

Company Description

The Fitness Attitude, herein referred to as “The Company”, is a privately held corporation, registered and governed by the General Corporation Laws of Delaware. The Fitness Attitude has been in existence since April 2001, within the office located in Los Angeles, California, and will be headquartered and will conduct business from the Los Angeles, California office.

There are two (2) such officers of the corporation, so named in the Instrument of Organization by Incorporator, and they are as follows: Anthony Marrero – President and Chief Executive Officer and Alexander Marrero – Treasurer.

Total amount authorized capital stock of this corporation is 1,500 shares of Common Stock, no par value and without any fixed par value. The amount of shares split between the two (2) Officers is as follows:

The history of the birth of the corporation is not as important as the birth of the idea that created the corporation. The name “Fitness Attitude, Inc.,” is not significant to any marketing strategies and/or marketing efforts. The name was simply derived from the founder’s son and the characteristic of that son during his formidable years.

The founder, Anthony Marrero, has been an exercise enthusiast for approximately 35 years, in a frequent continuum. Anthony is also, a member of a local health club for the last 10 plus years. It is at this health club that the idea for this product was born.

While in the process, on many occasions, of preparing to do some “sit-ups”, Anthony noticed that the mats for lying down on were dirty, not very comfortable, and that someone needed to help him hold his feet. The “sit-ups” per say, are the military crunch, whereby the exerciser lays in the supine position with legs extended and anchored at the ankles, the exerciser sits up, touching both elbows to both knees. Hands are clasped behind the neck and the elbows are held forward throughout the exercise.

There is at most local health clubs, another piece of machinery that can help facilitate the military-type “sit-up”. It is the incline bench. The exerciser performs a conventional “sit-up” on a 7 ft. inclined bench, the top of which rests 18 in. from ground level. Legs are higher than the head.

However, Anthony noticed that this piece of equipment was constantly in use. So in order for Anthony to perform this type of exercise it became extremely difficult. To reiterate, this exercise became cumbersome to perform for the three (4) following reasons:

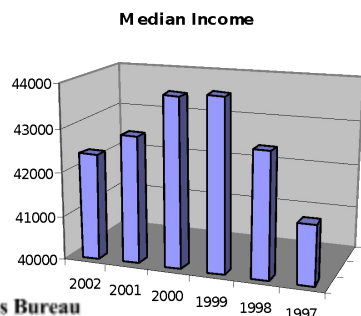
- ☐ Mats to lie on were dirty and uncomfortable.
- ☐ Someone else needed to assist the exerciser.
- ☐ The incline bench was constantly in use.
- ☐ Heavy people tend to be intimidated in doing sit-ups.

Thus, the idea came to fruition – “The Portable Abdominal Exercise Mat”. More details will be provided on the descriptive part of the product, later in this report.

Personal Income

Personal incomes or money incomes (MI), as defined by the US Census Bureau relates to earnings generated by persons over the age of 15, and described as monies collected from employment,

unemployment compensation, public assistance, lump sum capital gains, etc. all before taxes are deducted.

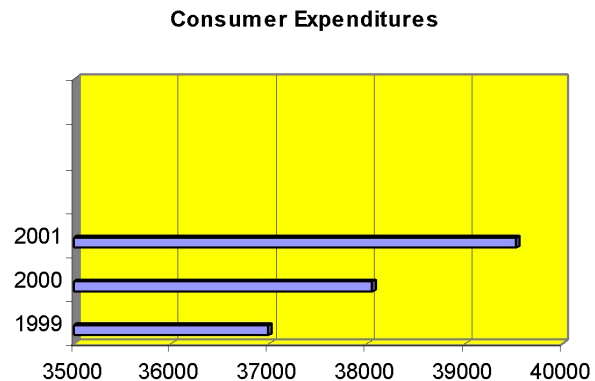


Source: US Census Bureau

What becomes significant in economic analysis is not only the increase or decrease in personal incomes, but also the increase or decrease in disposal incomes. Economically speaking, when personal incomes decline, disposal incomes will contract by a proportionate amount, thus consumption expenditures fall. Remember disposable income is simply, gross wages minus personal taxes, or with more clarity, monies consumers have to spend. This of course, is a classical economic thought.

The chart above shows personal median incomes falling by almost 4% from the year 2000 figure of \$43,848 to the 2002 figure of \$42,409. However, did personal consumption fall by the same or greater proportionate amount? What becomes interesting to note, is that consumer expenditures did not follow the same pattern of decline with personal incomes. The chart below shows an increase in consumption by 6.8% from the 1999 level of \$36,995 to the 2001 level of \$39,518 level. (US DOL, 2003)¹

A statistical note here: First, data of household incomes for the consumer expenditure reports include income for all household units. This takes into consideration ALL household incomes, versus chart of median income, which includes only the average of incomes of individuals. Therefore, the consumer expenditures report takes into consideration the consumption of ALL household units. This may skew the reader slightly when trying to draw correct conclusions about the consumption pattern for those years as compared to the decline in median incomes for the same years.



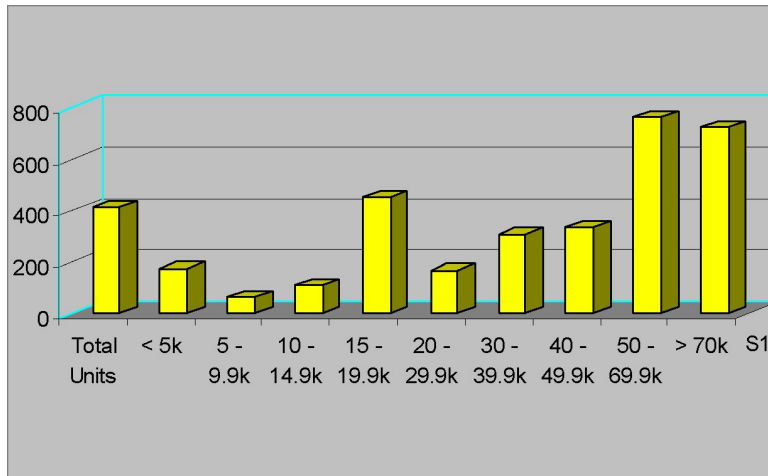
The categories defined in the Consumer Expenditure Report, which are significant to this plan, are as follows in the area of Entertainment:

- ☐ Fees and Admissions
- ☐ Televisions, Radios, Sound Equipment
- ☐ Pets, Toys, Playground Equipment
- ☐ Other Entertainment Equipment and Services
 - o Other Entertainment Equipment and Services – Includes other entertainment equipment and services that encompasses indoor exercise equipment, athletic shoes, bicycles, trailers, purchase and rental of motorized campers and other recreational vehicles, camping equipment, hunting and fishing equipment, sports equipment, boats, boat motors and boat trailers, rental of boats, landing and docking fees, rental and repair of sports equipment, photographic equipment and

¹ US Department of Labor, Bureau of Labor Statistics

supplies, photographer fees, repair and rental of photo equipment, fireworks, and pinball and electronic video games.

Source: Department of Labor, 2001



The graph to the left shows the breakdown of the “Other Entertainment” sub-category of the Entertainment division of the Consumer Expenditure Report.

The information in this graph was compiled using a survey form and interview, coupled with data presented by the US Census Bureau. The survey consisted of various questions about

the consumption patterns of various consumers from differing demographics. The data found on the X-axis is the income levels of the respondents and how much they spent, in a particular time period, on this category, which again, includes indoor exercise equipment and health club memberships, among other “like” categories. (See definition above)

What is interesting to note, but not surprising from a logical perspective, is that the income level greater than \$50,000 far exceeds the average of \$411 per year, with the \$50,000 to \$69,999 spending at \$762 per year, and the “greater than” \$70,000 spending \$721 per year in this category of expenditures. More on the increase trends of physical activity, exercising specifically in the Industry and Marketing Analysis sections.

Labor Market

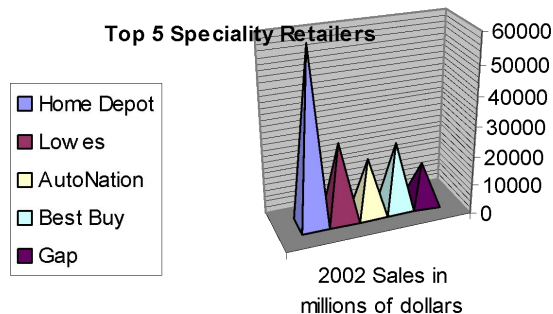
According to the Bureau of Labor Statistics of the US Department of Labor, the unemployment rate remained at 6.1 percent in September 2003, and total non-farm payroll employment was changed slightly. That means there were approximately 9 million persons unemployed in September, which was about the same as in August. The number of jobs in manufacturing declined at a slower pace than in recent months, while employment in temporary help services continued its increased incline. Unemployment rates for the major worker groups are as follows:

- ❑ Adult Men – 5.7 percent Adult Women – 5.3 percent
- ❑ Teenagers – 17.5 percent Whites – 5.3 percent
- ❑ Blacks – 11.2 percent Latinos – 7.5 percent
- ❑ Asians – 6.2 percent

In September there were 2.1 million unemployed persons who had been looking for work for 27 weeks or longer, this represents 23.2 percent of the total unemployed. Since November of 2001, the proportion of long-term unemployed has increased by about 9 percentage points. (US BOL)²

Manufacturing employment experienced a decrease of 29,000 jobs in September. Although small declines occurred throughout most of the sector, September’s less was below the average for the

² U.S. Bureau of Labor Statistics, Washington D.C., New Release on the Employment Situation



Source: Standard & Poor's Retail Industry Survey

prior 12 months. Most of the decline in September occurred among the durable goods industries. (US BOL)

Intuitively, a decrease in employment usually follows a decline in sales. According to the U.S. Census Bureau, report on retail statistics, in 1997 the total sales for Sporting Goods stores was \$20.6 billion, (unfortunately the 2002 report will not be available until after this report is finished), and according to the National Sporting Goods Association, sale in 1999 totaled \$19.6 billion, a decline of about 4 percentage points.

Retail Analysis

Specialty Retail

Consumer spending continues to support the U.S. economy, despite historical high debt, declining employment, and marginal growth in many industrial sectors. Although consumer confidence fell during 2002, Standard & Poor's expects that specialty retailers, which represented more than 75 percent of the total, grew at a similar pace, as they picked up market share from department stores, but probably lost some share to general merchandise discounters such as Wal-Mart and Costco Wholesale Co. (S&P IS)³ In 2002, there were favorable factors for retailing, such as rising personal income levels, low interest rates, and low inflation rates.

Specialty retailers are merchants that sell either a single category of merchandise, such as shoes or office supplies, or that carry a few closely related categories traditionally found in department and general merchandise stores, such as apparel and accessories. Other specialty product categories include automobiles, furniture and appliances, building materials, jewelry, eyewear, electronics, books, toys, pet supplies, sporting goods, gasoline stations, and others. (S&P SRS)

Superstores, which carry a wide variety of goods, appeals to today's "time-pressed, value-oriented" shopper, by carrying the exact merchandise the shopper seeks. As a result, consumers are often willing to drive further to visit these distant stores than they would to other less-comprehensive merchants. (S&P SRS)

³ Standard & Poor's Industry Survey, 2003

In response, a growing number of specialty retailers are closing mall-based stores as their leases expire and introducing large freestanding units. For example, Williams-Sonoma Inc. moved both of its Williams-Sonoma and Pottery Barn stores to structures that are about 50 percent larger than before. (S&P SRS)

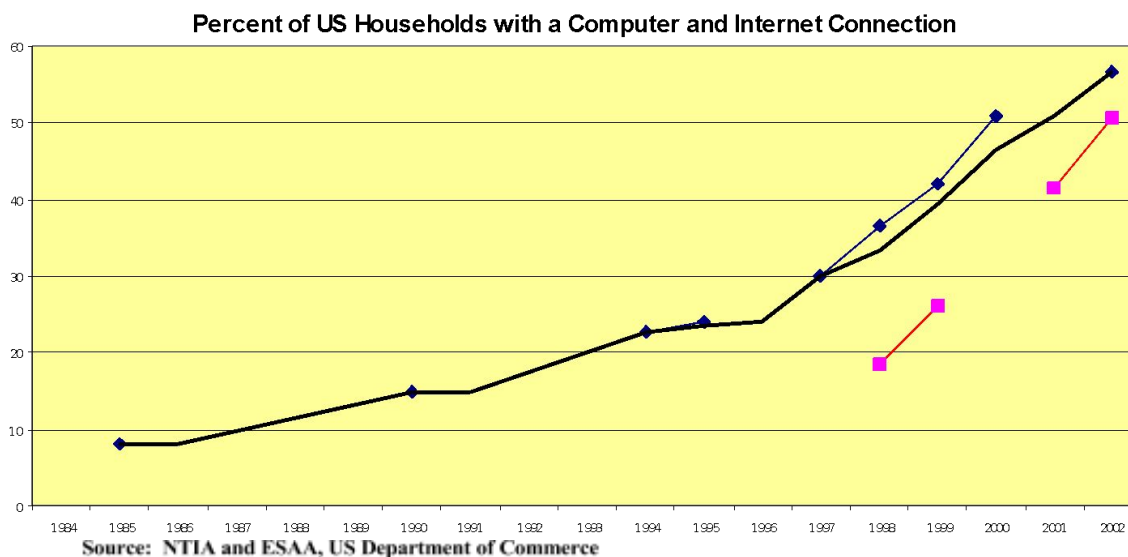
The Internet

According to Standard & Poor's estimates, U.S. e-commerce sales were up about 25 percent in 2002, from the \$33.9 billion estimated by the U.S. Department of Commerce for 2001. Standard & Poor's believes that sales were not as strong as they might have been because the Thanksgiving-to-Christmas period was five days shorter than the year before. This meant less time for shopping, as well as for shipping goods purchased over the Internet. (S&P SRS)

In 2002, sales for Internet retailer Amazon.com reached \$3.9 billion, up 26 percent from the year before. Also, Internet auction company eBay Inc., reports that gross merchandise sales at its sites totaled \$14.9 billion in 2002, with 27.7 million active users who bid on, bought, or listed an item for sales. Although Standard & Poor's does not view eBay as a retailer, from the consumers' point of view, eBay is the ultimate specialty retailer, since its search engine brings together buyers and sellers for thousands of different products, both popular and obscure. (S&P SRS)

Internet Analysis

The increased use of the personal computer has given rise to the ubiquitous Internet. Statistics on the use of the Internet have gained the respect of the retailing world, but more importantly the government agencies trying to measure its impact on the economy. Therefore, the business communities, no matter their structure or abilities to relate, can no longer ignore the use of the Internet for economic benefits.



The graph above paints an astounding picture of those facts. The “pink” line represents Internet usage. Since 1998, a mere 15.5% of the US Households had some type of Internet connection, compared with year 2002, with 50.3% households connecting to the Internet. That calculates to a 50% increase of both connection to the Internet and households that have computers. It is

estimated that approximately seven of every eight households with computers subscribed to the Internet, or 88.1 percent of the total.

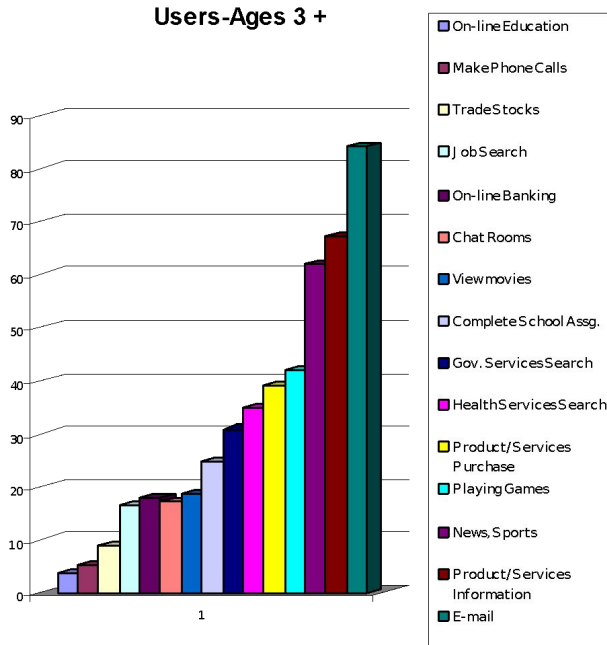
Internet usage has grown considerably among people who live in low-income households. Among people living in the lowest income category, (less than \$15,000 annually), Internet has increased 9.2 percent in October 1997 to 25 percent in September 2001. (NTA, ESA)⁴

Age seems to carry a solid association for computer and Internet users. Children and teenagers were the most likely to be computer users. Computer use is also relatively high among people in their prime workforce years, generally between the ages of 20's to 50's. Those above this age range are less likely to be computer users. This pattern is consistent in both the 1997 and 2001 surveys. (NTA, ESA)

Internet usage holds a similar pattern that holds true for each year of data. Internet use rates increase steadily as age increases for children through young adults; level off at relatively high rates for people between the ages of 26 to 53, and then fall among people at higher ages. (NTA, ESA)

The retinue effect of computer users, thus Internet users, must be considered when examining statistics of this nature. For example, a 30-year-old user of the Internet will, by logistics, continue to use the Internet beyond the 53-year-old range. Therefore, one must understand the upward shift in Internet usage between the 26 to 53 age group and the new users of the Internet, or lack thereof, greater than the 53-year age group.

Activities On-line, 2001-As a % of Internet Users-Ages 3 +



Among the activities of the “on-line” users, which total 142.8 million users in 2001, almost 120 million Internet users used the Internet for e-mailing. 55 million users purchased something on the Internet in 2001. And 96 million users looked for product or service information.

Male and female users engage in some “on-line” activities at different rates. More men than women used the Internet to check news, weather and sports. More women went on-line to check information on health services. A higher rate of males used the Internet for financial services as compared to females. A relatively larger percent of males used the Internet for entertainment related activity over females; this includes watching a movie, listening to the radio and playing games. Both males and females were evenly

split for e-mailing. (NTA, ESA)⁵

⁴ National Telecommunications and Information Administration: Economic and Statistics Administration: United States Department of Commerce, February, 2001

⁵ National Telecommunications and Information Administration: Economic and Statistics Administration: United States Department of Commerce, February 2001

Age is another factor that contributes to the use and type of use of “on-line” activities. Those in the 55 and older group are the least likely of all age groups to use the Internet for playing games, job searching, participate in chat rooms, listen to the radio, watch a movie or trading online. However, this group is more likely to search for information regarding health matters, and equally strong email use. Online shopping is particularly common to the 25 – 34 year olds. About half of the people in this age group used the Internet for online shopping, and about 51 percent of the 35 – 44 age group went online to do their shopping as well. (NTA, ESA)

Comparing income levels and online activities reveals a general pattern that shows broader use of the Internet as income increases. The proportion of Internet users in the highest income level, that of household income \$75,000 and over, exceeds all other income groups in eight out of 16 online activities. The highest percent increase in activity for this income group is the product and service purchase, which exceeds other income groups by almost 10 percent plus. (NTA, ESA)

Product Description

The Company is proposing to manufacture an exercise mat that will greatly enhance the facilitation process of performing the “sit-up” or “crunch” exercise. The word “sit-up” and “crunch” denote several different perspectives of what exactly the definition of those words is, in the language of the industry. According to Lipetz & Gutin, who were one of the first groups to conduct studies on the effectiveness of abdominal exercising back in the 1970’s and the American Council on Exercise in the late 1990’s have proclaimed the following definitions:

Conventional sit-up – From the supine position with legs extended and anchored at the ankles, the subject sits up, touching both elbows to both knees. Hands are clasped behind the neck and the elbows are held in the forward position throughout the exercise.

Hook sit-up – From the hook lying position with the knees at 65 degrees and the legs not anchored to the floor, the subject sits up until the chest touches the quadriceps (the largest muscle in the thigh). The hands are clasped behind the neck and the elbows are held forward throughout in order to prevent a whipping action with the arms.

Arched back sit-up – From a seated position with the legs extended and anchored at the ankles, and the back hyper extended the subject sits back until the back of his head touches the mat. Forcing the elbows and head as far back as possible throughout the exercise holds the arch.

Vertical leg crunch – Lie flat on the floor with your lower back pressed to the ground. Put your hands behind your head for support. Extend your legs straight up in the air, crossed at the ankles with a slight bend in the knee. Contract your abdominal muscles by lifting your torso toward your knees. Make sure you keep your chin off your chest. (Fitness Matters, 1997)

Reverse crunch – Lie flat on the floor with your lower back pressed to the ground. Put your hands beside your head or extend them out flat to your sides—whatever is most comfortable. Crossing your feet at the ankles, lift your feet off the ground to the point where your knees create a 90-degree angle. Once in this position, press your lower back on the floor as you contract your abdominal muscles. Your hips will slightly rotate and your legs will reach toward the ceiling with each contraction. (Fitness Matters, 1997)

Military crunch – Lie flat on the mat with knees bent upward at a 130-degree angle, and feet anchored at the ankles. Place hands behind the head for neck support, and sit up until elbows touch the tip of your knees. The elbows are held forward throughout in order to prevent a whipping action with the arms.

During the late 1990's many manufactures introduced many different products that actually assisted the exerciser to complete the various forms of "sit-ups" and "crunches", described above. The product that is being proposed here is not an "assistance" type product. It is simply an exercise mat, but when matched with a couple of different functions, the product can provide the user with conformability, unassisted performance, self-count feature, body fat counter, all while performing your most comfortable type abdominal exercise.

The Portable Abdominal Exercise Mat (PAEM) the proposed product will be manufactured from an Acrylonitrile-Butadiene-Styrene (ABS) type compounded plastic material. The reason for the compounding is that it will allow more flexibility to the properties of the plastic, such as color, texture, release, etc.

The PAEM is comprised of foot inserts, straps for beginners, soft padding for the head, an incline bar, clock and timer and an electronic device to measure body muscle effectiveness. When the mat is in its closed position, a glowing chessboard appears on the outside of the carrying case. Although the chessboard is not part of any selling strategy it does provide the user of the mat with an extra feature after a long and strenuous workout.

The carrying case would be manufactured from a sturdy plastic material and would be hinged in the middle. The carrying case would have a carrying handle attached to the top center area of one end panel. An additional feature of the carrying case is that one side would be imprinted with a square chessboard facsimile to enable the sit-up carrying case to be used for playing chess when it is closed. A complete set of chess pieces would be included with the package.

The exercise mat itself is of a size and shape of a rectangle, manufactured from rubber and enclosed by a vinyl plastic cover all housed in the sturdy carrying case. The padded headrest is an integral part of the mat and is positioned at the top end. Two circular foot straps made from webbed canvas fabric are attached to the opposite end and would be used for anchoring the feet while performing crunches and the more traditional sit-up.

A rectangular strap also made from webbed canvas is positioned along the side of both foot straps and is intended for use by individuals that may require more freedom of movement for the feet and legs until they have developed a greater degree of muscular fitness. Positioned midway along the length of the upper and lower sections of the mat are small lengths of Velcro straps, which are to be used to secure the sit-up carrying case.

The overall dimensions of the sit-up carrying case are 6 feet in length, 2 inches in depth, when extended to exercise ready, and 24 inches in width. The mat weighs approximately 10 pounds.

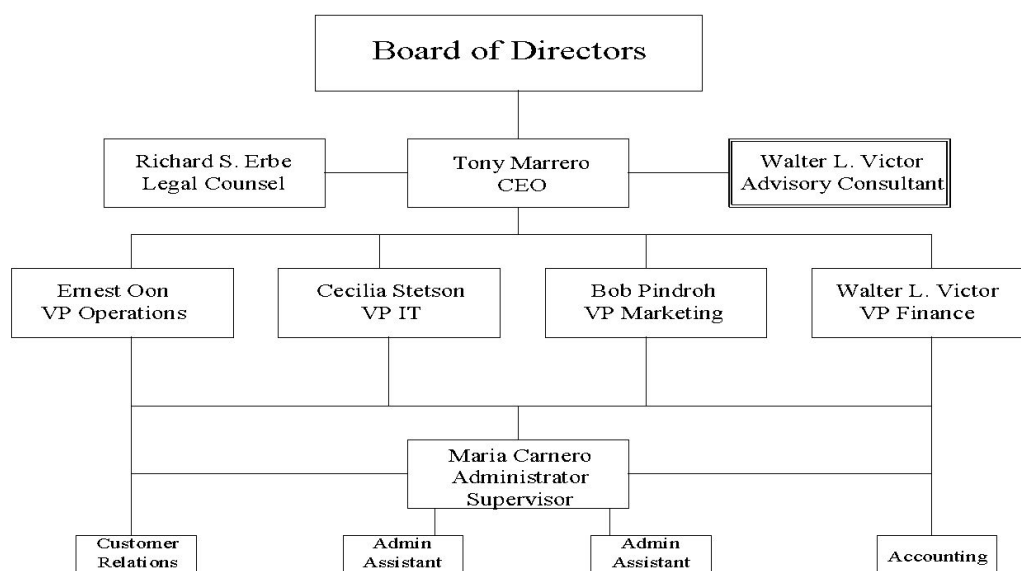
The "Portable Abdominal Exercise Mat" makes it possible for individuals to conveniently establish a regular exercise regimen to tone and strengthen muscles particularly those of the back and abdomen, and to achieve a greater degree of physical fitness.

This product, based upon its design and structure, would give the person, who is interested in establishing an exercise regimen, a greater degree of freedom to adhere to that regimen created, because of the convenience and unassisted component of the PAEM. In other words, the user of

the exercise mat can, in most cases, exercise whenever and wherever he/she chooses without the assistance of another party.

Management Team

Organizational Chart



The Board of Directors will be developed from three (3) or four (4) prominent members of the Los Angeles community. Health Professionals, Educational Professionals, and Hotelier Professionals will be the foundation of the board in its infancy stage. Thereby creating a two-fold strategy. First, being an excellent marketing arm with channels of distribution in expansion readily accessible, and two, a greater degree of governance ability and requisite ethics.

As the company becomes more sophisticated with respect to products and operational structure, additional members will be recruited. With the same ethical and governing experience requirements.

CEO, Tony Marrero –

The Founder, Chairman and President of Fitness Attitude. He conceptualized, designed and formulated the proposed product, filed and registered the product under United States Patent laws and has the strong commitment to see this company reach the pinnacle of its success. Mr. Marrero is an avid exerciser himself, and through his various journeys through different gyms, realized the need for an effective product that is portable, sturdy, lightweight and will allow the exerciser to perform such crunches, sit-ups, etc., without the assistance of another party.

Mr. Marrero currently works two (2) jobs. He works as a full-time banquet waiter at the Wilshire Grand Hotel located in downtown Los Angeles. He has been employed at the Wilshire Grand since March 1999. Mr. Marrero's second job is working full-time as a security officer for Universal Protection Services at Cedar Sinai Medical Towers in Beverly Hills. He has been at that post since August 1999. Mr. Marrero, while working two (2) full-time jobs attended Los Angeles Trade Tech for two (2) years and majored Chemical Technology, and graduated with an Associates Degree. The

responsibilities of the CEO are really no different than any other CEO, even though this corporation is a start-up and is of a much smaller scale. They include the following:

Develops plans and directs all aspects of the organization's policies, objectives, and initiatives will be responsible for the short- and long-term profitability and growth of the company performs a variety of tasks, which may include "hands-on" type tasks, and leads and directs the work of others. A wide degree of creativity and latitude is expected. The CEO shall preside over the Board of Directors.

Legal Counsel, Richard S. Erbe –

Richard S. Erbe has been practicing patent law for over fifteen (15) years. Most of his career was spent in the Legal Department of Walt Disney Imagineering, the theme park design and construction arm of the Walt Disney Company. Mr. Erbe started the patent program at Disney, which resulted in a several thousand percent increase in Disney's patent portfolio. Some of the best-known Disney attractions, such as the Indiana Jones ride, Soarin' over California, Star Tours, and the Haunted Mansion have key elements that were patented under Mr. Erbe's supervision.

He also successfully negotiated the first royalty-bearing license for a Disney-owned patent. Mr. Erbe is a member of the State Bar of California and is registered to practice before the United States Patent and Trademark Office. He now has a private practice in Simi Valley, California where he specializes in assisting individual inventors and small businesses in many aspects of intellectual property.

Mr. Erbe is also a featured speaker at various seminars and provides services to Inventors Workshop International, where he frequently sits on the Experts Panel for the Ventura and Santa Barbara County Chapters. He holds a Bachelor of Science degree in Mechanical Engineering from Rensselaer Polytechnic Institute, is a Registered Professional Engineer in California, and received his Juris Doctorate from California College of Law.

Outside of his law practice, Mr. Erbe is active in various civic activities including his role as Chairman of Simi Valley Neighborhood Council No. 4 and First Vice President of the Santa Susanna Kiwanis Club. He recently was elected to the Board of Directors of the Simi Valley Chamber of Commerce.

Vice-President Operations, Ernest Oon –

Mr. Oon has been working in the commercial loan industry for the last 11 years. He has worked for various international commercial banks, including Bank Dagang Nasional, and Sanwa Bank of California. Mr. Oon is familiar with, and has practical experience with many of the access to capital programs available for businesses, ranging from \$1 million to \$20 million and asset lending to conventional types of commercial loan devices. Monitoring and compliance need excellent analytical skills, which Mr. Oon possesses. He has also developed and implemented many effective internal controls and monitoring tools to enable a more efficient operating environment.

Graduated with a Masters degree from Pepperdine University and a Bachelor of Science degree from California State University, San Bernardino with honors. Mr. Oon will be responsible for directing this organization's overall financial policies. Oversees all the financial functions including accounting, budgeting, credit, insurance, taxes and treasury. Will be responsible for designing and coordinating a wide variety of accounting and statistical data and reports. He will need to rely on his extensive experience for sound judgment in order to accomplish the company's goals. A certain amount of creativity and latitude is needed and good leadership abilities to direct the work of others.

Vice-President Marketing, Robert Pindroh –

Mr. Pindroh is the Director of the Southeast Los Angeles County Small Business Development Center located in the City of Commerce and hosted by Rio Hondo College. He has been with the SBDC program for over four (4) years; starting as an independent consultant in the Glendale SBDC office and eventually becoming its manager. Mr. Pindroh has over 30 years experience in business working for a variety of major corporations, non-profit organizations, schools, and was the owner of his own small business. He held various positions from marketing/sales representative at Unocal, Area Fitness Director for the Physical Fitness Institute of America, Executive Manager of Parsons Employee Recreation Club Inc., through Ralph M. Parsons Company, Executive Director, Lockheed Employees Recreation Club Inc., through Lockheed Corporation, Interim General Manager at the Pasadena YMCA, Instructor and Coach at the junior high schools and community college levels, Operations Manager of a small manufacturing company, NCM Concepts Inc., and Co-founder/President of his own publishing company, Employee Publishing Group Inc. Mr. Pindroh also teaches business courses at the University of Phoenix and Pasadena City College. Since being associated with the SBDC, Mr. Pindroh has been instrumental in helping hundreds of businesses achieve varying levels of success.

Mr. Pindroh holds two Masters degrees; MBA from the University of La Verne, and a Masters in the Administration of Physical Education and Athletics from California State University, Los Angeles. He is married with two loving children and resides in Pasadena. Mr. Pindroh will be responsible for the organizations policies, objectives and initiatives. Will review changes to the marketplace and industry and adjusts the marketing plan accordingly. His insight, experience and familiarity in this industry are a must, in order to direct the organization onto and into the proper marketing channels. Will need to rely on his extensive experience and knowledge to plan and accomplish goals. Will need to perform a variety of tasks as some “hands-on” responsibilities will exist in the infant stage of this business and will have to make sound judgments with creativity and latitude.

Vice-President Information Technology, Cecilia Stetson –

Ms. Stetson comes to this organization with eight (8) solid years of working “hands-on” within the Information technology sector. Her background stems from a Certificate in software development to a Bachelor’s Degree in Information Technology. She has worked extensively with Oracle and SQL. Ms. Stetson has also worked as a Support Systems Engineer and a Systems Programmer. She also holds a Security Clearance from the US Department of Defense. This experience will be useful for both the “on-line” portion of this business, in terms of development and maintenance, but also the Customer Relations Management segment, which will be highly emphasized throughout the growth of the Fitness Attitude. Ms. Stetson has had experience in the Customer Service arena, which will prove helpful here.

Administrative Supervisor, Maria Carnero –

Ms. Carnero’s background and experiences has led her to comprehend and demonstrate her understanding of how a business needs to operate efficiently. Ms. Carnero has successfully managed a start-up retail-clothing store, and managed a 60-room hotel in the downtown Los Angeles area. Ms. Carnero’s current position is working as an office manager for a private practice foot doctor. She handles all aspects of cash, which include but is not limited to billing, receivables, insurance billing, collections, etc.

As Director of Operations of Fitness Attitude, Ms. Carnero will be responsible for managing the daily accounting and operational activities and applicable support staff, as well as the Customer Relations

Management (CRM) initiatives and operations. The CRM component of this business is a critical component, which will require structure and efficiencies. The Director of Operations will have to develop and implement this structure and assure its success. A superior maintenance program for the Information Technology functionality of this corporation will be instituted and the direct management of support staff will have to be coordinated by the Director of Operations. This includes “on-line” feedback and “on-line” customer support.

Vice-President Finance, Walter L. Victor -

Walter Victor began his career in the accounting world, as an Accounting Clerk. After a year and half, he was promoted to an entry-level accountant position. And 6 months later transferred his newly found skills to another company, where he began as a Staff Accountant. After 2 years with this new company, he was promoted to Fiscal Officer, and received his Degree in Accounting from California State University, at Los Angeles.

He worked in the accounting field for another couple of years, but realized that he was not being challenged enough. Mr. Victor wanted to understand business as a whole unit, and not just through numbers and ledgers. He then enrolled in a Masters program at Pepperdine University, and simultaneously began his own consulting business, working mostly in the Accounting Department of various companies. But eventually was able to expand into Marketing, Finance and other areas of business. After graduation from Pepperdine, he started teaching at a local community college, where he has been for 9 ½ years.

He has since, from the time frame mentioned above, owned, or been partner to 6 business ventures. This is an experience that just gets better with every new business. Mr. Victor is now what you would call a “Small Business Expert”. Although titles are just an impasse, he has successfully deployed his experiences to others in business, and has helped hundreds of business inch closer to their success.

He has developed and delivered seminars and workshops in the area of Business Growth, Internet Marketing, Financial Access, Accounting, etc. He has been invited to join Board of Directors, and Financial Committees. He has worked for both not-for-profit and profit orientated organizations. He has completed business and marketing plans, business valuations, corporate taxes, cost analysis, industry trend analysis, primary and secondary research, accounting systems design and implementation, database systems design and implementation, written legal contracts, negotiated those contracts, opened businesses, closed businesses, conducted financial analysis, completed loan packages, developed Monte Carlo simulations, constructed models for revenue projections, etc.

Mr. Victor’s main focus today is growth through business development. “I have realized the importance of economic development through growth in business. However, not sacrificing an inch of ethics, truthfulness and integrity, which are principles that I live by.”

Wage Survey -

Position	Average Pay – LA	Minimum Salary	High-end of Range
VP – Finance	169281	127735	364169
VP – Marketing	118950	88186	175904
VP – Operations	133252	90854	548842
VP – Information Tech	178602	98112	261565
Administrative Supervisor	45004	34416	55458

Administrative Assistant	43246	35234	51129
Accountant	40367	33029	47502

Source: Internet related link from Monstor.com. Webwage.com and Salary.com are the name of the related sites.

Note: The wage survey, which populated the “High-end” range, is from Salary.com, the “Average Pay” and the “Minimum Salary” is from Webwage.com. It should be understood by the reader that the wage from Salary.com is compiled from Fortune 500 companies. Note also that the CEO position is not included in the table above because no data can be obtained for a CEO of a start-up company.

Marketing Statistics

Definition of Market

According to the National Sporting Goods Association (NSGA), which is one of the largest associations for sporting goods and fitness in America, there are seven (7) such categories for fitness. Or at least statistically there are seven (7) such groups of individuals that participate in some physical fitness. These categories are as follows:

1. Aerobic Exercising
2. Bicycle Riding
3. Calisthenics
4. Exercise Walking
5. Exercise with Equipment
6. Running/Jogging
7. Swimming

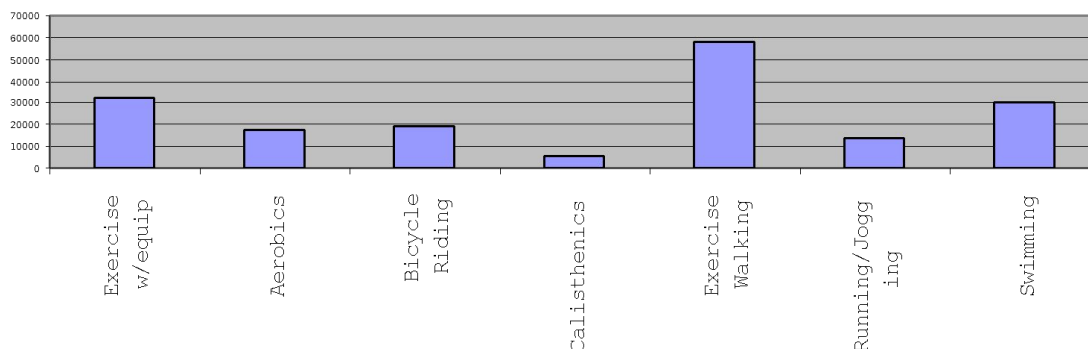
Perceptually and statistically then we can infer that if one does not participate in one of the above categories that he/she is not, or has not a fitness objective. According to Generation X magazine, which sometimes publishes data on physical fitness; physical fitness is a sub-category of a greater “recreational physical activity” category.

The President’s Council on Physical Fitness and Sports defines physical fitness in this manner – “A set of attributes that people have or achieve relating to their ability to perform physical activity”. (U.S. Department of Health & Human Services, 1996) The President’s Council goes on to clearly delineate physical fitness with what they call health-related physical fitness. This approach defines any physical activity that has a relationship with good health. They break this up into perspective components of good health such as body composition, cardiovascular fitness, flexibility, muscular endurance and strength.

Generation X magazine publishes a list of statistics that covers participation in recreational activities for 16 to 39 year olds. This list ranges from “Walking” to “Hunting” with everything in between. And although “Hunting” is not defined as a “Fitness” type of sport, “Hunting” by the nature of the tools used to hunt, i.e. rifles, ammunition etc., is covered under the Sporting Goods Industry. “Walking” then becomes categorized as a fitness activity labeled and addressed under the Sporting Goods Industry, again by the nature of the proper tools, i.e. walking shoes, and other apparel, etc. However, “Walking” or “Exercise Walking” is addressed or categorized as both a recreational and a fitness type of activity.

Therefore in essence this industry is split and somewhat overlaps within many categories. It is often difficult to decipher and even pinpoint the specific market for this product to determine the width and breadth of the market. However, the Portable Abdominal Exercise Mat (PAEM) should be viewed under the microscope of both the Sporting Goods Industry and the Physical Fitness Industry.

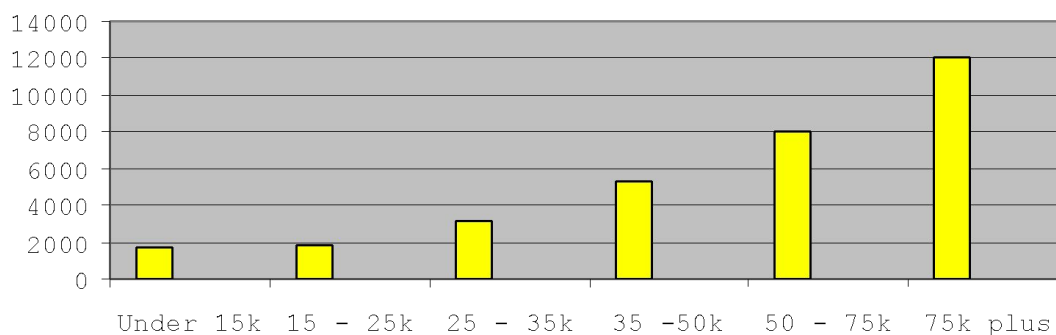
NSGA Sports Participation - 2001



Source: National Sporting Goods Association – Fitness in America - 2001

According to the chart above, and keeping with the definition above for Sports Participation as published by the National Sporting Goods Association (NSGA), total participants for “Exercising with Equipment” was only second to “Exercise Walking”. This would be approximately 32 million and 58 million participants respectively, of at least 25 years of age and older.

NSGA Sports Participation - 2001

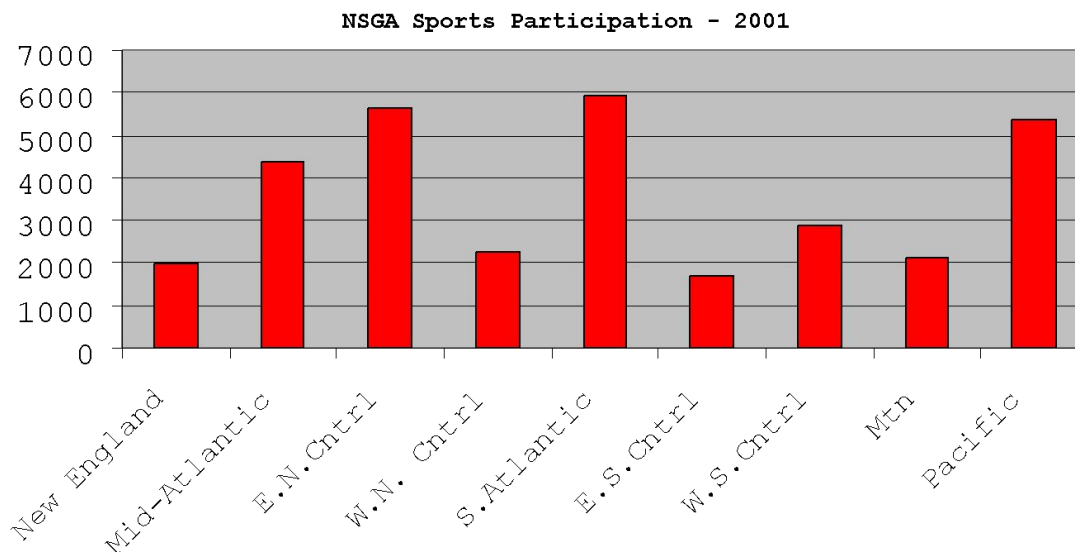


Source: National Sporting Goods Association – Fitness in America – 2001

The chart above took the 32 million users of exercise equipment and looked at household income of each user. There is an obvious correlation between exercisers using some sort of equipment and increase amount of household income. The chart on the next page looks at where these 32 million exercisers with equipment reside. According to the NSGA, 5.6 million exercisers live in the East North Central part of the US. This region is made up of the following states:

- o Illinois, Indiana, Missouri, Ohio and Wisconsin

Approximately 5.9 million exercisers live in the South Atlantic region of the US, which is made up of the following states:

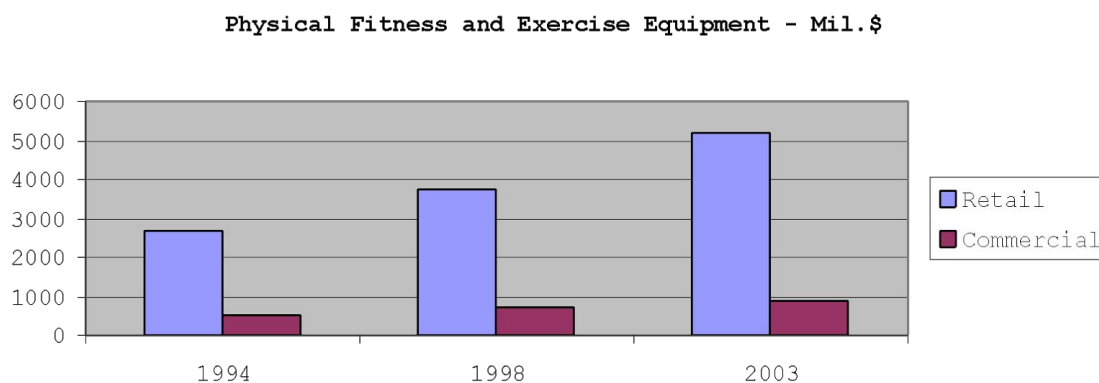


Source: National Sporting Goods Association – Fitness in America – 2001

- o Delaware, Florida, Georgia, Maryland, North and South Carolina, Virginia and Washington D.C.

The Pacific region is therefore home to an estimated 5.3 million exercisers and that region is made up of the following states:

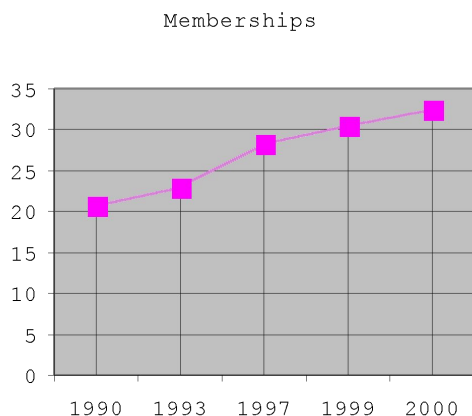
- o California, Oregon, and Washington State.



Source: Kalorama Information, LLC – December 1999 Report

The Physical Fitness and Exercise Equipment industry, which includes both the Retail and Commercial sectors of this industry, totaled \$4.4 billion in 1998, which is up from the 1994 figures of

\$3.2 billion. The growth of this industry from 1994 through 1998 was compounded at a 8.9% rate. The industry is expected to grow to approximately \$6 billion in year 2003.⁶ The retail sector outperformed the commercial by as much as 84% in most years presented here, and is expected to remain the same in years to come. In general, treadmills and elliptical cross-trainers have been the hottest items from 1994 to 1998, along with weights, stationary cycles and home gyms.⁷



Health club memberships grew 57% between 1990 and 2000. Research by the IHRSA showed that there were an estimated 15,910 commercial health clubs in the mid-2000's. This figure is up from 1996 by 19%.

Members have become more loyal to their clubs over the years. In 1987, 30% of the members visited their clubs at least 100 times; in 2000 41% of the members visited their clubs at least the same number of times.

Source: Sporting Goods Manufacturing Association – 2000.

US households were increasingly turned into the home gym perpetuated by the increase in home exercise equipment. According to the 1990 consumption figures released annually by SGMA, Americans spent about \$1.9 billion on home exercise equipment as compared to \$5.8 billion spent in year 2000. The report also indicated that treadmills accounted for approximately \$1.8 billion of the \$5.8 billion total dollars spent in 2000 or 31% of the \$5.8 billion were treadmills.

Interesting to note that according to the 1997 survey conducted and sponsored by SGMA, that 33% of US households who owned exercise equipment used that equipment on a regular basis. Yet it has been estimated that 80% of all home exercise equipment is not used after the first year.⁸

Based upon the focus group developed and conducted for the purposes of this plan, see the Focus Group section of this report, 37% of the respondents who exercised, exercised at home. According to the SGMA report, on average and for specific exercise activities, 37% of their survey group exercised at home, versus health clubs, gyms and other facilities. Due to the beauty imaging evidenced by the plethora of magazines featuring models of both men and women with “ribbed abs”, the abdominal exercisers and exercising became a craze in the 1990's. There were approximately 16.5 million users of abdominal training devices in 1998 and 18.1 million users in 2000.⁹

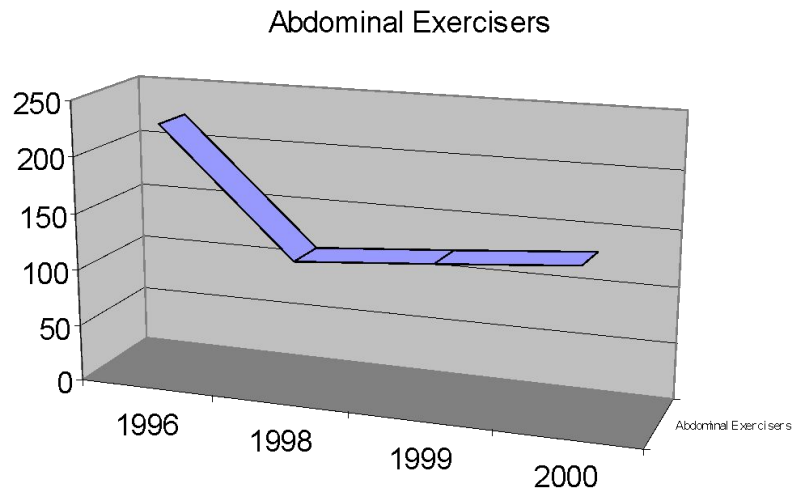
As of the report produced by the SGMA the abdomen continues to be an important part of ones exercise routine, although the data tends to highlight more women by as much as 53% over men, the frequency of this activity seems to be almost evenly split between the two sexes.

⁶ Kalorama Information, LLC December 1999

⁷ Kalorama Information, LLC December 1999

⁸ 2001 Edition, Sporting Goods Manufacturing Association Report, “Tracking the Fitness Movement”

⁹ 2001 Edition, Sporting Goods Manufacturing Association Report, “Tracking the Fitness Movement”



Source: Sporting Goods Manufacturing Association – 2000.

5.7 million Americans participated in abdominal exercises at least 100 times. 2.8 million of those participated were female and 2.9 were male. The increase in female fitness activity can be seen in other areas across the physical fitness industry. The graph above outlines the wholesale dollars of abdominal exercisers. The 1990's show peak performance of almost \$225 million through a trough in the late 1990's of \$115 million, ending with the year 2000 of \$135 million, a 8% increase from 1999.

The demographics of those users can be seen in the following:

- Average Household Income \$70,900
- Average Age 36.3
- Average Years Participated 4.7
- Outlook for next year 49% more participation

The core exercises, which include stretching, calisthenics and abdominal variations will continue to play a significant role in building stability and improve balance. The large exercise ball is enjoying great success in the continued trend toward improving abdominal and back strength. Yoga and Pilates-like exercise are also achieving greater notoriety and therefore success.¹⁰

Psychographics

A study was conducted in 2001 of the lifestyles of consumers purchasing exercise equipment. The following is an excerpt from this research. Note: There was not a category for abdominal exercisers the closest of such grouping were the Multi-purpose Home Gyms.

PRIZM is segmentation, statistical market system based upon the principle that people with similar backgrounds, means, and consumer behavior cluster in neighborhoods suited to their chosen lifestyles. Through a complex statistical analysis of its demographic characteristics and actual

¹⁰ 2001 Edition, Sporting Goods Manufacturing Association Report, "Tracking the Fitness Movement"

consumer behavior, every US neighborhood is assigned to one of 62 PRIZM Clusters. These 62 clusters fall into 15 Social Groups, which are described as follows.¹¹

Social Group	Description	Percent of US Households
S1	Elite Suburbs	10
U1	Urban Uptown	4
C1	2 nd City Society	6
T1	Landed Gentry	8
S2	The Affluentials	8
S3	Inner Suburbs	6
U2	Urban Midscale	4
C2	2 nd City Centers	6
T2	Exurban Blues	7
R1	Country Families	9
U3	Urban Cores	3
C3	2 nd City Blues	3
T3	Working Towns	6
R2	Heartlanders	4
R3	Rustic Living	13

Source: NSGA “Lifestyle Characteristics of Sporting Goods Consumers in 2001”

The highest percent of consumers of Multi-purpose Home Gyms was the S2 social group or “The Affluentials”. This group can be described as upper-middle income living in major metro areas. Almost 77% of its total of households is concentrated in the top 25 TV markets. The lifestyle preferences are Family and Fashion magazines. Music is shared by its progressive Rock and Classical natures. Most own annuities and interest checking accounts; hockey, basketball games and casinos entertain most.¹² The largest of the consumers live in the South Atlantic region. Household incomes range from \$50,000 to over \$75,000. Most own their own home, have families and are educated. Most are employed in a professional capacity, work full-time, and are between the ages of 35 and 44.¹³

Product Strategy

Competitive Analysis

Because this is a New-to-the-World product with no other direct competition as per product-to-product, an in-depth analysis will not be needed. Mainly because of the risk-bearing factors associated with such a new entrant into the market. To put it another way, a new product to the existing market will either be very successful or become a terrible failure. Competitive forces will not have a direct impact on this fact other than the products out in the market today.

There are dozens of abdominal exercisers, mats and other exercise equipment on the market today and have been since the heyday of the abdominal exercise equipment craze of the late 1990's.

The following is a list, not exhaustive of some of the products available in today's market:

- o Ab Trainer Club Pro
- o Ab Originals

¹¹ National Sporting Goods Association, “Lifestyle Characteristics of Sporting Goods Consumers in 2001”

¹² National Sporting Goods Association, “Lifestyle Characteristics of Sporting Goods Consumers in 2001”

¹³ National Sporting Goods Association, “Lifestyle Characteristics of Sporting Goods Consumers in 2001”

- o Gut Blaster
- o Torso Tiger
- o Torso Track
- o Abdominal Training Wheel
- o Ab-DOer
- o Ab Loops
- o Gut Blaster Sling
- o Stability Ball
- o Abdominal Toning Wheel
- o Torso Track II
- o Ab Trainer Home Pro

These products in the market today range in price from \$30 to \$600 at the retail or catalog level.¹⁴ And all these products claim to work on the abdominal area of the body.

Marketing Objectives and Strategies

There were as of 2001 almost 19 million users of some sort of abdominal exercise device. This is a 13% change over 1999 and 2000 respectively. And there were approximately 50 million participants/users of some sort of general exercise and/or exercise equipment. Therefore marketers from all different halls of universities and experiences will agree that there is no shortage of fitness customers, basically because they will buy different types of equipment to serve their fitness and toning needs.

The question is, in light of these shear numbers, how should the Portable Abdominal Exercise Mat be positioned. (Note: The name of the product is one of the characteristics of the mat and was named this from a tentative and preliminary standpoint, not out of a marketing perspective. The name can be changed to fit the strategy)

It is therefore the professional opinion of the author of this plan that in light of the FTC investigations of many of the abdominal exercisers, that this product be marketed as an exercise mat that has the abilities to greatly enhance the consumer of this mat to perform abdominal exercises.

The marketing objective of this product is two-fold. (1) To generate cash and (2) Maintain a position as a product innovator. Both objectives must be met in order to be successful. Cash must be generated to plow-back into product design in order to secure barriers of entry. This is a highly competitive industry therefore product re-design and/or additional value-added components to this product will become significant.

Pricing

Deriving the compiled data from the Focus Groups used to test this product the perception of the price point of this product is between the \$50 and \$100 range. According to the competitive data on the pricing of various mats, they range from a low of \$29 to a high of \$159.

The more “niching” the product the greater the price tends to be. There are mats for all types of exercises and they are marketed accordingly. Based upon the competitor’s data of exercise mats and the Focus Group data, it is again the opinion of the author of this report that the beginning price point be close to the \$100 range.

¹⁴ www.bodytends.com

Distribution

Channels of distribution and the functions of fulfillment will be carried out by Infinity Direct, a marketing service that specializes in Direct Response TV.

Financial Assumptions*Sales Projections*

The first step in projecting sales for this product was to determine the number of viewers of the infomercials. No “hard” data was discovered, given the amount of allocated resources to this plan, so a “conservative” approach was used.

The first month the infomercial ran 25,000 units viewed the intended information about this product. A unit here is defined as a member of a household. The projected data is only interested in the total number of viewers and not so much the “who” of the household, for any member of such household can influence the “buy” of any product. Within the total number of viewers of any infomercial at any particular time, we are looking at a segment of that population. The segment must align itself with both the National Statistics of exercisers and the profile of the Focus Group member’s for that is how the probability of “buy” was derived. Also, only 7% of the entire US population has in the past exercised with some sort of abdominal exercise equipment. Therefore, we are looking at a small percentage of the entire viewing population.

Sales were then projected using the probability of “buy” from the Bernoulli statistical process, which gleaned its data from the Focus Group’s compiled data. It was determined using this process and 26,888 random numbers that the probability that any consumer independent of the other would buy this product, after viewing this infomercial, was estimated to be 40%.

The calculation is as follows:

Viewers x (p of demographics) x (p_1 of purchase) = units sold – Note p equals probability.

This same calculation plus the 10% increment in viewers per month was applied to the appropriate month. The 10% is also a guesstimate.

Expenses

Since the manufacturing and fulfillment processes are outsourced the only wages included in the operations are the CEO at \$50,000 per year, an Administrative Assistant/Office Manager position at \$36,000 per year and an Accountant at \$40,000 per year. The manufacturing costs were from an estimate by Metro Bay Products Inc out of Costa Mesa California.

The fulfillment process, which includes customer service, shipping, credit card processing, and returns with bad debt was estimated on a per unit basis by the Direct Response Television agency, Infinity.