



## **Business Plan and Loan Proposal**

## RAISING MONEY

### The Perfect Package

As a Franchisee, your first major hurdle will be choosing the right bank and establishing a good relationship with bank officials.

Getting a loan is like taking the customer's order, and your Business Plan and loan application is your sales tool. When you put together the right combination of facts and figures, your loan application will sell your banker on the short and long term profit potential of lending money to your **FOOT SOLUTIONS** business opportunity. To accomplish that, your application must convince your banker that you will pay back the loan as promised, and that your managerial ability will result in a profit making partnership. In fact, your loan application must do most of the selling without personal assistance. True, you will be there to explain the projections and justify the conclusions when the application is presented. However, if the amount you need exceeds the lending authority of your banker, the application will have to sell itself as it rises through the bank's hierarchy to the bank officer with the proper lending authority. Alternate financing can be handled through Small Business Administration (SBA) programs and leasing companies.

NOTE: **FOOT SOLUTIONS** is listed on the pre-approved SBA Program List (please visit [www.franchiseregistry.com](http://www.franchiseregistry.com)).

Also visit the Foot Solutions Web site at [www.footsolutions.com](http://www.footsolutions.com) for alternate ways to finance.

What goes into selling a loan application? First, it must be a financial portrait of your business as well as a business document. It should be filled with facts. The loan application should be both realistic and optimistic. If you predict an increase in sales between 10% and 15%, you should say why and explain what you plan to do to insure the increase in sales. Secondly, the application must be complete. When a piece of an application is missing, bankers instantly suspect that either something is being hidden or the applicant does not know his/her business well enough to pull the information together.

There are several items that should be included in every loan application. The importance of each will vary with the size of the loan and the business being proposed. Since this is a new business operation for you, the bank will view you as a new business owner. You should include the following in your proposal:

1. Cover Sheet
2. Cover Letter
3. Table of Contents
4. Amount and Use of the Loan
5. History and Description of the Business
6. Function and Background on Yourself and Management Team
7. Market Information on Your Product and Service
8. Financial History of Yourself and/or Business with Current Status
9. Financial Projections to Demonstrate Repayment of Loan
10. List of Possible Collateral
11. Personal Financial Statements
12. Additional Documents to Support Projections
13. Articles of Incorporation (if applicable)
14. Equipment Listing and Brochure
15. Copy of Lease
16. Construction Drawing (if available)

## **Business Plan/Loan Package**

This Bank Loan Package provides a basic format for your loan proposal. However, you will need to add your personal financial statements and a list of other sources of revenue. You will also need to modify the document to reference yourself as an owner/operator and identify the manager (if applicable). You should attach a resume for yourself and a manager (if applicable), and personalize for your geographic area.

Unless you have an operation that is already showing a profit and your company is extremely solid financially, you will be required to add your personal guaranty to any loan made by the bank. Therefore, the banker will want to see each applicant's current tax return, and balance sheet, showing personal net worth. Most banks have preprinted forms that make pulling these figures together relatively easy. If the bank rejects you, your next option would be a SBA loan and/or an equipment lease.

Once your store is established and you are showing a profit, you should be able to borrow money for expansion on the strength of your current operation.

Raising money is your first major task in opening your first **FOOT SOLUTIONS** operation. In addition to going to financial institutions like banks or credit unions to borrow money, there is also the possibility of leasing the equipment through a leasing company. This will allow you to borrow a lesser amount from the bank. We will work with you to establish a proposal that best fits your circumstances.

If you have any questions or need assistance in any way, please feel free to contact us at the **FOOT SOLUTIONS** corporate office.

Don't forget to mention the **FOOT SOLUTIONS** website, [www.footsolutions.com](http://www.footsolutions.com) to your banker. This website is the source of valuable information for you and your banker, and will provide strong validation of the **FOOT SOLUTIONS** program.

**NOTE:** You should start working on financing as early as possible. Getting preliminary approval on your financing will make everything flow much smoother. Most banks will require you to invest approximately 25% of the total investment of your own funds.

Please use the following template to complete your bank loan proposal, including P& L projections with which you feel comfortable. These files can be obtained from the **FOOT SOLUTIONS** Webmaster in formats you can modify.

Best of luck. We look forward to working with you.

## HOW TO WRITE A LOAN PROPOSAL FOR YOUR **FOOT SOLUTIONS** FRANCHISE

Summary: On the first page, give your name and title, company name and address, nature of business, amount sought, purpose and source of repayment.

Management Profiles: To sell yourself and your partners or employees to the bank, develop a paragraph or two on each of you touching on background, education, experience, skills, areas of expertise and accomplishments. Bankers seek their ultimate security in experienced management. If this is your first store, reference **FOOT SOLUTIONS'** franchise success and extensive training and support system. Foot Solutions has been franchising since 2000 and has over 250 locations.

Business Description: Give details of your company's legal structure and age, current business assets and number of employees. Define your products and your markets. Identify customers and competitors. Describe your inventory in terms of size, rate of turnover and marketability.

Purpose: Pinpoint your proposed use of the loan. A request for working capital will elicit questions, not money. Instead, explain what the working capital is for. (See detailed explanation in example.)

Financing Request: Ask for the precise amount needed to achieve your purpose, and support your figures with estimates from the **FOOT SOLUTIONS** disclosure document, and other franchisees.

Financial Section: Provide balance sheet and income statements for an initial five year period. If it is a new company, provide a personal financial statement and tax returns for the last two years, if required. Bankers normally check your personal credit rating as well as your company's.

Repayment Plans: The pivotal aspect of your proposal and repayment plan should be formulated in light of several banking axioms. First, the asset must match loan. Any asset you want to finance must last at least as long as the loan period. Second, the asset should generate the repayment funds. Third, your projected pro forma should clarify your company's capacity to meet interest as an expense and to repay the principal from net profits. Finally, you must provide "two ways out," or two different sources of repayment. The bank wants assurance that if the first way is blocked, there is a second; ordinarily comprised of your own and perhaps guarantees of others. Minimum repayment time frame should be five years. If you want a lower breakpoint, show the net for seven to ten years. Remember, you can always pay it off early without penalty.

# **LOAN PROPOSAL**

## **TABLE OF CONTENTS**

- I. EXECUTIVE SUMMARY
- II. SUMMARY OF BUSINESS
- III. MANAGEMENT PROFILE
- IV. INTRODUCTION
- V. OPPORTUNITY
- VI. BUSINESS DESCRIPTION
- VII. GUIDING PRINCIPLES
- VIII. DESCRIPTION OF THE MARKET
- IX. COMPETITION
- X. STATEMENT OF PURPOSE
- XI. LOCATION OF BUSINESS
- XII. FINANCIAL SECTION
- XIII. BUILDING THE BUSINESS
- XIV. SUPPORTING DOCUMENTS

JOHN DOE  
PRESIDENT & OWNER/OPERATOR  
of XXX, INC.  
7100 MAINLAND STREET  
ANYWHERE, U.S.A. 00707

## I. EXECUTIVE SUMMARY

### FOOT SOLUTIONS Mission

*“Using our certified experts and state-of-the-art technology, we help our clients look, feel and perform better through customized FOOT SOLUTIONS.”*

### FOOT SOLUTIONS Products

Our stores carry shoes designed to fit peoples’ individual foot shape and to accommodate our custom inserts for work, dress, and play. Custom and pre-manufactured arch supports allow us to fit a person properly and support a persons’ foot providing the foundation for balance and posture alignment. We also work with the hard to fit narrow and extra wide foot. We have a complete line of specialty products for feet. Our business is a heavily referral based business with strong customer retention and customer referrals. Our products focus on Health & Wellness, Medical, Comfort and Fit.

### FOOT SOLUTIONS Competitive Advantage

Annually, Americans spend approximately \$46 billion on shoes, of which, \$22 billion is spent in specialty shoe stores as outlined by the NSRA (National Shoe Retail Association). The major problem in the marketplace is that virtually no major retailer brings orthotics, shoe-fitting, shoes, and foot care products together. The proposed **FOOT SOLUTIONS** center will provide a complete service including the custom inserts, orthotics, plus specialty retail foot care items. Most importantly, it will offer a line of shoes designed to accommodate inserts and orthotics that look good as well as feel good. In addition, **FOOT SOLUTIONS** has exclusive lines of products and specialty shoes made specifically for **FOOT SOLUTIONS** stores. As a result, these products are only available in **FOOT SOLUTIONS** stores. **FOOT SOLUTIONS** dominates its market niche and has no major direct competitors. **FOOT SOLUTIONS GROUP PURCHASING DIVISION** has passed on the savings on COGS (cost of goods sold) from 5 to 30%.

### Marketing and Sales Strategy

The marketing program includes “Grand Opening” scheduled activities, materials and instructions. Continued support includes custom advertising materials, infomercials, 30-second TV commercials, radio commercials and presentation materials. The medical community will be contacted repeatedly to encourage two-way referrals. **FOOT SOLUTIONS** has under contract a national public relations firm as well as a national marketing firm. **FOOT SOLUTIONS** has proven marketing plans and programs in place that drive focused niche market customers to **FOOT SOLUTIONS** stores. Every year new store

openings have successfully beat the average of the previous years. This has been accomplished through improved focus marketing and improved training.

### Capital Needs

This proposal is submitted to you for consideration of a business loan in the amount of \$\_\_\_\_\_ to cover associated equipment, inventory, and build-out costs of a new **FOOT SOLUTIONS** location. This is a specialty retail center focusing on health, wellness, comfort, fit and style using computer foot scanning equipment and a special 10 step fitting system producing custom accommodative insoles (orthotics) and offering a complete line of extra depth comfort footwear for work, dress, and play, all designed to accommodate orthotics and to fit the shape of your unique feet, focusing on the Baby Boomer Market for more active and fuller life style.

- **FOOT SOLUTIONS** stores, once fully established, are expected to generate sales from \$400,000 to \$1,000,000 per year, with a net profit of 20% - 35%, before taxes and debt service, depending on how store is managed and operated.
- The average **FOOT SOLUTIONS** store is in positive cash flow in three (3) to six (6) months. The primary reason for this is the low overhead and the average customer expenditure of \$200.

## II. SUMMARY OF BUSINESS

### Statement of Purpose

This proposal is submitted to you for consideration of a business loan in the amount of \$150,000 to cover purchase of equipment, inventory, and build-out costs of a new **FOOT SOLUTIONS** location. The projected capital needs are \$200,000. \$50,000 of the total project cost will be cash injection by the owner. The balance of \$150,000 is projected to be financed through an SBA guaranteed loan, for a term of 5 years. Funds will be used for equipment, build-out, fixtures, POS system, inventory, franchise fee, and marketing.

This is a specialty franchised retail center focusing on topographical foot mapping, producing custom insoles (orthotics). **FOOT SOLUTIONS** will offer a complete line of comfort footwear for work, dress and play, all designed to accommodate orthotics. The objective of this business plan is to secure financing in order to establish the business opportunity that currently exists in the shoe and foot care market, with a focus on the fastest growing market, the 40 and older group.

## III. MANAGEMENT PROFILES

John Doe A brief summary of employment and educational background. Emphasize strengths; mention backgrounds and strengths of other partners and/or business associates that will be involved.

This is the place to sell yourself.

## FOOT SOLUTIONS FRANCHISE COMPANY

**FOOT SOLUTIONS** has been franchising since 2000 and has over 250 operations with a growth rate of 40 to 50 new stores per year.

**FOOT SOLUTIONS** provides solutions for people with foot or related problems and also focuses on

health and wellness, comfort, fit and style, and the athletic client. We reduce, and in many cases eliminate, foot pain and other associated symptoms, such as knee and lower back pain.

**FOOT SOLUTIONS** provides complete support, including site selection, demographic analysis, lease negotiations, store set-up, employee training, technical, operations, and management training prior to store opening, with grand opening and ongoing technical and in-the-field support.

The Franchise Disclosure Document (FDD) is available upon request.

Please visit the website at [www.footsolutions.com](http://www.footsolutions.com) for more information.

**FOOT SOLUTIONS** corporate projects average growth of 40 to 50 new **FOOT SOLUTIONS** stores per year. Please follow the *Locations* link on our website to view sites already in operation and stores under construction.

**FOOT SOLUTIONS** owner and founder, Raymond J. Margiano, PhD. also was the founder and owner of Heel Quick, another franchise that Ray started in 1984 and grew to 700 plus locations in 34 countries. Ray brings extensive franchise experience and success to the **FOOT SOLUTIONS** concept.

#### IV. INTRODUCTION

In the new millennium, with advances in medical technology and an increasing number of ways to find relaxation and excitement, people are expected to live longer and want to do so in a more fulfilling manner. People who were considered “retirees” at the age of 60 in 2000 are now spending their “second life” seeking a broader range of experiences than ever before, and the new “middle age” is 50.

However, anyone “middle-aged” or older is susceptible to limited physical activity as a result of problematic foot conditions. As we age, the foot starts to collapse and flatten out. Through **FOOT SOLUTIONS** custom orthotics we can properly support the foot and reverse this condition. In addition, there are many conditions that cause foot pain, leg pain and lower back pain which can be relieved or reduced through properly constructed and fitted footwear. Often, the use of specially constructed shoes, built on lasts to properly fit the clients individual foot shape and /or custom orthotics, in many cases is all that is needed to eliminate the cause of discomfort. Without this pain, consumers can lead the lives they desire.

#### Formula for Success

- Our stores attract people from every walk of life. Our *focused market* is 40 and older, the fastest growing market in the USA. The customer who wants and needs comfortable shoes and inserts to improve their balance and strength. We focus on five major market niches -health and wellness, active/sports, comfort and style, medical and arch supports and orthotics.
- Each franchisee has a protected territory of a minimum of 100,000 people, as well as access to the surrounding markets.
- Franchise owners and staff receive extensive training, as well as “Grand Opening” support and ongoing field support counseling and information seminars. The **FOOT SOLUTIONS** Training Center has been certified by the BCP (Board for Certification in Pedorthics). We encourage all stores to have at

least one certified pedorthist on staff within one year of opening. Every store has at least one trained pedorthist on the floor.

- We offer a unique product and method of marketing and selling. The customers are loyal, grateful, and return an average of two (2) to four (4) times per year with a ninety percent (90%) customer retention rate. In fact 40% of our new clients are referrals from previous clients.
- We spend an average of 30 minutes with each client and our average sale is two hundred dollars (\$200).
- **FOOT SOLUTIONS** is also entering the corporate employee wellness business to provide services to employees who stand on their feet 4 or more hours per day. **FOOT SOLUTIONS** corporate attends National Ergonomic conferences as well as The Society for Human Resources annual meeting. This is a huge potential market place that **FOOT SOLUTIONS** is establishing in addition to our retail outlets.

#### FOOT SOLUTIONS Stores Design & Location

- **FOOT SOLUTIONS Stores** are designed with a spa like feel, utilizing state-of-the-art computer foot scanners used to accurately make a topographical map of the customer's feet, great retail display, and comfortable chairs for customers to relax while being serviced. The average customer spends in excess of \$200. The focus of attention is on working with and helping the customer, not on volume. All fixtures, furniture, counters, etc. are custom made for **FOOT SOLUTIONS** stores.

#### How FOOT SOLUTIONS Centers Reach the Public

- A high referral-based operation with network marketing systems that work.
- Extensive Web Based marketing and support network for people researching solutions for their problems.
- Direct mailings to focused groups are very effective.
- **FOOT SOLUTIONS** has a strong marketing/advertising corporate support group in place. Every quarter every store receives a 3 month detailed marketing plan, recommended advertising with artwork and supporting POP and window signage materials.
- We perform many outreach programs and educational presentations as well as event marketing.

### V. OPPORTUNITY

At any one time approximately thirty percent (30%) of the population has some type of foot problem, as identified by the medical and Podiatry Associations. There are more than fifteen conditions that can cause people pain and discomfort originating from the feet. Annually, across America, these conditions result in more than 50 million situations where people have foot conditions that limit their quality-of-life. Much of this pain and discomfort can be reduced or eliminated with properly fitted shoes and accessories which can enhance balance and support. In addition, the PFA (Pedorthic Footwear Association) identified that approximately 90% of the population is wearing improperly fitted shoes. There are 20 million diabetics in

the USA and another 30 million are borderline, as report by the American Diabetes Association. Diabetes is the leading cause of amputations and diabetics are at the highest risk for foot issues and problems. Obesity has reached extreme proportions and now one out of every 3 Americans is considered obese and one third (1/3<sup>rd</sup>) are overweight. Sixty percent (60%) of the work force is on its feet 4 hours or more per day. 98% of professional athletes wear inserts or orthotics, the potential niches in this under served market is staggering.

Separately, over the last three decades, the retail shoe industry has gone through dramatic changes. Buying experiences that used to involve one-on-one discussions and foot measurement by a knowledgeable salesperson are now predominantly self-service. Consumers are invited by mass advertising to visit “big-box” retailers to enjoy large selections of shoes at low prices. What has been lost in this change in retail landscape is the service aspect. While enjoying lower prices, consumers have been relegated to determining their own shoe size and having to identify the proper footwear for their lifestyle without the help of an educated salesperson. Ninety percent of the time, this leads to a consumer purchasing shoes which are not fitted properly. Ninety percent of foot problems are caused or aggravated by improperly fitted shoes. **FOOT SOLUTIONS** stores are staffed with trained Pedorthist. All fitters are trained in foot pathology, gait analysis and the **FOOT SOLUTIONS** 10 step unique fitting process.

## VI. BUSINESS DESCRIPTION

Our **FOOT SOLUTIONS** store will offer a unique combination of products and services that will result in greater life enjoyment by our patrons. We will offer a personalized buying experience enabling consumers’ access to personalized solutions. These solutions will reduce or eliminate bodily discomfort caused by problems emanating from the feet. We spend an average of 30 to 40 minutes with each customer utilizing a **FOOT SOLUTIONS** 10 step total fit system. Forty percent (40%) of our new customers are referrals from previous customers.

Our core product line will consist of products that are unique to **FOOT SOLUTIONS**. We have exclusive product lines and purchase direct from the manufacturer including shoes, custom orthotics and supplemental accessories. All of the shoes provide orthopedic support and are available in special widths and depths. An additional feature of these shoes is that all of their foot beds are removable. This allows proper shoe fit with the insertion of an orthotic (usually, when an orthotic is added to a standard shoe, there isn’t enough room in the shoe to allow for proper foot-fit). The modern styling of the shoes themselves enhances enjoyments of these features. Many of our products are made exclusively for **FOOT SOLUTIONS** and available only at a **FOOT SOLUTIONS** store.

### What Exactly Does a **FOOT SOLUTIONS** Center Do?

- We provide solutions for people with foot related problems. We reduce, and in many cases, eliminate foot pain and associated symptoms, such as knee and lower back pain. We improve people’s lives through proper foot balancing and correct body alignment using our total fit system.
- High-tech computer foot scanning equipment is utilized to produce a complete line of custom shoe inserts and orthotics. **FOOT SOLUTIONS** corporate has its own lab staffed with a podiatrist, certified pedorthist and specialty shoe technicians. Our lab turns around a custom orthotic in three (3) days. Most labs take two (2) to six (6) weeks.
- We stock a complete retail line of foot and shoe care products. Our experienced sales staff is available to assist the customer with product selection, installation and fit. We make

modifications and adjustments at the store for a perfect fit.

- We offer an analysis of foot problems and how problems can be minimized with properly fitted shoes. We work closely with the medical community as well as diabetic educators.
- We offer a full line of comfort shoes for work, dress, or play, as well as a stylish selection of orthopedic shoes for our customers with special needs, including extra depth, extra widths and narrow shoes for a proper fit.
- We offer the finest walking and running shoes available. As well as innovative specialty shoes like MBT, Chung Shi and Spira.
- We offer sophisticated, high quality European comfort shoes and have shoes designed and made exclusively for **FOOT SOLUTIONS**.
- We have a unique line of shoes that enhance performance, improve posture, tone legs, glutes and abs and will accelerate weight loss.
- Our inventory is focused on key, fast moving sizes as well as a fitting inventory; approximately 30% of our orders are special orders with a 1 week delivery time. A central warehouse provides quick service for the hard-to-fit and inventory depth, also provides back up inventory for our store.
- Correctly fitted shoes are the most important part of good foot health. This is where **FOOT SOLUTIONS** stores focus their training, marketing and support.
- Through computer scanning and biomechanical balancing, customers are shown how they can increase their comfort, reduce and eliminate pain, and improve their posture. Many customers notice a significant difference in their well being after just one day and can feel the difference right in the store
- Customers with problems are referred by physicians, podiatrists, chiropractors, therapists, sports clubs, athletic coaches, but mostly by satisfied customers.
- Who can benefit from **FOOT SOLUTIONS**? Almost everyone, but our focus is on the 40 and older market, the millions of customers that purchase billions of dollars every year of “off-the-wall,” foot related retail products and shoes, without proper advice about fit or satisfaction.

## VII. GUIDING PRINCIPLES

- Our customers will be treated as individuals. They will experience the unique **FOOT SOLUTIONS** 10 step total fitting system. Empathy, sympathy and understanding will be the foundation of our dealings with consumers, that have foot issues or problems caused by improperly fitted shoes or balanced feet.
- When it comes to making business decisions, we will make the “right ones,” not the “easy ones.” However, we will try to keep the business of business simple.

- While near-term profitability is important, the business will be managed on an “investment basis.” Decisions will be made based on increasing long-term value.
- The more you do, the more you get. Operating a business is a privilege. We will earn the respect of the community in which we operate through our involvement and support. We will aggressively seek new customers and network with the medical community, fitness centers, weight loss center and businesses that have employees on their feet most of the time.

Our primary niche market focuses right between the medical orthopedic stores that primarily service clients that have serious medical needs and the comfort shoe stores that provide comfort, but not the proper support needed to resolve most foot problems. We have no major competitors and most of our existing competitors are what we consider peripheral and not direct. Our objective is to provide services that bridge both the medical and comfort shoe store, solutions with products that people will wear.

### Critical Success Factors

These are three critical success factors. Each of these elements will play a key role on the ultimate success of our business.

- **Site Selection.** Each store must be located in a community that can and will support this business. **FOOT SOLUTIONS** Corporate office completes a demographic analysis of each area and a customer profile analysis. It is our franchisor’s experience and knowledge of the industry that assures the best possible site selection. In addition, we have specialty site consultants that analyze the area using complex computer models and profile statistics from a large number of operational stores.
- **Customer Relations.** As a niche business, we must attract, satisfy and keep every customer possible. Our average store has an ongoing referral rate of new customers of 40% from previous customers. We do extensive networking and receive referrals from the medical community, trainers, educators and retirement communities.
- **Staffing.** All staff members must complete the extensive **FOOT SOLUTIONS** certified training program. This includes foot pathology, gait analysis, fitting, scanning technology and 10 step process.

### Legal Structure

Each store opened, as part of <Enter DBA Name Here>, will be established as a stand-alone Limited Liability Corporate (LLC) C Corp., or S. Corp., wholly owned by <Enter Your Name Here>.

## VIII. DESCRIPTION OF THE MARKET

The foot and shoe care industry is a multi-billion dollar industry. **FOOT SOLUTIONS** fills a unique niche and void in the marketplace where virtually no one brings all the services together. Our **FOOT**

**SOLUTIONS** centers focus on providing a complete service, including the custom inserts, orthotics, plus specialty retail foot care items; but most importantly, we offer a line of shoes designed to accommodate inserts and orthotics and fit the unique shapes of feet. Over 90% of foot problems today are caused or aggravated by improperly fitted shoes. Our personnel are not only trained to fit shoes properly, but also understand the modifications and adjustments that need to be made to the shoe for proper fit to alleviate problems. We actually create a custom fit solution for each customer.

With 250 locations, **FOOT SOLUTIONS** has no major competitors and dominates the footwear health and wellness niche. There is little-to-no competition in the marketplace today. There are no dominant regional or national companies and virtually no one is focused on bringing a complete solution to the customer in one location. **FOOT SOLUTIONS** is the recognized leader in this market niche by Footwear News, the National Shoe Retailing Association (NSRA) and the Pedorthic Footwear Association (PFA). In fact, **FOOT SOLUTIONS** has been ranked by NSRA as one of the Top 50 foot wear retailers in the world.

- In addition to the millions of people with medical needs and foot problems, we also provide benefits to:
  - People who just want better balance, comfort, preventive maintenance action and support for those on their feet most of the day whether for work or play.
  - Health clubs, runners, police, military, nurses, skiers, skaters, golfers, walkers, runners, etc.
  - Children who need inserts. Many children have foot / leg pain caused by pronation / supination.
  - Weight loss clinics
  - Health & wellness and preventative maintenance.
  - People that work on their feet for four hours or more each day
- Our generic target audience consists of people 40 years of age or older who have some type of foot issue or problem. Many foot issues can be solved with properly fitted shoes and inserts. This is our specialty.
- There are 20 million diabetics. If on Medicare they may qualify for the “Diabetic Shoe Bill” which covers eighty percent (80%) of the cost for one pair of shoes and diabetic inserts. Only ten percent (10%) eligible are using this service.
- Women have about four to five times the foot problems than men do because of the improperly fitting shoes they have worn most of their lives. Many daughters bring there mothers in for service and we find they have the same problem.

## HISTORY OF FOOT CARE IN THE UNITED STATES

Primary foot care in the U.S.A. today is provided by the medical community with a number of ancillary, small support centers providing pedorthic, orthotic and comfort shoes. Most development has been

focused on this portion of the market. The **FOOT SOLUTIONS** centers focus not only on the medical side of the market, but also serves as a bridge for today's client that desires preventative maintenance, wellness, health, feeling good, proper fit and comfort with attractive stylish shoes. Our concept bridges the gap from medical to self-support and self-help. Most people try to fix themselves before going to the doctor. We have been very successful in this area and also work very closely with the medical community referring clients that require and need medical attention.

#### IX. COMPETITION IN THE MARKETPLACE

The health and wellness and the foot care industry is mainly comprised of independent operators. There are no major chains or serious competitors in the field today. It is a cottage industry. Most existing competitors are focused primarily on the medical pedorthic and orthotic needs, while our concept focuses on a larger market, with particular attention to the age 40 and older market. Our market focus is right between the medical shoe stores and the comfort shoe stores. The medical shoe stores service those clients with serious medical foot issues with very functional shoes. The comfort shoe stores provide comfort but no support or foot problem resolution, which is our area of focus. Virtually no one is focused on bringing a complete solution to the customer in one location other than **FOOT SOLUTIONS**. **FOOT SOLUTIONS** is recognized as the undisputed leader and the dominant force in this unique market niche and cottage industry by NSRA and PFA.

#### X. STATEMENT OF PURPOSE

The objective of this business plan is to establish the business opportunity that currently exists in the foot and shoe care market. To ensure the success of this venture we have purchased a **FOOT SOLUTIONS** franchise package. The founder of **FOOT SOLUTIONS** has been in the franchising business since 1984, and has successfully developed two concepts. Heel Quick in 1984 developed 700 plus locations in 34 countries. Started **FOOT SOLUTIONS** in 2000 and has over 250 locations open and has dominated this niche.

##### Financing Request:

This business plan requests a loan of \$\_\_\_\_\_ to open our store. The store will be opened in \_\_\_\_\_ of 2008. The enclosed **FOOT SOLUTIONS** disclosure document contains detailed information on the concept.

The breakdown of estimated expenses for our location includes:

(See Sources & Uses of Funds Statement.)

#### XI. LOCATION OF BUSINESS

We plan on opening our store in \_\_\_\_\_ (city) \_\_\_\_\_ located at \_\_\_\_\_ (address) \_\_\_\_\_.

This location fits the demographics and profile established by **FOOT SOLUTIONS** for our type of operation.

(Attach a copy of lease if location has been secured. If not, identify areas at which you are looking.)

#### XII. FINANCIAL SECTION

Included is a detailed one-to-five-year projected P & L Statement for a **FOOT SOLUTIONS** franchise

comparable to our type and size of operation. Sales projections are based on demographic analysis of area and operating stores. (See Pro Formas.)

(Select the Pro Forma most suitable for your store or create a new pro forma using ours as a guide.)

NOTE: 20% of stores are in positive cash flow from their first month. The average store takes 3 to 6 months. Don't be unrealistic or overly aggressive- remember banks are conservative. Realistic is good.

### XIII. BUILDING THE BUSINESS

#### Referring

**FOOT SOLUTIONS** has an established medical marketing package; in addition **FOOT SOLUTIONS** attends regional and national medical annual meetings. We will continue to build on this foundation with continuing loyalty and referral programs, write letters for medical journals and magazines as well as web sites. We also work with non medical referral partners like health clubs, sport coaches, walking, running clubs etc.

#### Advertising

##### **Consumer**

When a store is first opened, our goal will be to generate awareness for the **FOOT SOLUTIONS** brand name. The intent of this awareness will be to register the benefits of our business with the target audience. This awareness will be created with significant advertising in local newspapers, local television, a public relations campaign, direct mail and insert program and web based local marketing.

After the introductory advertising period, the print advertising campaign will be scaled back and direct mail efforts will be added. Direct mail will include either personalized letters sent on **FOOT SOLUTIONS** stationery or through coupon mailings (premium paper, offering free foot analysis). In addition, we will work directly with retirement homes, assisted living facilities, diabetic educators and other medical facilities, to name a few. In addition, we have TV infomercials and commercials as well as radio ads to reach the masses with quarterly marketing plans, advertising templates and POP window signage provided by **FOOT SOLUTIONS** marketing department.

##### **Professional**

Recognizing that Medical Professionals are consumers too, they will be exposed to the advertising campaign mentioned above. However, their professional needs for a **FOOT SOLUTIONS** do differ from those of a consumer or patient. So they will receive a customized mailing program that will communicate the reasons they should refer their patients to **FOOT SOLUTIONS**, as well as office visits. We also are involved with National/Regional medical associations, shows, web sites and magazines. We offer professional specials to get the medical community into our stores and products.

Knowing that repetition of advertising is the key to changing behavior, both target audiences will be subject to a year-round communication effort.

#### Site Selection

Stores will be located within a protected territory containing a minimum of 100,000 people. Each store:

- Will have a detailed demographic analysis performed by **FOOT SOLUTIONS CORP.**
- Will have a median household income in excess of \$50,000.
- Will have a “hub” of medical resources like medical centers and/or doctors’ offices.
- Will have numerous fitness clubs and retirement communities in existence or planned.

Each store will be located in strip centers that are easy to get to, offer ample parking, and have a history of success. Ideally, the center will house a major upscale food store like Whole Foods or other stores that attract our base customer 40 and older. Successful, high-end specialty shops in the center are also desired. We are looking for synergy with other tenants for the 40 and older customer.

Store locations are approved by **FOOT SOLUTIONS** Corporate. The following are included in the approval process: site visitation, detailed demographic analysis, lease negotiations and design layout drawings.

### Selling Strategies

#### **Internal (Customer Relations)**

Once in the store, our goal will be to develop a close, personal relationship with each client. The process will include four steps:

1. **Selling Strategy** – **FOOT SOLUTIONS** has developed an exclusive 10 step in store experience system. Every customer, during their 1<sup>st</sup> visit will get a complete 10 step process. This takes approximately 30 minutes and will include a complete fitting analysis. Computer foot scan and mapping as well as gait analysis. This in store process and experience sets **FOOT SOLUTIONS** in a league of their own and establishes the knowledge base of the store staff as well as a chance to define some of our unique fitting products. The average **FOOT SOLUTIONS** customer spends two hundred dollars (\$200.00) but also because of their experience refers their friends and relatives to us.
2. **Recommendation** – the Sales Associate will formulate and present a personalized program to improve wellness and comfort, which is likely to include shoes and possibly orthotics. We will make “suggested selling” a standard practice. Additionally, we will fully utilize catalogs and brochures for identifying additional sales opportunities.
3. **Follow-Up** – All customers will receive a personalized “Thank You” card for visiting our store from their Sales Associate as well as a follow-up phone call to ensure customer satisfaction and results. Additionally, reminder notes will be sent at key dates. For example, a diabetic customer who may be using a third party as a payment source will be reminded that on their anniversary of shopping our store, their benefits renew.

The efforts of the Sales Associate will be augmented with a very pleasant in-store spa like environment. Comfortable furniture, soft music, and complementary drinks will help the customer relax while addressing their foot conditions.

#### **External**

Sales programs will be developed with “lifestyle” organizations/groups that could benefit from our products and services. Examples include:

- Health Clubs, Fitness Centers, Health & Wellness Centers, Weight Loss Centers.
- The Athletic Department at colleges and high schools could be sold on the idea of enhanced athletic performance through improved support and balance of their athletes as provided by custom orthotics.
- We can offer on-site service at assisted living and retirement communities; this same service can be offered to major employers who have sites nearby.
- We sponsor Health walks, such as Breast Cancer, Heart Walk, etc., in many areas.
- Corporate health and wellness programs

### Product Assortment

When the first store is opened, the recommended product assortment from **FOOT SOLUTIONS** Corporate will be implemented using primary and secondary core products. During the introductory period, product sales will be tracked closely so that the store can be tailored to fit and support its customer base and their needs. This is a very important part of our inventory control system.

### Products and Services Offered

#### **Shoes**

Selected shoes are based on size and width availability, extra depth, and last shape. Our inventory and selection process is a key to our success and support to our franchisees since this is an area in which many independent stores fail. We have a corporate panel that not only attends industry shows in the US and internationally but also produces extensive product analysis. This information is reviewed quarterly and posted on the **FOOT SOLUTIONS** private information system.

Types of shoes offered include functional, casual, dress, accommodative, therapeutic, walking and running.

Brands include Aetrex, Chung Shi, To The Point, Brooks, P.W. Minor, Drew, Durea, Finn Comfort, Solidus, MBT, Spira and **FOOT SOLUTIONS** private brand products. Private brand products will eventually account for 75% of our sales increasing profit margins and building barriers of entry for potential competitors.

#### **Custom Insoles**

The **FOOT SOLUTIONS** state-of-the-art computer technology produces custom accommodative insoles that improve comfort and performance. The computer scanner maps the foot, producing a perfect impression of every contour. A custom insole is milled directly from a computer scan by a pedorthist. The **FOOT SOLUTIONS** corporate lab is located in Atlanta, Georgia. Computer files are sent directly, via the internet, to our central lab. All files are reviewed by Certified Pedorthists before being processed on the CAD/CAM milling units. Finished orthotics are completed and returned to each store with a 3 day turn around.

The lab only makes inserts and orthotics for **FOOT SOLUTIONS** stores. Insoles are made in 5 different densities to accommodate every foot requirement.

Foot care products include high performance foot orthotics, privately made for **FOOT SOLUTIONS** franchisees, high performance heel supports, high performance forefoot supports, diabetic socks, comfort socks, and other footwear products.

### Pricing/Margins

All of our products will be sold at “full retail”; since our products are custom and medical in nature, we do not discount or offer closeouts. On a blended-basis, our targeted gross profit in Year 1 is 60%. This is expected to grow to 65% as orthotics become an increasingly important part of the product mix, as well as reduced cost of goods through group purchasing options.

Shoes and accessories will be sold at cost x 2.5. Accommodative inserts will be sold at \$249 with a cost of \$45 to \$55. **FOOT SOLUTIONS** medical orthotics will sell for \$250 to \$350 with a cost of 25% and are available to the customer in only 3 days in a **FOOT SOLUTIONS** store. Medical orthotics normally sell for \$300 to \$600 and takes 2 to 6 weeks to process. **FOOT SOLUTIONS** will deliver a superior product for less money and substantially less time. **FOOT SOLUTIONS** also has a superior line of prefabricated orthotics that sell for \$200 with a cost of \$22. As the product mix of orthotics sales is increased, the average cost of sales will drop. Our objective over a two year period is to get average cost of sales down to 30% through group purchasing and product mix.

### Image

As a specialty retailer providing medical benefit as well as custom fit shoes and products, we will foster a premium/credible image. This will be supported through all consumer communications – advertising, public relations, and in-store experience and consumer promotions.

### Consumer Promotions

During the first year or two for each location, all consumer promotions will be implemented with the intent of building a strong base of focused niche customers. For example, we may promote **free foot examinations and complimentary foot analysis** through gift certificates or, invite a local podiatrist to be a **guest speaker** in our store to discuss with diabetic patients the importance of proper foot care. We work with diabetic educators, health clubs, weight loss clinics, people that stand at work. We have extensive grass roots marketing plan for a 3 to 5 mile radius around the store location. Also our base customer shops the store twice per year.

Once a store’s active customer base grows to 1,500 the promotion objective will change. At this point in time, promotions will be implemented to expand our depth of penetration within each existing client. Focus on customer retention and relationships are critical to long-term success and growth. Forty percent of our new customers are referral customers from other customers.

### Partnership Opportunities

Numerous partnership opportunities will be pursued in an effort to develop a customer base as quickly as possible. Specific opportunities include:

- Partnering with local medical associates and diabetic educators to build credibility among consumers and the medical community.

- Partnering with retirement communities, assisted living facilities, health clubs, and businesses where many employees stand on their feet most of the day.
- Working trade shows, providing educational opportunities and participating in walk a thons and marathons.

### Staffing

Recognized as a Critical Success Factor, staffing – the hiring of the right people, training them properly, and retention – will be a core competency. All employees will be interviewed against the same criteria and given a profile test that has been designed specifically for **FOOT SOLUTIONS** based of profiles of one hundred (100) **FOOT SOLUTIONS** employees. Training will include corporate training as well as in-store, one-on-one tutoring and Web based training which will include homework and tests. Employees will be compensated with generous base salaries and incentive programs to insure goal achievement and encourage retention.

Desired characteristics in all employees include:

- People skills and communication skills top the list
- the ability to converse with clients to fully understand their conditions and challenges
- the desire to present a professional image for themselves and the store
- the motivation to achieve specific sales goals
- the desire to help people (empathy)
- the ability to work as part of a close-knit team
- to be a good listener and communicator

### Roles/Responsibilities

Franchisees must play an active role in their **FOOT SOLUTIONS** business and must complete the **FOOT SOLUTIONS** Training program, along with their staff, prior to store opening.

The average **FOOT SOLUTIONS** initially will only require two full time employees and one part timer to run the store. It is not labor intensive and is open normal business hours, Monday through Friday 10am – 6pm, Saturday 11am – 5 pm. As the business grows additional employees will be added. Each employee should average \$1,000 per day in sales or \$5,000 per week. These performance numbers are based on very real average sales throughout the chain.

### Executorial Plans

Preliminary Financing Approval  
 Sign Franchise Agreements  
 Location Identification  
 Lease Negotiation  
 Final Approval on Financing  
 Store Lay-out Designs  
 Store Build-Out/Training

“Soft” Store Opening  
Grand Opening  
6 month corporate mentoring plan

Note: It normally takes less than 60 days from Location Acquisition to Store Opening. As a result, it is very important to get pre-approval on financing. Things move quickly once a location has been secured and most sites allow only 30 to 60 days for store build-out and opening. In addition, long lead time items must be ordered early in the process to ensure store opening within the sixty (60) day build-out period. To place orders a 50% deposit is required on equipment, fixtures and inventory items.

## XIV. SUPPORTING DOCUMENTS

### EXHIBIT 1

#### SOURCES OF INFORMATION

- AMERICAN DIABETES ASSOCIATION
- AMERICAN PODIATRIC MEDICAL ASSOCIATION
- ORTHOTIC & PROSTHETIC BUSINESS NEWS
- PODIATRY TODAY JOURNAL
- PEDORTHIC FOOTWEAR ASSOCIATION
- USA TODAY
- NATIONAL SHOE RETAILING ASSOCIATION

#### SOME INFORMATION THAT IMPACTS OUR BUSINESS:

- FALLING IS THE SECOND LEADING CAUSE OF DEATH FOR THE ELDERLY. PROPERLY FITTED AND STRUCTURED SHOES CAN IMPROVE BALANCE AND MOBILITY OF THE ELDERLY.
- THERE ARE MORE THAN 20 MILLION DIABETICS IN THE USA, 6% + OF THE POPULATION, AND ANOTHER 30 MILLION BORDERLINE. THE NUMBER ONE CAUSE OF AMPUTATION IS DIABETES. PROPERLY FITTED SHOES AND DIABETIC INSERTS CAN REDUCE AND, IN SOME CASES, ELIMINATE THE NEED FOR AMPUTATION. 82,000 DIABETICS REQUIRE PARTIAL OR FULL-FOOT AMPUTATIONS ANNUALLY, ACCORDING TO THE AMERICAN DIABETES ASSOCIATION.
- 90% OF PROFESSIONAL ATHLETES USE CUSTOM ORTHOTICS TO IMPROVE THEIR PERFORMANCE AND REDUCE THE RISK OF INJURY. THERE ARE 30 MILLION RUNNERS AND 70 MILLION WALKERS. THEY ARE IN NEED OF OUR HELP.
- FEMALES HAVE 4 – 6 TIMES MORE FOOT PROBLEMS THAN MALES.
- MANY CHILDREN OVER-PRONATE, CAUSING KNEE AND LEG PAIN. ORTHOTICS CAN CORRECT THIS PROBLEM ALMOST IMMEDIATELY.
- 90% OF FOOT PROBLEMS ARE CAUSED OR IRRITATED BY IMPROPERLY FITTED SHOES.
- 30% OF ADULTS IN THE USA ARE OVERWEIGHT AND 30% ARE OBESE.
- 40% OF THE WORK FORCE IS ON THEIR FEET MORE THAN 4 HOURS EVERY DAY.

WHEN YOUR FEET HURT ENOUGH TO CAUSE  
YOU TO GET HELP!

## MILLIONS OUT OF STEP WITH FOOT HEALTH

FOOT INFECTIONS	11,264,000
TOENAIL PROBLEMS	11,260,000
CORNS OR CALLUSES	11,175,000
INJURIES	5,588,000

FLAT FEET/FALLEN	
ARCHES	4,621,000
BUNIONS	4,368,000
ARTHRITIS	3,903,000
TOE/JOINT DEFORMITY	2,515,000

ESTIMATES BASED ON NATIONAL HEALTH INTERVIEW SURVEYS.

20% OF PEOPLE IN THE USA OVER 40 SUFFER FROM DIABETES AND HAVE THE HIGHEST RISK FOR AMPUTATION.

THE NATIONAL CENTER FOR HEALTH STATISTICS REPORTS THAT EACH YEAR MILLIONS OF AMERICAN HAVE TROUBLE WITH THEIR FEET.

### OH, THOSE ACHING JOINTS

SOURCE: GALLUP ORGANIZATION FOR MERCK & CO.

JOINT PAIN	23%
BACKACHE	22%
SORE FEET	21%
MUSCLE PAIN	20%
ARTHRITIS	18%

THE COMFORT SHOE INDUSTRY IS A MULTI-BILLION DOLLAR MARKET (NSRA)

A WALL STREET JOURNAL ARTICLE ON THE GROWING MARKET FOR PRE-MADE AND CUSTOM ORTHOTICS STATES THERE IS AN EXISTING MARKET OF \$400 MILLION WITH AGGRESSIVE PROJECTED GROWTH.

FOOT SOLUTIONS LOCKS UP EXCLUSIVE DISTRIBUTION TO NORTH AMERICA OF THE UNIQUE CHUNG SHI PRODUCT LINE DESIGNED FOR THE HEALTH AND WELLNESS MARKET.

## APPENDIX

### **Foot Problems**

- Diabetics
- Corns/Calluses
- Injuries
- Flat Feet/Fallen Arches
- Bunions
- Arthritis
- Joint Deformity
- Achilles Tendonitis
- Hammertoes
- Heel Spurs
- Neuromas
- Plantar Fasciitis
- Sesamoiditis
- Shin Splints
- Stress Fractures

### **Annual Sufferers**

20.0 Million  
11.2 Million  
5.6 Million  
4.6 Million  
4.4 Million  
3.9 Million  
2.5 Million

### **Medical Professions/Consumer Targets**

- General Practitioners – General Pain/Discomfort, Diabetes Sufferers
- Internists – Diabetes Sufferers
- Podiatrists – General Foot Comfort
- Circulation Centers – Diabetes Sufferers
- Oncologists – Diabetes Sufferers
- Endocrinologists - Diabetes Sufferers
- Geriatrics – Older Patients, General Pain/Discomfort
- Chiropractors – Patients Needing Structural Support
- Physical Therapists – Patients Needing Structural Support
- Orthopedic Surgeons - Patients Needing Structural Support
- Rheumatologists – Arthritis Patients
- Gynecologists – Pregnant Women, Mothers with Pregnancy Side Effects
- Reflexologists, other New Age health professionals

### **Local Employers/Unions/Target Organizations**

- Benefit Consultants (Gatekeepers to Major Employers)
- Teachers Union/College Faculty/Private School Faculty (Live on Their Feet!)
- Credit Unions/Homeowners Associations (Affinity Marketing)
- Worker Compensation Centers (Aid in Returning People to Work)
- Nursing Unions/Associations/Agencies (Live on Their Feet!)

### **Major, Local Employers**

- List a number of major employers in the area that have people on their feet, such as hotels, hospitals, factories, etc.

**“Lifestyle Clubs”/Fitness Organizations**

- Adult - Soccer, Golf (Pro Shops), Softball, Skiing (Pro Shops), Biking (Bike Shops), Hockey (Ice Rinks), Running/Jogging Clubs
- College Athletics
- Health/Fitness Clubs
- Local AARP groups
- Walking groups

**NOTE: Be sure to list Retirement Communities and Assisted Living Facilities in store area ALSO articles and testimonials.**

# FOOT SOLUTIONS

WE TAKE CARE OF YOUR FEET!

## SUMMARY OF ESTIMATED\* INITIAL INVESTMENT BASED ON THE AVERAGE STORE

---

<b>Total Initial Franchise Fees</b>	<b>\$ 32,500</b>
-------------------------------------	------------------

---

1. Travel & Living Expenses (Training)	\$ 3,000
2. Real Estate (Leasehold Improvements)	\$ 20,000
3. Liability Insurance	\$ 1,500
4. Signage (Interior & Exterior)	\$ 5,000
5. Fixtures	\$ 12,000
6. Point of Sale (POS) System	\$ 5,000
7. Equipment	\$ 20,000
8. Opening Inventory	
Shoes	\$ 67,000
Retail	\$ 9,000
9. Advertising	\$ 10,000
10. Miscellaneous (Supplies, Utilities, Deposits)	\$ 3,500

---

<b>Total Fees</b>	<b>\$188,500</b>
-------------------	------------------

---

12. Working Capital	\$ 25,000
---------------------	-----------

---

<b>Grand Total</b>	<b>\$213,500</b>
--------------------	------------------

---

*\*The above estimates reflect the average costs that can be expected in normal situations. The average FS operation is in the \$200,000 investment range.*

# **SBA LENDING**

## **ADVANTAGES**

A borrower can get a term loan of 10 years, plus with less equity than a conventional lender would require and possibly at a lower interest rate and no penalty for early payoff.

## **BASIC REQUIREMENTS FOR AN SBA LOAN THAT SBA IS LOOKING FOR**

- Must be a U.S. citizen or at least be in possession of a green card.
- Must have good credit. Bankruptcy almost always kills a deal. You can not have defaulted on a government loan (VA home loan, FHA loan, student, etc.) You must be current on any child-support payments, if applicable.
- The SBA pierces all corporate veils. Any business of any one of your guaranteeing borrowers (a guaranteeing borrower being anyone who owns 20 percent or greater in the business and/or who is a key management person) must have averaged less than \$5 million dollars a year in gross revenues for all of their holdings which they own 20 percent or greater in.
- Must show, on your personal financial statements, the cash equity required for down payment. Typically SBA is looking at 30 percent of the total project costs as equity going in. Gifts from family members are eligible. Additional assets will be taken until the loan is fully collateralized. Personal guarantees are always required by any member owning 20 percent or greater and/or key management personnel.
- If the business is existing, SBA wants to see historical cash flow capability of 1.25 times the new note payment. An example of this is: Borrower has a note payment of \$100 we want to see that there is available cash flow of \$125. There can be mitigating factors such as remodeling of an existing store whereby the remodel is going to result in increased cash flow. If the business is a startup, the projections need to show at least a 1.45 debt coverage ratio.
- The lease on the property must at least cover the loan period including option periods. If the loan is for 10 years, the lease must be 5 years with a 5 year option. Interest rates will vary depending on the borrower.
- Liquidity is an issue. After the equity injection is made on the new project, the borrower can not have liquid assets greater than the proposed loan amount. Liquid assets include cash and truly marketable securities (retirement accounts and stock on own company is excluded).

In selecting an SBA lender to work with, you will want someone who is a Preferred Lender in the market where you want to do your project. Your local SBA office is a good resource for this information.

Once you have selected a lender to work with, review the information that they will need to seek loan approval and provide a complete package for underwriting. Not providing a complete package will hurt your credibility and greatly extend the time to process.

Most franchise deals have terms ranging from 5 to 10 years for deals involving leasehold improvements. Interest rates are all floating and are generally WSJ prime plus. Equity varies from a minimum of 15 percent to 25 percent. And yes, personal guarantees are mandatory on everyone owning 20 percent or greater and/or who have critical operations roles.

Once at the point of loan approval, the closing is the same as any other commercial loan. It is important for all the information to be out on the table early in the borrower/banker relationship. Surprises are the biggest enemy of smooth relations.