases alertness and blood flow	“I use it last, it is like a shot of espresso that prepares me for the rest of my day”
<b>Eucalyptus Sauna</b>	Helps open sinus cavities and clears all upper respiratory system	“After just a few minutes my entire head and chest is clear”
<b>Hwangto Clay Sauna</b>	Produces same detoxifying perspiration as high heat saunas at a much lower temperature	“I usually think saunas are <i>way</i> too hot, this one is just right”

## Survey Results

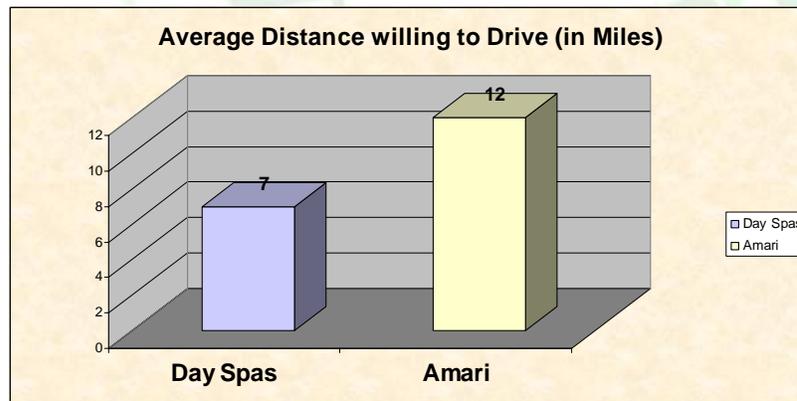
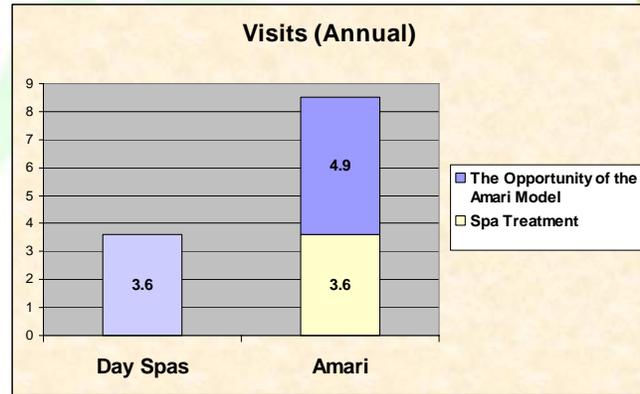
Because the concept of a wellness facility utilizing Asian style springs and specialty saunas has not been tested in the Denver Metro Area, the Amari team used surveys to find out how the market felt about these offerings. In order to compare Amari’s business model with the closest competitor, day spas, the survey was structured to measure current day spa usage and then gauge respondents’ response to both the springs, saunas, and then the Amari facility as a whole.

In order to create the most effective and non-biased survey possible, the Amari team consulted market research expert Arjun Sen. The survey was created utilizing text boxes to convey the Amari concepts and questions were asked to rate the attractiveness of these concepts. No oral communication of ideas or other actions that could in any way bias our results were allowed in our survey procedure. The sole prescreen for respondents was that they had visited a day spa within the past twelve months. We conducted these surveys in three different locations in the Denver Metro Area for a total of thirty-five completed surveys resulting in 1,050 questions answered.



Our survey results showed that there is an unmet demand for a facility with Amari’s unique benefits. Amari’s closest competitors, day spas, do not provide enough of an experience for the Denver market. Amari’s market seeks health benefits and stress relief in an environment which provides a total relaxation experience. The key results from Amari’s surveys are summarized below:

1. 88% responded that they would ‘definitely or probably’ visit Amari.
2. Survey respondents are willing to drive 75% longer in order to reach Amari than they would a day spa.
3. Survey respondents would visit Amari 136% more than they would a day spa annually.
4. The weighted average of survey results revealed that respondents would pay \$40 for entry to Amari’s Springs and Sauna area.



## Market and Industry Analysis

Amari Wellness Springs and spa falls into a segment of the always in demand fitness and recreational sports center industry (NAICS 713940). This unique business model’s most direct competition comes from the day spa (without accommodations) segment of this industry.

### Industry Segment Size, Status, and Problem:

In the concentrated day spa segment of the overall fitness and recreation sports center industry, Amari stands alone. Amari is not a day spa, but a wellness service that adds value beyond its day spa component. To put the day spa segment of the industry, which Amari is closest to, into perspective reveals powerful revenue growth of 114% (between 2000 and 2003) that translates into a “healthy” total revenue number of \$7.3 billion at the end of last year.

Amari is poised to meet the needs that are not being addressed by other companies. Amari asserts that it is meeting a woman’s inherent need for relaxation and stress relief with a superior solution to a rudimentary day spa. By teaming its signature wellness springs and specialty saunas

to already in demand spa treatments and techniques, Amari is no longer another relaxation option for women, but a relaxation and stress relief EXPERIENCE that creates life balance.

The PROBLEM is that relaxation and stress relief are almost becoming commoditized, with increasingly impersonal services and even more impersonalized products. Amari strives to solve this problem by creating an experience that is about engaging a guest and making a personal connection that is memorable.

### **Segment Trends driving growth**

The overall trend that is driving the opportunity and need for Amari in its industry segment is the trend of the “experience economy,” which leads to more focused marketplace trends of “away day relaxation,” “alternative health,” and “increased workloads for women.”

### **Overall Trend**

- *The Experience Economy trend:* In order to differentiate many companies are moving beyond services into experiences. Experiences must provide a memorable offering that will remain with one for a long time, but in order to achieve this, the consumer/guest must be drawn into the offering such that they feel a sensation.

### **Focused Marketplace Trends**

- *The “Away Day” relaxation trend:* The main avenue for stress relief and relaxation for most has historically been vacation destinations. Today, with fewer vacation days and longer work days, individuals have moved from getting away to a destination to getting away for a day. This means finding an environment that creates an escape yet allows busy professionals an opportunity to stay connected to personal obligations.
- *The increased workload trend for women:* Among all women, 63 percent work more than 40 hours per week. On the other hand the number of hours men work a week is slowly decreasing.
- *The Alternative Health trend:* Americans are finding new ways to get healthy and sustain particular levels of health. This is apparent in the increasing popularity of alternative wellness activities such as yoga, pilates, organic food etc.

### **Compelling Need**

As the above survey results show, the Amari team has discovered an unmet need for a greater wellness and relaxation experience than current available outlets provide. Today’s professional women have an ever increasing workload and less vacation time. Therefore, in order to maintain balance, they need relaxation and rejuvenation adopted into their daily lives. Currently these women use day spas in an attempt to fulfill this need. However, the current consumer trend favoring an experience beyond a simple relaxation service has opened an opportunity for Amari.

Amari Wellness Springs and Spa provides superior relaxation and rejuvenation while enshrouding guests in an experience they will not soon forget.

## Opportunity

Our survey results revealed that there is a market of 100,000 women in the Denver Metro Area who would desire Amari's offerings. This represents an immediate market of \$28 million and grows to \$35 million by year five.

## Marketplace and Competitor Analysis

**Marketplace Definition:** The competitors in Amari's distinct target marketplace include day spas, salon spas, and health clubs/gyms that compete on functionality over experience. The marketplace, based on extensive research, comprises an approximate twelve mile radius centered at Amari's proposed business location of 7900 E. Berry Place, Greenwood Village, CO 80111. To get the closest initial target potential number, the Amari team focused on the day spa market size and revenue within its twelve mile radius. The initial market size is 113,000 female spa goers. Last year this market produced 407,000 spa visits, which resulted in \$33 million of spa services and product revenue.

### Personally Visited Marketplace Competitor Analysis:

Competition Overview: Visited 9 closest day spas.

Salon Spas = 65%

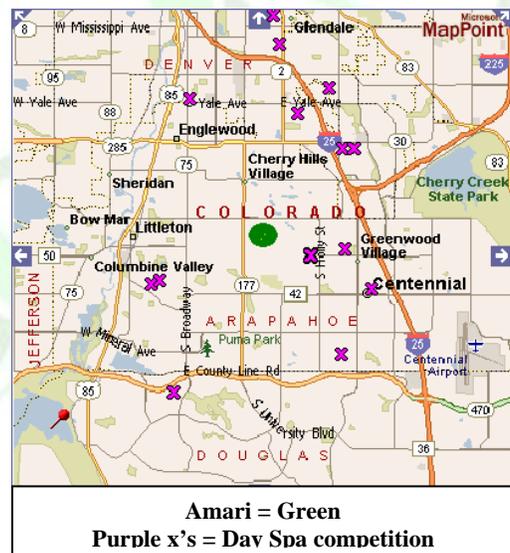
- Pro: Multi-purpose
- Con: Smell, lack of relaxing environment

Function Based Day Spas = 25%

- Pro: Offer wide variety of treatments
- Con: Doesn't provide escape experience

Environment Based Day Spas = 10%

- Pro: Nice environment
- Con: Limited options of activities for guests – if they want to enjoy the environment longer, all they have is the small lounge areas.



### Beau Visage West: 8055 West Bowles Avenue, Littleton, CO

The Beau Visage facility has four treatment rooms and four pedicure stations. The facility also has a lounge area (seats six people) with couches and magazines for guests to use before or after treatments.

**Weaknesses:** Small relaxing area for clients waiting for treatments.

**Amari's Advantage:** Twice the number of treatment rooms with unique wellness springs available to waiting guests.



Spa 4179: 8955 S. Rigdeline Blvd. Suite 500, Littleton, CO



Spa 4179 only offers massages. Their menu consists of eight different kinds of massages from 55 minutes to three hours in length. The prices range from \$70 for the most basic massage to \$145 for a two therapist massage, or ‘the ultimate’ three hour massage for \$545 including transportation (within 10 mile radius). Spa 4179 offers 4 spacious treatment rooms consisting of 5 massage beds.

**Weaknesses:** Only offer massage.

**Amari’s Advantage:** Wellness springs and a diverse treatment menu, that when combined creates a superior wellness experience.

Salon Foushee and Day Spa: 8340 W. Coal Mine #2, Littleton, CO

The day spa addition at Salon Foushee consists of two rooms for massage and two rooms for other spa treatments such as facials and body treatments, and tanning beds. The main focus of their business remains the salon, as it takes up about two thirds of the facility. The day spa is located at the back of the salon area.

**Weaknesses:** Lack of décor and atmosphere. The facility is dominated by a salon.

**Amari’s Advantage:** Special professional focus placed on décor and a much larger facility designed by Amari’s architects Ohlson Lavoie Collaborative of Denver.



Health Clubs such as 24 Hour Fitness: 333 Dad Clark Dr, Littleton, CO

The 24 hour fitness in Amari’s marketplace offers hot tub and saunas.

**Amari’s Advantage:** Exclusive feel, personal service, and Amari provides a comfort level for women who feel awkward in a gym, but still want to do something healthy for the body.

## Marketing Plan

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Amari provides more than a tangible product, it also sells an experience. Therefore, marketing is vital to the ‘Amari experience’ to inform clients of the enhanced benefits of using the facility. Amari’s extensive grassroots marketing campaign is designed to reach seventeen percent of the target market by year one. In year one, \$320,000 (17% of revenue) is allocated to Amari’s marketing campaign.

**Target Market Strategy**

Amari Wellness Springs and Spa will be positioned as *the* superior relaxation solution for creating life balance that professional women lack. Today 63% of women work over 40 hours a week (AFLCIO 2004). Specifically, our facility fulfills the problem that no other Colorado spa offers by placing our clients in a beautiful yet relaxing environment that balances and improves self-image and health, as well as provide an escape or journey away from daily challenges.

Furthermore, the target for Amari is female spa-goers between the ages of 28-42 in the Denver Metro Area with a household income of \$104,000 who are seeking an enhanced spa experience.

**Communication Strategy**

Our marketing strategy will seek to develop customer awareness regarding our unique healing springs and saunas, develop the client base, and work toward building client loyalty.

Our focus is to initially target the adventurous early adopters and opinion leaders within our target market of female spa goers, aged 28-42. Some distinct features of the early adopters in our target market consist of some of the following preferences: independent film over Hollywood Blockbusters; country club over recreational facilities; local restaurants over large chains.



**Primary Spa Persona:**  
**Name:** Susan Miller (age 35)  
**Andrea's Typical Quotes:**  
 "I don't feel as attractive as I used to"  
 "I'm always spread very thin and have very little 'ME' time...Help!"

We will reach these people through a direct grassroots approach, getting in touch with our targets' perceptions by fusing with these goods and services that they already utilize. The following businesses will receive a free yearlong membership along with a limited number of guest passes in gratitude for displaying our brochures and fusing membership plans with high-volume purchases—country clubs, car dealerships, real estate brokerage firms, health food stores, and small boutiques. Other routes to the perception of the opinion leaders will include, but not be limited to, theatre handbill ads, charity events, fashion shows, and other art and cultural events within the Denver Metro Area.

As a more generalized approach to marketing the services of Amari include:

Brochures— We will use brochures as an informational tool to provide pictures of Amari to build on our atmosphere and relay information about the benefits of our services. According to ISPA, 27 percent of spa's business is generated because clients saw their brochures.

Advertisements—Amari will rely on advertisements in 5280, Denver's premiere local magazine, for increasing visibility and interest in Amari's services among female spa-goers. The September issue critiques Denver's top spas. 5280s readership is 92,000 people.

Direct Mail and Emails—We will purchase focused mailing lists from organizations suited to our target market profile.

Website—Amari will use a website as a source for disseminating information.

Public Relations—Amari will support such local organizations as Associations of American University Women, Colorado Women's Golf Association, Business and Professional Women's Association of Colorado, etc. Additionally, prior to our Grand Opening, we will prepare a press release informing the local media about Amari and its involvement with local non-profit and charity events.

### Sales Strategy

Getting clients into our doors to experience first-hand the benefits of Amari Wellness Springs and Spa is essential to our success. By placing an emphasis on targeting market leaders and early adopters, we will give ‘free’ trials to associations that coincide with the interests and needs of our target market, such as Parent Teacher Associations, Associations of American University Women, Colorado Women’s Golf Association, Professional Business Women in Colorado, etc. Additionally, we will target women who work in the health, wellness, beauty and cosmetic industry.



By creating a sense of ‘exclusivity’ we hope our main revenue drivers will be memberships, in the form of monthly or yearly contracts with our clients. Included in the memberships are a limited number of guest passes, in which our loyal clients have the opportunity to share the experience Amari provides, thereby spreading word about Amari and hopefully driving further business. This also presents us with money up front and serves as a long-term contract with our clients and establishes a relationship with them indefinitely.

Apart from the clients we wish to attract, we must also aggressively recruit our employees. Traditionally, spa-goers have greater loyalty with their existing masseuse or esthetician, as opposed to the spa itself. We offer a benefits package and an exceptional facility in which to attract our employees. Moreover, by hiring our certified and highly respected employees, we also hope that their loyal clients will also be attracted to Amari by following their masseuse.

### Operations Plan

Our guests visit Amari’s exotic facility in order to get a relaxing, convenient escape. They expect our high-end service to match our premium pricing and exotic décor. They are *not* disappointed. Instead of over emphasizing value-added and competitive pricing, our operations are tailored around the feeling of wellness, balance and exclusivity. This enforces our theme elements as well as justifies our positioning and the entire marketing strategy.

To ensure that each and every one of our guests feels special upon entering Amari, each guest will be given hot towels and offered complimentary herbal tea. If the individual is a member, they will be greeted by their preferred name or title (e.g. Susan or Ms. Stone) on their way to the locker-room. First time non-members will be offered a tour and shown what membership affords them, while returning non-members will be helped at the reception area by a well-trained member of the Amari team. Though secondary to



wellness and exclusivity, all first time guests will understand that all treatments in the spa area will be accompanied by free \$45 pass to the Wellness Springs therein adding value. Furthermore, all guests will be made aware of the healing attributes of our Wellness Springs and gain understanding of the advantage of the spa area by our expert recommendation of what combinations aide in optimal wellness directly before or after each treatment.

Amari will operate seven days a week. The Wellness Springs area will be open from 9 am to 9 pm. The spa treatment rooms will operate from 9 am to 6 pm.



## Pricing Strategy

As you enter Amari's inviting reception area there are no oversized price lists posted on the walls with the conventional "economy packages" that so many spas consider their bread and butter. Our brochure contains all pricing information and is tailored to a premium pricing strategy. It is an effective marketing tool, and also assures customers have information on our membership benefits and more importantly our "Wellness Springs" features that add to our spa treatments and stand alone as escapes in and of themselves. Amari offers 1 month, 3 month, 6 month and 1 year membership packages (see membership information in appendix). As our guests read further, they see our spa treatment pricing. More expensive than all other spas in the area, Amari's prices reflect its emphasis on exclusivity as well as detailing our professional recommendation for supplemental treatments in Amari's communal area (see italicized above). This \$45 day pass is given to our spa guests at no extra charge on the day of spa treatment. Our goal with this offering is to balance out our high prices with a high value offering, this is in line with our premium/exclusivity strategy and will provide financial incentive for guests to purchase upfront memberships with Amari.

## Development Plan

Amari must first secure funding in order to begin construction of the facility. Next, Amari will consult with Ohlson Lavoie, an architecture firm that specializes in building aquatic facilities and spas. They created a facility like Amari in North Carolina called the Grove Park Inn Spa. We have had an initial meeting with Aldo Coronado from Ohlson Lavoie, however, after securing financing, we will have an in depth meeting to begin the design of the facility. After designing the facility, construction will begin and will last about eight months.



Amari will also hire a qualified spa director at this time. The spa director will oversee construction and begin laying the groundwork for

operations. Other important development goals: hiring key employees and staff for operations, training, and starting marketing and promotional campaigns before operations begin in year two.

### **Rollout Strategy:**

Just as outlined in our marketing strategy, we will begin our efforts attempting to attract *early adopters* and the more *adventurous* within our target market segment. These initial efforts will involve very specific mailing lists and key community partnerships so as to gain the awareness of decision leaders by fusing with products and services that they already utilize. Independent film, live theater and yoga/Pilates classes to name a few. This will carry the initial “sub target” efforts within our initial segment of female spa goers.

From there we will expand our efforts toward the entirety of our target market. Though our focus will never stray from honed grassroots marketing, this phase will be our widest brushstroke, marketing to our entire target at once through *5280* magazine.

Further rollouts in later years will include marketing efforts directed at such subgroups as male spa goers, and female “wellness minded” non-spa goers.

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## **Management Plan**

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### **Company Organization**

In year one, we will hire a Spa Director as well as form a Board of Advisors. The spa director will oversee construction and will lay the groundwork for marketing and staffing. By year two, when operations begin, we will have hired one marketing manager, one spa director assistant, 12 therapists/aestheticians (two half day shifts), six receptionists, two springs attendants, one full time laundry staff, and four cleaners. These numbers rise to accommodate for capacity increases in following years.

We will seek out charismatic, experienced employees who have the interpersonal skills necessary to uphold our commitment to our customers as being friendly and knowledgeable. In years 2 through 5, as the number of clients grow, we will facilitate this by hiring additional staff.

Amari pays all therapists/aestheticians and other salary employees within the top quarter of industry averages for spa facilities. In addition, Amari provides a comprehensive benefits package including health coverage. At Amari, we feel that if we can provide a comfortable working environment for our employees, it will help provide a greater sense of relaxation for our guests as well.



### **Job Descriptions:**

All Positions: Every manager must have a willingness to work for a new and unique spa in the Denver Metro Area. We will all carry the goal of providing an exclusive experience, a relaxing atmosphere, and a beneficial mix of spa expertise.

Spa Director: This position requires a highly motivated individual with efficient time management, leadership and exceptional organizational skills.

Assistant Spa Director: This individual must be friendly and resourceful as they act as a liaison between the employees and upper management and is the person responsible for managing the daily operations, motivating employees and researching the industry.

Marketing/Sales Director: Because our business is highly driven through marketing, this position requires an individual who is motivated, willing to research the target market, and industry trends. Strong communication skills are a must since this individual will work closely with the community as they are the primary communication channel with our existing and potential clientele.

### **Board of Advisors:**

Mike Modiri is the founder and Director of Juvenex Spa in New York City. Our business model is very similar to Juvenex and Mr. Modiri has the experience and expertise to aid us in many aspects of the spa industry.

Kathy Nelsen is the Spa Director of Kabuki Springs and Spa in San Francisco, California. Ms. Nelsen has experienced operating a highly successful springs and spa very similar to Amari's model.

Kim Nichols started Serenity Spa and Salon much like ourselves—from the business plan to reality. Currently, she manages 26 employees and can give us insight on how to hire, manage and motivate our employees.

## Sustainable Competitive Advantages

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Amari is a business with a plan for the future. To sustain a competitive advantage in the marketplace Amari has:

- **Created a long-term client membership option:** Our survey results showed that 20% of Amari guests would benefit from a membership option. By annually collecting a percentage of guest revenue up front Amari will have a reliable stream of income that will increase beginning year cash flow from one year to the next. Having a cushion of cash on hand will allow Amari to negotiate the competitive arena more confidently.
- **Quality professional contacts:** Key hires from the onset that will take Amari into the future will be a spa director, assistant spa director, and a FULL TIME marketing director. To aid Amari in making these hires will be its experienced board of advisors that have played a large consultant role in this plan. The board members are: Mike Modiri, founder and director of Juvenex Spa in New York, Kathy Nelsen, director of Kabuki Springs and Spa in San Francisco, and Kim Nichols who is a local entrepreneur and owner of Serenity Spa and Salon. With such a strong group of advisors Amari will be able to put together the best staff possible, which will give Amari a long-term competitive edge.
- **Form strategic local partnerships with businesses that Amari type guests already frequent:** The Amari team has recognized the vital importance of hiring a full-time marketing director from the very beginning, due to the fact a facility such as Amari is all about its outward appearance to the community and guests. In this same light, Amari has partnered with local high-end business that will provide an continuous stream of “Amari type guests” throughout the years. Amari believes by creating a long-term relationship with local businesses in the community, using instruments like free memberships and guest passes, will grow into an incredible marketing network and business tool (for more information please refer to Amari’s communication strategy and marketing plan).

## Financial Plan

### Amari Wellness Springs and Spa

#### Summary Years 1 to 5

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Summary Financials (\$)</b>					
Revenue	0	1,893,746	2,866,525	3,935,602	4,787,070
Gross Profit	(78,750)	423,970	771,609	1,136,011	1,772,804
EBIT	(157,500)	(75,509)	318,717	733,331	1,370,626
EBITDA	(157,500)	(342)	395,550	811,831	1,444,126
Net Earnings	(242,500)	(156,259)	242,217	459,265	781,576
Net Cash from Operating Activities	(242,500)	637,545	506,902	751,386	1,097,411
Capital Expenditures	1,200,000	5,000	5,000	5,000	5,000
Interest Income/(Expense)	(85,000)	(80,750)	(76,500)	(72,250)	(68,000)
Dividends	0	0	0	0	0
Cash	257,500	847,545	1,306,947	2,010,833	3,060,745
Total Equity	(122,500)	(278,759)	(36,542)	422,724	1,204,299
Total Debt	850,000	807,500	765,000	722,500	680,000

#### Growth

Revenue Growth Rate - CAGR:		51%	37%	22%
Net Earnings Growth Rate - CAGR:	Nil	Nil	89.6%	70.2%

#### Ratios

Current Ratio	6.1	8.9	13.4	16.8	22.2
Debt to Capital (LT Debt + Equity)	0.6	0.6	0.5	0.4	0.3

#### Profitability

Gross Profit %	0.0%	22.4%	26.9%	28.9%	37.0%
Operating Expenses %	0.0%	23.7%	15.8%	10.2%	8.4%
Net Earnings %		-8.3%	8.4%	11.7%	16.3%

#### Returns

Return on Assets	-16.6%	-7.7%	10.0%	14.9%	19.2%
Return on Equity	-39.9%	-34.6%	34.9%	39.8%	40.4%
Return on Capital (LT Debt + Equity)	-16.6%	-12.4%	16.6%	24.5%	29.9%

### **Financial Model Assumptions:**

Revenues: Using our customer surveys and the 'sales potential estimation' model, Amari has a market penetration of 5% in year 2 and which grows to 9% by year 5. Based on our survey results and the sales potential model, in order to achieve these penetration rates, 17% of our potential market must be aware of Amari in year 2 and 30% of our potential market must be aware of Amari by year 5.

Membership: Our survey results showed that 20% of our target market would benefit from a membership program. This 20% is based on survey respondents who said that they would visit Amari over 20 times a year. This membership program allows guests to utilize Amari's springs/sauna once a week for a year and provides a 15% discount on all spa treatments. Although membership packages are offered for one month, three month and six month time frames, for simplicity, we used year long membership for our financial calculations.

Non-members: Our survey results showed that those that did not qualify for membership would visit Amari on average 4 times a year. Using the survey results again, these 4 visits were broken down to 57% of visits to Amari's Springs and 43% of visits to receive a spa treatment. This comes out to 2.3 visits to Amari's Springs and 1.7 visits to Amari's spa treatments per year for the average Amari guest.

Spa Treatment Visits: Industry averages based on ISPA's 2003 Spa Goer Study were used to allocate which types of treatments would be chosen by guests at Amari. These allocations are as follows: Massage = 56%. Facials = 28%. Body Scrub = 10%. Body Wrap = 6%.

Lease Expense: Using quotes for several locations in Greenwood Village, the lease rate for the 7,500 square foot space is \$18 per square foot. This comes out to \$135,000 annually. Year one has a lower lease expense because the property will be used for only eight months out of the year for construction.

Personnel: Amari's largest expense, our personnel, is comparable to other similar businesses as a percentage of revenues. The day spa industry average for personnel as a percentage of revenues is 47%. Kabuki Springs and Spa and Juvenex, both of which are the same business model as Amari use 50% and 35% of revenue towards personnel respectively. Amari allocates 50% towards personnel for year one of operation and this moves to 45% in year 4. Amari can beat the industry average in year 4 because a greater percentage of revenue comes from the Springs component in later years which does not cost much in labor to maintain. Amari can beat Kabuki because our Springs price is significantly higher (\$45 for Amari, \$18 for Kabuki).

Marketing Expense: Juvenex has successfully been in operation for two years. They utilize 10% to 15% of their revenues for marketing. Kabuki Springs and Spa, which has been in operation for 10 years uses 3% towards marketing. As a new business in the Colorado market, Amari will need to allocate more towards marketing in the early years, leading to the 17% of revenues towards marketing in year two. This will be used to carry out Amari's marketing plan as previously discussed.

Net Earnings as a Percent of Revenue: By year 5, Amari's net earnings are 16% of revenue. The following three benchmarks were used to determine the feasibility of this figure:

- 1) Kabuki Springs and Spa: net earnings = 12% of revenue. However, access to Amari's springs is significantly higher than the price of Kabuki (\$18 for access to springs).
- 2) Juvenex Spa: net earnings = 25-30% of revenue. Juvenex is priced above Amari for both the springs area (\$65 for access to springs) and treatments.
- 3) Beau Visage: spoke with the owner of Beau Visage and he said that 16% net earnings as a percent of revenue is reasonable to make.

## **Funding**

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### **Sources and uses of funds:**

Amari requires \$1.7 million to begin operations. The founders of Amari will allocate \$120,000 towards this cause. The remaining \$1.58 million will be split between debt and equity financing. This funding will be used for the following:

- 1) Construction of the Amari facility:
  - a. Springs: 4 pools with pagoda for the sake spring and waterfalls for all = \$300,000.
  - b. Sauna Rooms: Eucalyptus steam room = \$90,000. Hwangto Clay room = \$45,000.
  - c. Construction and interior design of rest of facility including ten rooms and start-up equipment for spa treatments = \$750,000.
- 2) Compensation for Spa director, who will oversee construction and begin marketing and recruiting campaigns = \$78,750.
- 3) Rent and Utilities for space during the year of construction = \$78,750.
- 4) Cash contingency in the case of emergency or a slow start to operations = \$260,000.

### **Funding Strategy:**

The \$1.70 million of financing will be split as follows:

- 1) \$120,000 in common stock funded by the founders.
- 2) \$730,000 in preferred A round funded by angels.
- 3) \$850,000 in convertible debt funded by angels.

Common Stock: \$120,000 for 120,000 shares of common stock.

Preferred A Round: \$730,000 in return for 65% of the company. This equates to 730,000 shares of preferred stock. Ownership provides a 50% return on investment.

Convertible Debt: 20 year long term debt at 10% interest. 10% interest was chosen because most of the money will be used to fund assets which the debt holder may fall back on in the case of default. Conversion = 1:3 ratio to convert to equity shares. Thus, the debt holder has the option to convert to 280,000 shares of stock in the event that Amari is sold.

## Business risks

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Risk: High initial capital expenditure

**Counteraction:** 1. This model is being successfully done (NY, CA, WA, NM, NC). 2. Physical assets for investors to fall back on. 3. Convertible debt provided for long term debt financiers.

Risk: Guest Switching Cost

**Counteraction:** 1. One of a kind wellness springs that create a superior relaxation experience causing prospective clients to switch. 2. A full time marketing manager to creatively attract consistent business. 3. A communication strategy targeting local businesses that Amari type guests already frequent. This direct strategy entices prospective guests to switch.

Risk: High employee turnover

**Counteraction:** Amari offers the most competitive salary and benefits package to its employees compared to the local competition to retain the best staff.

- Amari pays in the top 31% for Spa Director (\$63K per year)
- Amari pays in the 25% of Aesthetician (\$30K per year based on a four hour shift)
- Salaried employees' benefits are 15% of salary. (Based on spa industry averages).

## Valuation and Exit Strategy

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### Investment Valuation:

Amari is valued at \$8 million by year five using the venture capital method of valuation. This is based on a price to earnings multiple of 10x and net earnings of \$800,000 in year five.

### Exit Strategy:

Within the wellness and health industry and in particular within the day spa industry, consolidation is one of the large investor trends (ISPA 2002 industry study). We plan to sell to a larger corporation that is involved in nationwide consolidation such as Stonewater. Stonewater has bought 29 day spas around the nation and recently acquired Essentiels Spa in Boulder.

# Appendix

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& spa

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## Appendix 1: Financial Statements

<b>Amari Wellness Springs and Spa</b>					
<b>Income Statement</b>					
<b>Years 1 to 5</b>					
<b>(\$)</b>					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>NET REVENUES</b>	0	1,893,746	2,866,525	3,935,602	4,787,070
<b>COST OF REVENUE</b>	78,750	1,469,776	2,094,915	2,799,591	3,014,265
% of Revenues		77.6%	73.1%	71.1%	63.0%
<b>GROSS PROFIT</b>	(78,750)	423,970	771,609	1,136,011	1,772,804
% of Revenues		22.4%	26.9%	28.9%	37.0%
<b>OPERATING EXPENSES</b>					
Sales & Marketing	0	321,374	317,050	258,796	256,599
General and Administration	78,750	128,104	135,843	143,885	145,579
Total Operating Expenses	78,750	449,479	452,892	402,681	402,178
% of Revenues		24%	16%	10%	8%
<b>EARNINGS FROM OPERATIONS</b>	(157,500)	(25,509)	318,717	733,331	1,370,626
<b>EXTRAORDINARY INCOME / (EXPENSE)</b>	0	(50,000)	0	0	0
<b>EARNINGS BEFORE INTEREST &amp; TAXES</b>	(157,500)	(75,509)	318,717	733,331	1,370,626
<b>INTEREST INCOME / (EXPENSE)</b>	(85,000)	(80,750)	(76,500)	(72,250)	(68,000)
<b>NET EARNINGS BEFORE TAXES</b>	(242,500)	(156,259)	242,217	661,081	1,302,626
<b>TAXES</b>	0	0	0	(201,816)	(521,050)
<b>NET EARNINGS</b>	(242,500)	(156,259)	242,217	459,265	781,576
% of Revenues		-8.3%	8.4%	11.7%	16.3%



<b>Balance Sheet</b>						
<b>Years 1 to 5</b>						
<b>(\$)</b>						
	<b>Begin</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	1,700,000	257,500	847,545	1,306,947	2,010,833	3,060,745
Accounts Receivable		0	29,542	29,812	40,930	49,786
Inventories		0	29,542	29,812	40,930	49,786
Total Current Assets	1,700,000	257,500	906,630	1,366,571	2,092,694	3,160,316
<b>PROPERTY &amp; EQUIPMENT</b>	0	1,200,000	1,129,833	1,058,000	984,500	916,000
<b>TOTAL ASSETS</b>	<b>1,700,000</b>	<b>1,457,500</b>	<b>2,036,463</b>	<b>2,424,571</b>	<b>3,077,194</b>	<b>4,076,316</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable & Accrued Expen		0	59,085	59,624	81,861	99,571
Current portion of long term debt	0	42,500	42,500	42,500	42,500	42,500
Total Current Liabilities	0	42,500	101,585	102,124	124,361	142,071
<b>MEMBERSHIP DEPOSITS</b>		0	718,637	906,489	1,120,110	1,362,445
<b>LONG TERM DEBT</b> (less current portion)	850,000	807,500	765,000	722,500	680,000	637,500
<b>STOCKHOLDERS' EQUITY</b>						
Common Stock	120,000	120,000	120,000	120,000	120,000	120,000
Preferred Stock	730,000	730,000	730,000	730,000	730,000	730,000
Retained Earnings		(242,500)	(398,759)	(156,542)	302,724	1,084,299
Total Equity	850,000	607,500	451,241	693,458	1,152,724	1,934,299
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,700,000</b>	<b>1,457,500</b>	<b>2,036,463</b>	<b>2,424,571</b>	<b>3,077,194</b>	<b>4,076,316</b>



<b>Amari Wellness Springs and Spa</b>					
<b>Cash Flow Statement</b>					
<b>Years 1 to 5</b>					
<b>(\$)</b>					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>OPERATING ACTIVITIES</b>					
Net Earnings	(242,500)	(156,259)	242,217	459,265	781,576
Depreciation	0	75,167	76,833	78,500	73,500
Working Capital Changes					
(Increase)/Decrease Accounts Receivable	0	(29,542)	(269)	(11,118)	(8,855)
(Increase)/Decrease Inventories	0	(29,542)	(269)	(11,118)	(8,855)
(Increase)/Decrease Other Current Assets	0	0	0	0	0
Increase/(Decrease) Accts Pay & Accrd Expenses	0	59,085	539	22,237	17,711
Increase/(Decrease) Other Current Liab	0	0	0	0	0
Membership Deposits Increase/(Decrease)	0	718,637	187,852	213,621	242,336
Net Cash Provided/(Used) by Operating Activities	(242,500)	637,545	506,902	751,386	1,097,411
<b>INVESTING ACTIVITIES</b>					
Property & Equipment	(1,200,000)	(5,000)	(5,000)	(5,000)	(5,000)
Other					
Net Cash Used in Investing Activities	(1,200,000)	(5,000)	(5,000)	(5,000)	(5,000)
<b>FINANCING ACTIVITIES</b>					
Increase/(Decrease) Short Term Debt	0	0	0	0	0
Increase/(Decrease) Curr. Portion LTD	42,500	0	0	0	0
Increase/(Decrease) Long Term Debt	(42,500)	(42,500)	(42,500)	(42,500)	(42,500)
Increase/(Decrease) Common Stock	0	0	0	0	0
Increase/(Decrease) Preferred Stock	0	0	0	0	0
Dividends Declared	0	0	0	0	0
Net Cash Provided / (Used) by Financing	0	(42,500)	(42,500)	(42,500)	(42,500)
<b>INCREASE/(DECREASE) IN CASH</b>	<b>(1,442,500)</b>	<b>590,045</b>	<b>459,402</b>	<b>703,886</b>	<b>1,049,911</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,700,000</b>	<b>257,500</b>	<b>847,545</b>	<b>1,306,947</b>	<b>2,010,833</b>
<b>CASH AT END OF YEAR</b>	<b>1,700,000</b>	<b>257,500</b>	<b>847,545</b>	<b>1,306,947</b>	<b>3,060,745</b>



Amari Wellness Springs and Spa													Estimated	Year 1
Cash Flow Statement													Year 1	Annual
Year 1 by Months													Projection	Projection
Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Estimated	Year 1	Annual
<b>OPERATING ACTIVITIES</b>														
Net Earnings	(13,646)	(13,646)	(13,646)	(13,646)	(23,490)	(23,490)	(23,490)	(23,490)	(23,490)	(23,490)	(23,490)	(23,490)	(242,500)	(242,500)
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Working Capital Changes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease Accounts Receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease Inventories	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease Other Current Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) Accts Pay & Accrd Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) Other Current Liab	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided/(Used) by Operating Activities	(13,646)	(13,646)	(13,646)	(13,646)	(23,490)	(23,490)	(23,490)	(23,490)	(23,490)	(23,490)	(23,490)	(242,500)	(242,500)	(242,500)
<b>INVESTING ACTIVITIES</b>														
Property & Equipment	(1,200,000)	0	0	0	0	0	0	0	0	0	0	0	(1,200,000)	(1,200,000)
Other	(1,200,000)	0	0	0	0	0	0	0	0	0	0	0	(1,200,000)	(1,200,000)
Net Cash Used in Investing Activities	(1,200,000)	0	0	0	0	0	0	0	0	0	0	0	(1,200,000)	(1,200,000)
<b>FINANCING ACTIVITIES</b>														
Increase/(Decrease) Short Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) Curr. Portion LTD	42,500	0	0	0	0	0	0	0	0	0	0	0	42,500	42,500
Increase/(Decrease) Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	(42,500)	(42,500)
Increase/(Decrease) Common Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends Declared	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided / (Used) by Financing	42,500	0	0	0	0	0	0	0	0	0	0	0	(42,500)	0
<b>INCREASE/(DECREASE) IN CASH</b>	<b>(1,171,146)</b>	<b>(13,646)</b>	<b>(13,646)</b>	<b>(13,646)</b>	<b>(23,490)</b>	<b>(65,990)</b>	<b>(1,442,500)</b>	<b>(1,442,500)</b>						
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,700,000</b>	<b>528,854</b>	<b>515,208</b>	<b>501,563</b>	<b>487,917</b>	<b>464,427</b>	<b>440,938</b>	<b>417,448</b>	<b>393,958</b>	<b>370,469</b>	<b>346,979</b>	<b>323,490</b>	<b>0</b>	<b>1,700,000</b>
<b>CASH AT END OF PERIOD</b>	<b>528,854</b>	<b>515,208</b>	<b>501,563</b>	<b>487,917</b>	<b>464,427</b>	<b>440,938</b>	<b>417,448</b>	<b>393,958</b>	<b>370,469</b>	<b>346,979</b>	<b>323,490</b>	<b>257,500</b>	<b>0</b>	<b>257,500</b>

Amari Wellness Springs and Spa													Estimated	Year 2
Cash Flow Statement													Year 2	Annual
Year 2 by Months													Projection	Projection
Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Estimated	Year 2	Annual
<b>OPERATING ACTIVITIES</b>														
Net Earnings	(57,239)	(7,239)	(7,239)	(8,005)	(8,515)	(9,025)	(9,280)	(9,535)	(10,045)	(10,045)	(10,045)	(10,045)	(156,259)	(156,259)
Depreciation	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	75,167	75,167
Working Capital Changes	(4,545)	0	0	(8,817)	(4,545)	(4,545)	(2,272)	(2,272)	(4,545)	0	0	0	(29,542)	(29,542)
(Increase)/Decrease Accounts Receivable	(4,545)	0	0	(8,817)	(4,545)	(4,545)	(2,272)	(2,272)	(4,545)	0	0	0	(29,542)	(29,542)
(Increase)/Decrease Inventories	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease Other Current Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) Accts Pay & Accrd Expenses	9,090	0	0	13,635	9,090	9,090	4,545	9,090	0	0	0	0	59,085	59,085
Increase/(Decrease) Other Current Liab	9,090	0	0	(9,090)	0	0	0	0	0	0	0	0	0	0
Membership Deposits Increase/(Decrease)	14,373	14,373	14,373	35,332	50,305	64,577	71,864	79,050	93,423	93,423	93,423	93,423	718,837	718,837
Net Cash Provided/(Used) by Operating Activities	(27,513)	13,397	13,397	25,101	48,054	61,916	68,848	75,779	89,641	89,641	89,641	89,641	637,545	637,545
<b>INVESTING ACTIVITIES</b>														
Property & Equipment	(5,000)	0	0	0	0	0	0	0	0	0	0	0	(5,000)	(5,000)
Other	(5,000)	0	0	0	0	0	0	0	0	0	0	0	(5,000)	(5,000)
Net Cash Used in Investing Activities	(5,000)	0	0	0	0	0	0	0	0	0	0	0	(5,000)	(5,000)
<b>FINANCING ACTIVITIES</b>														
Increase/(Decrease) Short Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) Curr. Portion LTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	(42,500)	(42,500)
Increase/(Decrease) Common Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends Declared	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided / (Used) by Financing	0	0	0	0	0	0	0	0	0	0	0	0	(42,500)	(42,500)
<b>INCREASE/(DECREASE) IN CASH</b>	<b>(32,513)</b>	<b>13,397</b>	<b>13,397</b>	<b>25,101</b>	<b>48,054</b>	<b>61,916</b>	<b>68,848</b>	<b>75,779</b>	<b>89,641</b>	<b>89,641</b>	<b>89,641</b>	<b>47,141</b>	<b>590,045</b>	<b>590,045</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>257,500</b>	<b>224,987</b>	<b>238,385</b>	<b>251,782</b>	<b>276,883</b>	<b>324,937</b>	<b>386,853</b>	<b>455,701</b>	<b>531,480</b>	<b>621,121</b>	<b>710,762</b>	<b>800,404</b>	<b>0</b>	<b>257,500</b>
<b>CASH AT END OF PERIOD</b>	<b>224,987</b>	<b>238,385</b>	<b>251,782</b>	<b>276,883</b>	<b>324,937</b>	<b>386,853</b>	<b>455,701</b>	<b>531,480</b>	<b>621,121</b>	<b>710,762</b>	<b>800,404</b>	<b>847,545</b>	<b>0</b>	<b>847,545</b>

Amari Wellness Springs and Spa													Year 3	Year 4	Year 5				
Cash Flow Statement													Annual	Annual	Annual				
Years 3, 4 & 5 by Quarters													Projection	Projection	Projection				
	Year 3				Year 4				Year 5				Projection	Projection	Projection				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total				
<b>OPERATING ACTIVITIES</b>																			
Net Earnings	63,741	57,367	57,367	63,741	242,217	119,911	109,722	109,722	119,911	459,266	203,618	187,170	187,170	203,618	781,576	242,217	459,266	781,576	
Depreciation	19,208	19,208	19,208	19,208	76,833	19,625	19,625	19,625	19,625	78,500	18,375	18,375	18,375	18,375	75,000	76,833	78,500	73,000	
Working Capital Changes	(269)	2,293	0	(2,293)	(269)	(11,118)	3,148	0	(3,148)	(11,118)	(8,855)	3,830	0	(3,830)	(8,855)	(269)	(11,118)	(8,855)	
(Increase)/Decrease Accounts Receivable	(269)	2,293	0	(2,293)	(269)	(11,118)	3,148	0	(3,148)	(11,118)	(8,855)	3,830	0	(3,830)	(8,855)	(269)	(11,118)	(8,855)	
(Increase)/Decrease Inventories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
(Increase)/Decrease Other Current Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Increase/(Decrease) Accts Pay & Accrd Expenses	539	(4,586)	0	4,586	539	22,237	(6,297)	0	6,297	22,237	17,711	(7,659)	0	7,659	17,711	539	22,237	17,711	
Increase/(Decrease) Other Current Liab	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Membership Deposits Increase/(Decrease)	48,841	45,084	45,084	48,841	187,850	55,541	51,269	51,269	55,541	213,621	63,007	58,161	58,161	63,007	242,336	187,850	213,621	242,336	
Net Cash Provided/(Used) by Operating Activities	131,971	121,660	121,660	131,971	506,302	195,077	180,616	180,616	195,077	751,386	285,000	263,706	263,706	285,000	1,049,111	506,302	751,386	1,049,111	
<b>INVESTING ACTIVITIES</b>																			
Property & Equipment	(5,000)	0	0	0	(5,000)	(5,000)	0	0	0	(5,000)	(5,000)	0	0	0	(5,000)	(5,000)	(5,000)	(5,000)	
Other	(5,000)	0	0	0	(5,000)	(5,000)	0	0	0	(5,000)	(5,000)	0	0	0	(5,000)	(5,000)	(5,000)	(5,000)	
Net Cash Used in Investing Activities	(5,000)	0	0	0	(5,000)	(5,000)	0	0	0	(5,000)	(5,000)	0	0	0	(5,000)	(5,000)	(5,000)	(5,000)	
<b>FINANCING ACTIVITIES</b>																			
Increase/(Decrease) Short Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Increase/(Decrease) Curr. Portion LTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Increase/(Decrease) Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Increase/(Decrease) Common Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Increase/(Decrease) Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Dividends Declared	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net Cash Provided / (Used) by Financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>INCREASE/(DECREASE) IN CASH</b>	<b>126,971</b>	<b>121,660</b>	<b>121,660</b>	<b>89,291</b>	<b>459,402</b>	<b>190,077</b>	<b>180,616</b>	<b>180,616</b>	<b>152,577</b>	<b>703,886</b>	<b>280,000</b>	<b>263,706</b>	<b>263,706</b>	<b>282,500</b>	<b>1,049,111</b>	<b>459,402</b>	<b>703,886</b>	<b>1,049,111</b>	
<b>CASH AT BEGINNING OF PERIOD</b>	<b>847,545</b>	<b>974,336</b>	<b>1,095,996</b>	<b>1,217,656</b>	<b>1,306,947</b>	<b>1,497,025</b>	<b>1,677,640</b>	<b>1,858,256</b>	<b>2,010,833</b>	<b>2,290,833</b>	<b>2,554,539</b>	<b>2,818,245</b>	<b>3,086,745</b>	<b>3,366,245</b>	<b>3,651,356</b>	<b>3,847,545</b>	<b>4,047,545</b>	<b>4,254,545</b>	<b>4,467,545</b>

## Appendix 2: Key Financial Assumptions

### Market Penetration:

Used the Sales Potential Estimation Model:

Based on survey results:

% of survey respondents that said **definitely** visit \* 45% = \_\_\_\_\_.

% of survey respondents that said **probably** visit \* 15% = \_\_\_\_\_.

The sum of the preceding two equations is the percent that would actually buy (conditioned on awareness). Must multiply this number by the percent that we believe will be aware of our service.

% of potential market that will be aware of service = \_\_\_\_\_.

Based on our marketing plan, which will be implemented with a budget of \$320,000 in year one, we feel that we can reach awareness of 17% of our potential market.

### Calculation:

53% **definitely** visit \* 45% = 23.85%

35% **probably** visit \* 15% = 5.25%

Sum of these = 29.70%

% of potential market that will be aware of service = 17.00%

29.70% \* 17.00% = **5.00% Market Penetration**. This number was applied to our potential market size to come up with our number of customers in the revenue model.

By year 5, we have a 9.00% penetration rate. This would require a 30% awareness for our potential market.

### Memberships and Visit Frequency:

Our survey results revealed that 23% of our market would benefit from a membership package to Amari. These were the respondents who answered that they would visit 20-30 times a year. This would cost at least \$1,000. Therefore, our membership package includes 52 passes to our Springs component as well as 15% off of all spa services and retail products. The cost of membership is \$1,200. Juvenex has a similar membership: 48 passes to springs for \$1,500. However, they do not offer any discounts for spa treatments and products for members. Olympus Spa in WA, another business with the same model as Amari charges \$950 for year long membership to their springs. However, they are priced lower than Amari at \$25 for Springs entry.

Using our survey results, the frequency of visit numbers for the remaining 80% who do not benefit from a membership was averaged to come up with our 4 visits average for these guests. These visits were broken down as follows: 57% of visits for the Springs, or 2.3 times a year, and 43% of visits for a spa treatment, or 1.7 times a year. This was found using our survey results: we took the ratio of times that they visited a spa last year and how many times they said that they would come to Amari.



## Appendix 3: SURVEY METHODOLOGY AND RESULTS

60 Total Surveys Completed. 35 done in target market.

Process: consulted market research expert Arjun Sen to create the survey. No oral communication of ideas or any other actions that might bias the respondent. 30 questions total along with two exhibits to refer to. Exhibits introduced springs and sauna with brief description. Survey measured desirability of these features.

3 separate rounds of surveys in locations within Denver Metro Area. Visited malls, grocery stores, and food courts to get respondents. Surveyed females only who had visited a day spa within the past twelve months. Consulted Arjun Sen again to analyze our results. Below are the key statistics drawn from the surveys:

STATISTICS		
	Other Spas	Our Spa
<b>TRAVEL</b>		
Ave. Miles	7.028	<b>12.333</b>
Median Miles	5.000	<b>10.000</b>
<b>NUMBER OF VISITS</b>		
Ave. # of Visits	3.594	<b>8.500</b>
Median # of Visits	3.000	<b>5.000</b>

### OTHER KEY STATISTICS

#### INTEREST IN OUR SPA

- 52.94% said they would definitely visit our spa
- 35.29% said they would probably visit our spa
- 88.23% said that they would either definitely or probably visit our spa
- 5.88% said they were 'not sure' if they would visit
- 5.88% said they would probably not visit our spa
- 11.76% said 'not sure' OR 'probably would not visit'
- 0% said that they would 'definitely not visit'

#### PRICING

- 47.06% said that they were willing to pay \$45 for access to the communal area
- 81.82% said that they would be willing to pay \$20 for access to the communal area with a treatment

#### Pool/Sauna Comparison

##### POOLS

% Definite	47.06%
% Probably	35.29%
% Not Sure	17.65%
% Prob. Not	0.00%
% Def. Not	0.00%



## SAUNA

% Definite	37.50%
% Probably	34.38%
% Not Sure	6.25%
% Prob. Not	15.63%
% Def. Not	3.13%

## Target Market Demographics

### AGE

18-25	33.33%
26-35	33.33%
36-50	21.21%
51-70	12.12%
70+	0

### HOUSEHOLD INCOME

Mean	\$88,263
Median	\$72,000

### Marital Status

Married	37.50%
Not Married	62.50%

### HEALTH CLUB MEMBERSHIP

YES	60.61%
NO	39.39%

## Additional Information:

### Why would you visit our springs/spa?:

- Convenient
- Flat Rate
- Relaxing
- To relax and unwind
- It's beautiful and you'd get a great service there
- Beautiful-two in one
- Good relaxation
- Feel great after (she said that she's been to these kinds in Europe and Asia)
- Because it looks beautiful, clean and relaxing

### Why would it be more appealing if this day spa facility were for women only (for those who answered 'yes it would be more appealing'? 71.5% said more appealing.

- Comfort level
- Less headache of opposite sex lines!
- Because you'd feel more relaxed
- Self-conscious of body image
- Definitely. Because you can go naked, it's just better (the one who has been to one before)



## Appendix 4: Visits – Capacity Considerations

### Non-Members

MARKET POTENTIAL	Year 2	Year 3	Year 4	Year 5
Total population within our radius (12 miles)	870,197	922,409	977,753	1,036,419
# of women	435,099	461,204	488,877	518,209
# of women spa goers (27-59 yrs)	113,126	119,913	127,108	134,734
Potential Amari Customers (definitely/Probably Visit)	99,811	105,799	112,147	118,876
<b>MARKET PENETRATION RATE</b>				
Market Penetration Rate	6%	7%	8%	9%
<b>NUMBER OF CUSTOMERS (NON MEMBERS)</b>				
Total Number of Customers	5,989	7,406	8,972	10,699
Number of Non-Member Customers	4,791	5,925	7,177	8,559
<b>FREQUENCY OF VISIT</b>				
Whole Facility	4	4	4	4
Visit Breakdown				
Springs/Sauna area	2.30	2.30	2.30	2.30
Spa Treatment room	1.70	1.70	1.70	1.70
<b>TOTAL VISITS</b>				
Non-Members	19,164	23,699	28,710	34,236
<b>VISIT BREAKDOWN</b>				
# of visits for Springs/Sauna only	11,023	13,632	16,514	19,693
# of visits for Spa Treatments	8,141	10,067	12,196	14,544
# of visits for Springs/Sauna AND springs	6,513	8,054	9,757	11,635
<b># of visits for Spa Treatments Breakdown</b>				
# of visits for Massage (56%)	4,559	5,638	6,830	8,144
# of visits for Facial (28%)	2,279	2,819	3,415	4,072
# of visits for Body Scrub (10%)	814	1,007	1,220	1,454
# of visits for Body Wrap (6%)	489	604	732	873
<b>total spa treatments</b>	<b>8,141</b>	<b>10,067</b>	<b>12,196</b>	<b>14,544</b>

### Members

MARKET POTENTIAL	Year 2	Year 3	Year 4	Year 5
Total population within our radius (12 miles)	870,197	922,409	977,753	1,036,419
# of women	435,099	461,204	488,877	518,209
# of women spa goers (27-59 yrs)	113,126	119,913	127,108	134,734
Potential Amari Customers (definitely/Probably Visit)	99,811	105,799	112,147	118,876
<b>MARKET PENETRATION RATE</b>				
Market Penetration Rate	6%	7%	8%	9%
<b>NUMBER OF CUSTOMERS (MEMBERS)</b>				
Total Number of Customers	5,989	7,406	8,972	10,699
Number of Members	1,198	1,481	1,794	2,140
<b>FREQUENCY OF VISIT</b>				
Members (spa treatment)	1	1	1	1
Members (springs/sauna treatment)	13	13	13	13
<b>TOTAL VISITS</b>				
Members (spa treatment)	1,198	1,481	1,794	2,140
<b>VISIT BREAKDOWN</b>				
# of visits for Springs/Sauna	15,570	19,255	23,327	27,817
# of visits for Spa Treatments	1,198	1,481	1,794	2,140
<b># of visits for Spa Treatments Breakdown</b>				
# of visits for Massage (56%)	671	829	1,005	1,198
# of visits for Facial (28%)	335	415	502	599
# of visits for Body Scrub (10%)	120	148	179	214
# of visits for Body Wrap (6%)	72	89	108	128
<b>total spa treatments</b>	<b>1,198</b>	<b>1,481</b>	<b>1,794</b>	<b>2,140</b>

## VISITS: CAPACITY CALCULATIONS

	Year 2	Year 3	Year 4	Year 5
Total Annual Visits	35,932	44,436	53,831	64,193
Total Springs/Sauna Visits	33,106	40,941	49,597	59,145
Total Treatment Room Visits	9,338	11,549	13,990	16,683
<b>VISITS: Average PER DAY BREAKDOWN</b>				
	Year 2	Year 3	Year 4	Year 5
<b>AVERAGE DAILY VISITS: WHOLE FACILITY</b>	100	123	150	178
<b>SPRINGS/SAUNA: Capacity = 75 guests</b>				
Average guests per day	92	114	138	164
Average per hour (12 hours)	8	9	11	14
<b>TREATMENT ROOMS # of Treatment Rooms</b>				
Average # guests per day	26	32	39	46
Average # guests per room per day	4	4	4	5



## Appendix 5: Prices and Membership

### Non Members:

PRICES		
Springs Access Only		\$45
Spa Treatment Breakdown (average prices)		
Massage		\$95
Facial		\$100
Body Scrub		\$90
Body Wrap		\$100

### Members: One Year Membership

PRICES		
Membership		\$1,200
Spa Treatment Breakdown (average prices)		
Massage		\$81
Facial		\$85
Body Scrub		\$77
Body Wrap		\$85

### Membership:

Amari offers three membership options: three month, six month and one year.

1. Three month membership = \$380: represents 30% savings. 12 passes to the Springs with 5% discount on all spa treatments and purchases.
2. Six month membership = \$650: represents 40% savings. 24 passes to the Springs with 10% discount on all spa treatments and purchases.
3. Year long membership = \$1,200: represents 50% savings. 52 passes to the Springs with 15% discount on all spa treatments and purchases.

To simplify financials, all membership calculations were based on one year memberships.



## Appendix 6: SWOT Analysis

# SWOT Analysis

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"><li>• <i>Only Facility</i> to offer wellness springs, specialty saunas, and spa treatments under one roof.</li><li>• <i>Geographic ease</i> for high end Denver metro clientele</li><li>• <i>An experience</i> as opposed to a salon extension</li><li>• Surveys conclude that our frequency will be higher than others in the area</li></ul>	<ul style="list-style-type: none"><li>• High initial capital expenditure</li><li>• New product offering to the area (untested aside from our surveys)</li><li>• The large growth rate of wellness facilities in the US has led to decreasing rates of revenue growth for individual companies.</li></ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"><li>• Expanding our target market to males and greater emphasis on co-ed options</li><li>• Expansion into different areas with similar demographics</li><li>• New and evolving marketing tactics that will help capture greater market share</li></ul>	<ul style="list-style-type: none"><li>• Large indirect competitors (like 24HR. or Bally's health) competing for the wellness dollars</li><li>• Other new entrants into the marketplace with similar offerings</li></ul>