



Model Maternity, Inc.

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Model Maternity, Inc.

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Model Maternity, Inc.

Executive Summary

Model Maternity, Inc. is a company committed to providing comfortable and affordable clothing, along with products for expecting mothers in the Snake River Valley region. Due to BYU-Idaho, the demographics of this area have a high density of young, married couples. Currently the supply of maternity clothes in Rexburg is limited to Wal-Mart or second hand stores. Model Maternity's timely entrance into the maternity fashion scene will be a benefit for thousands of these young mothers.

Because Model Maternity will be purchasing the majority of its clothing line from Mother Works, Inc., they will be able to provide the most up-to-date fashions for all sizes and tastes. Model Maternity's clothes line will be shipped through DHL Global Forwarding, who will ship directly from Mother Works, Inc.'s various vendors in Asia.

The management of Model Maternity consists of experienced and educated men and women of the business world. They first worked together as students, forming the Nauvoo Management Group. They are whole-heartedly committed to the business and its success. The founders of Model Maternity will be investing much financially and have agreed to not receive distributions for the first two years, in order to keep the profits in the business. This will provide Model Maternity an incredible opportunity for growth. The group's extensive experience in logistics, economics, financial investment, and accounting are reassuring factors when considering the company's potential.

The demand for maternity clothes combined with Model Maternity's ability to efficiently provide them will be what makes this venture a success. Model Maternity's Vice President of Sales has projected that in the first year the gross sales will be \$380,000, with a 15% increase each year. Using this information, the CFO has determined that profits in the first year will be \$140,000.



Model Maternity, Inc.

General Business Section

Business Profile

Model Maternity, Inc. is an innovative idea to distribute fashionable clothing to the large segment of expectant mothers in the Snake River Valley area. With no dedicated stores offering clothing needs to the large population of expectant mothers, we are answering their cries for more choices in good-looking clothes that are comfortable to wear. We plan to import name brand clothing direct from the overseas vendors in Asia. Model Maternity will offer a large selection of maternity clothing, focused on the specific needs of the mothers in our area. We will also offer a selection of newborn clothing, pumps and other feeding aids, books and literature for expecting mothers, and prenatal vitamins. We have arranged special pricing contracts with our vendors and a contract with DHL Global Forwarding to handle our transportation and logistics needs.

There are several factors to making our business viable. The greatest factor will be the location of our store. If our store is near campus in an open area, we will generate the most potential business. Other factors include: further competition, level of advertising, pricing strategies, and the continued growth of BYU-Idaho.

Our company consists of five founders, who met in a local college and formed the Nauvoo Management Group, where they listened to repeated complaints from friends and family about the lack of maternity clothing choices in area with so many pregnant women. They are: Micah Zabriskie, CEO; Todd Crabtree, CFO; Sylvia Sarkodieh, COO; David Hall, Vice-President of Sales; and Johan Rydstrom, Vice-President of marketing. Together they form a diverse group whose skills combine to provide a broad understanding of the business process.



Model Maternity, Inc.

Anticipated Challenges and Planned Responses

While there are many reasons for the success of Model Maternity, there are also some major challenges it will face until it is able to grow and become a more stable business. The major challenge is the small surrounding population base. While there are a relatively high number of pregnant women in Rexburg, there is still a comparatively small population. This will keep sales modest for the first couple years of business. In response to this, Model Maternity is going to push hard to become a household name and open stores in neighboring communities. This will increase our market size and provide possibilities for higher sales.

Like any new business, Model Maternity will face the initial challenge of advertising and letting the market know what they have to offer. Model Maternity will use the campus as a major tool to overcome this. The concentrated and highly social market will make advertising much more effective and will propagate Model Maternity as a household name.



Model Maternity, Inc.

Current situation

Rexburg has a very attractive base for our business. There are many young parents and the population of newlyweds are high. Our target market is the young families in Rexburg. Rexburg lacks a good maternity store, were pregnant women can enjoy stylish but comfortable maternity clothes, books, and other maternity products. Rexburg's only choice for maternity clothes are Wal-Mart and K-Mart, were the selection is slim. The only other option is to go to stores located in Idaho Falls.

Young families would save a lot of time and money if they could enjoy a great maternity store here in Rexburg. We are currently looking to open a maternity store close to campus. Why wouldn't this business thrive in such an environment? Women want great maternity clothes and we would be providing them elegant clothing with a wide selection with affordable prices. Our customers will enjoy finally being able to find high-quality maternity clothing in Rexburg.

We have great manufactures willing to supply us with the products as quickly as we are ready to open. We have purchased a property on Main Street, two blocks from the BYU-I campus. Once the building is fitted to our needs, our manufacturers are prepared to begin shipping their products. With the location of the store in Rexburg, there will be no shortage of potential employees.



Model Maternity, Inc.

Company objectives

In our first year of operation, we plan to sell 1000 different sizes of maternity clothing every month to expecting mothers. In the subsequent years, we expect sales to increase to 5000 or more. This increase in sales will result from advertisement and the promotion of the business to our potential customers. Customers will soon recognize our products as the best in Rexburg in terms of quality and cost because of the deals we have negotiated with suppliers to purchase quality clothing from inexpensive wholesalers.

The target market is solely expectant mothers, children between the ages of 0-12 years, and those who buy clothing for them.

In later years, we plan to maximize revenue and annual profits by expanding into new markets and minimizing risks. Employees will be provided for excellently to help in achieving the set goal. Supply will increase as sales increases. This will ensure quality and efficient service for our customers. This will also help us maintain an advantage over our competition. We plan to maintain, and improve, the goodwill of our business as the business progresses.



Model Maternity, Inc.

Marketing and Operations Section

Target Market

Customers

- Our target market is pregnant woman on Brigham Young University-Idaho's campus and the surrounding areas.

Demographics

- Our target market makes up 9.4 % of all women on campus.
- The average income of our target market is 19,350 annually.
- The woman's ages range from 18 to 35 with the average age being 23 years old.
- 78.4 % of our target market lives 1 mile from campus or less.

Size of Market

- On average 947.4 female students are pregnant at any given time during the year.

Motivations for buying

- Greatest selection of maternity clothing around.
- Affordable prices
- Great location
- Good atmosphere

Competition's strengths

- Name recognition
- Location
- Prices
- Reputation

Competitor's weaknesses

- Small variety of maternity clothing
- Clothing quality

Growth Potential

- The growth potential is great with the continued growth of the school. There will continue to be a larger target market as the school continues to grow.

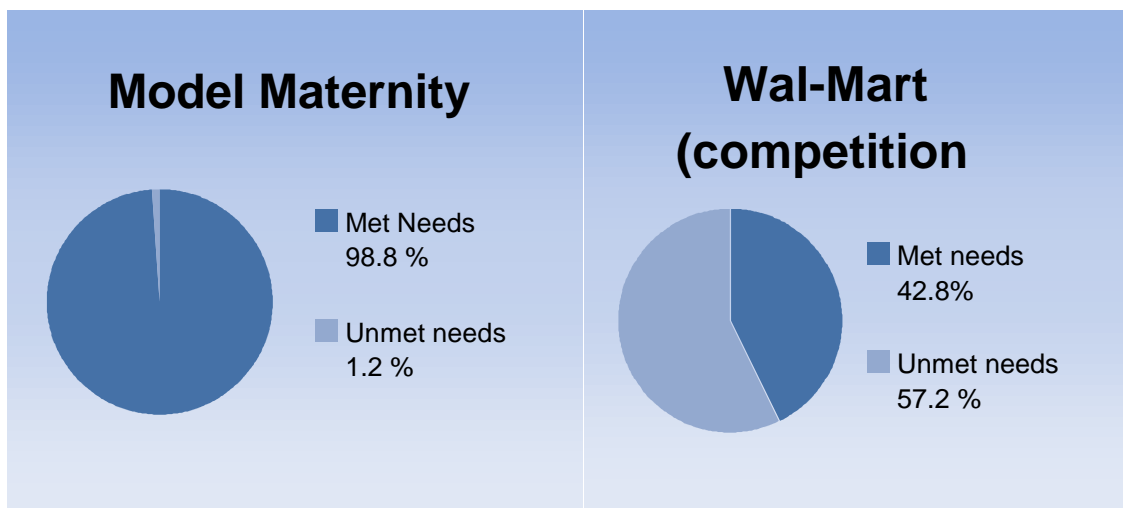


Model Maternity, Inc.

Satisfying Market Demands

- We plan to keep the inventory levels high enough to satisfy market demands. We are confident we can satisfy the full market.

Customer's Needs vs. Unmet Need





Model Maternity, Inc.

Product Strategy

Model Maternity will provide a wide range of maternity clothes as well as many other products beneficial to expecting mothers. The clothes line will be purchased from Mothers Work, Inc., who produces clothing lines such as Pea in the Pod, Mimi Maternity, and Motherhood Maternity. Most of Model Maternity's line will consist of Motherhood Maternity apparel because it is the most affordable of the three, although Model Maternity will supply a small amount of Mimi apparel for those with more expensive tastes.

Motherhood Maternity designs their clothing by attending fashion shows worldwide, then taking those fashions and fitting them to models wearing bellies. These are then tested on a panel of twenty different-sized women weeks before ever entering the market. Model Maternity's desire is to provide excellent fashion in sizes for all body types.

Other products that will be offered will range from breast pumps and stretch mark lotion to maternity pillows and baby name books.



Model Maternity, Inc.

Operations strategy

Office Location

Model Maternity will be located on the main street in Rexburg, Idaho. We have purchased a building with enough room to rent out half to help maintain cash flows. A five-year agreement has been reached with a furniture store, The Kid's Playhouse. They will operate their retail store there for at least the next five years. Our office and warehouse will also remain here for the first five years, but we plan to extend our shops to neighboring cities in subsequent years.

Production

Model Maternity has entered into a contract with Mothers Work, Inc. to manufacture the clothing for our store. Mothers Work, Inc. has a flexible capacity and adaptive production process that can manufacture good quality maternity goods that will be available to satisfy customer needs quickly. There will be customized product designs, along with standard product designs, based on the demands of our customers. There will be delivery reliability.

Model Maternity's services will be efficient because of the delivery reliability provided by Mothers Work, Inc. This reliability will help maintain a stable profit margin for Model Maternity.

Shipping

Using the contacts developed by some of the group members with experience in the shipping industry, we have negotiated very low rates with DHL Global Forwarding. They have agreed to provide all of our shipping, transportation, and warehousing needs. Our products will ship directly from Mothers Work's vendors in Asia to our store.

Employees

The non-management employees will include:

- Customer Service Personnel's: responsible for assisting customers by answering their questions.



Model Maternity, Inc.

- **Handling and shipping officer:** responsible for maintaining warehouse and product inventories, shipping supplies, coordinate and schedule all domestic and international shipping/receiving.
- **Pricing Analyst:** Responsible for using pricing dashboards to maintain prices and discounts for all products, recommend differentiated pricing strategies.

Our employees will be paid an hourly wage of \$10. This is above the minimum wage of \$6 in Rexburg. This wage will serve as an incentive for our employees and will boost their morals to work harder to increase productivity.

Hiring Plans

The Human Resource Department of Modern maternity will ensure that the hiring process is flexible, comply with laws and regulations of the state, and are specific to the recruitment needs. Only hardworking individuals with good customer service skills will be hired. Individuals who can work under pressure and are willing to work will also be hired.

Customers will be treated with care and respect. Sales representatives who are friendly and approachable in their customer care will treat customers equally with courtesy, respect, and consideration. Customers will be served based on first come first serve.



Model Maternity, Inc.

Pricing strategy

Model Maternity plans to sell high quality maternity clothes to expecting mothers of different categories. The prices offered will range from 10 to 40 dollars for tops and 15 to 45 for bottoms. As most of our customers will be college students, we plan to sell clothes within their price range. Occasionally, we will offer promotions and discounts to gain and maintain the attention of our customers and attract other potential customers. Whiles Modern Maternity plan to set low prices for college students, high prices will be set for the more prosperous people in Rexburg to reflect the high quality and exclusiveness of the products. This price-setting technique will increase Model Maternity's sales and market share.



Model Maternity, Inc.

Promotion strategies

Positioning statement:

Model Maternity is the best store to visit when shopping for inexpensive, comfortable, and fashionably elegant maternity clothes. Our main objective is to make our customers feel good about themselves as they shop in the store. We will provide expert services through our professional and experienced personnel. The location of the store will be convenient to our customers with its proximity to campus and its location in the downtown shopping district. This will make our customer's lives more comfortable as shopping for maternity clothes becomes easier. Model Maternity is keen about providing a welcoming atmosphere in the store so that customers will feel comfortable shopping. With an interactive play area for the children, parents will be able to linger and enjoy our huge selection. There will be attractive advertisements and posters in the store to attract customers. Model Maternity will be open from 10am -10pm on Monday through Saturday and close on Sundays. These hours will give our customers time to shop whenever they want in the week.

Modern Maternity has made our customer's satisfaction our main goal. We will provide clothes for formal occasions as well. These clothes will come in different classic styles to fit any occasion. This will be an advantage to the business because our competitors like Wal-Mart fail to do this.

Advertising

Because we are a new company in town, we feel that is very important to be seen. We are currently preparing various marketing campaigns. Many of our customers attend BYU-Idaho, so we will naturally put ads in the Scroll, the campus newspaper. A full-page color add costs \$750, with a half page costing \$550, and a quarter page at \$350. Our cost-to-benefit analysis puts this advertising medium as our first priority. We will also publish ads in the local newspapers.

We also plan to use the radio channel KBYU and other local radio stations for advertising. By using these sources, we will pick up other customers that do not have access to the Scroll.



Model Maternity, Inc.

Our timing is great. After students have returned for the fall semester, we will be prepared to open our store. The seven-week break will be a benefit to prepare the ads, store layout, and conduct hiring. At the beginning of each new semester we will put an extra effort in our advertising campaigns.

Membership

We want to retain our customers by making them feel they belong. People who feel they belong somewhere will be more inclined to return. The best way of doing so is to create a Model Maternity membership club, The MMM. The benefits of being a member would include discounts and rebates. Our members would also receive e-mails about the latest updates in our store and announcements for different sales and events. By using the membership card, customers will also receive points for every dollar spent. This will make their discounts higher as they purchase more of our products. In our advertising in the Scroll, we plan to put in coupons with wording like the following: "If you bring this coupon, you will receive 10% off your next purchase at Model Maternity."

Competitors

Our competitor's weaknesses are not hard to find. The limited few that provide maternity clothing do not have a large or varied selection. We plan to take advantage of the perception that our competitors have maternity clothing as a side note to their normal business. Our clothing will be attractive and comfortable, while providing the highest quality maternity clothing for your dollar. Another great advantage is the service we provide as we are focused on one product--maternity clothing. As our customers look for help and advice with their maternity needs, they will be able to consistently turn to us.



Model Maternity, Inc.

Management

Micah Zabriskie, Chief Executive Officer

Micah Zabriskie graduated from Brigham Young University- Idaho in 1983 in business management with an emphasis in marketing and communications. He served on the board of directors at Wells Fargo for 8 years. He was instrumental in the growth of Wells Fargo from 1988 to 2000. He went on to build his financial investment firm called Stanley Investments. Stanley Investments is currently in the top 10 in annual revenues for a financial institution.

David Hall, Vice President of Sales

David Hall Attended BYU-I and received a Bachelor's degree in Economics. He went on to receive Master's and Doctorate degrees in Economics from Stanford College of Business. David taught economics at Arizona State University for ten years before becoming a financial consultant for Merrill Lynch. He has a wife, Sara, and six children; Lisa, Matt, Jacob, Brittany, Jimmy, and Todd.

K. Todd Crabtree, Chief Financial Officer

Todd Crabtree graduated from Brigham Young University-Idaho with a Bachelor's of Accounting. He then went on to Stanford Law School, where he graduated with a J.D. and an L.L.M. in Taxation. From Stanford, he began working for Deloitte and Touche in the Japanese Services Group out of the Seattle office. After attaining the position of Senior Manager, he moved and started his own consulting business, focusing on the financial aspects of international business. While still acting as the President of his company, he has left the day-to-day operations to his staff in order to focus on the exciting possibilities that Model Maternity, Inc. offers. Todd brings a deep knowledge of international business and finance and is excited to help this business grow.



Model Maternity, Inc.

Johan O. Rydstrom Vice President of Marketing

Johan Rydstrom graduated from Brigham Young University Idaho with a Bachelor degree in Business Management. Shortly after graduation he was employed at Marriott Hotel as a manger trainee, where he worked six months before he become the assistant manager at Marriott Hotel in San Diego, California. Three years later he returned to school to receive an MBA at UCLA. After receiving an MBA he went to work for the Marriott Hotel main office in Phoenix, Arizona. He was there working in the marketing department for four years before deciding upon starting his own marketing consultant firm.

Sylvia Sarkodieh, Chief Operations Officer

Sylvia Sarkodieh graduated from Brigham Young University – Idaho with a Bachelor’s degree in Accounting, with Business Management as a minor. She worked for Internal Revenue Service for two years and later proceeded with her Master’s degree in Harvard Business School with a degree in Accounting. She received her CPA license one year later. She assisted with the operations and accounts of A&A Accounting for the next five years. These past experiences have given her the knowledge to effectively oversee the operations of Model Maternity

Compensation of Officers

The five members of the Nauvoo Management Group have each invested \$100,000 into this project. In order to grow the business quickly, they have elected not to take any distributions until year three. At that point, all five founders will take a 12 percent share of the profits, leaving 40 percent to be reinvested in the company.



Model Maternity, Inc.

Financial Section

Financial Projections for First Year of Operations (Next 5 years of income projects to follow 2008 statements):

Model Maternity, Inc.		
Projected Income Statement		
For the Period Ended:	June 30	December 31 (Total Year)
Sales	\$152,000	\$380,000
Cost of Goods Sold	60,800	152,000
Gross Profit	91,200	228,000
<u>Operating Expenses</u>		
Selling Expenses	18,000	45,000
Administrative Expenses	14,000	35,000
Income from Normal Operations	59,200	148,000
<u>Other revenues and gains</u>		
Rent Revenue	30,000	60,000
Income before taxes	89,200	208,000
Tax Expense	30,328	70,720
Net Income	\$58,872	\$137,280

Financial projections are based on the following data:

- Sales:
 - Average of 1000 pregnant women in Rexburg area at any given time.
 - Average woman spends around \$380 per year on clothing and accessories.
 - Sales prices determined by adding 60% profit margin to cost.
- Expenses:
 - Expenses are based on full-time employees (founders will rotate work in the store, also), utilities, and insurance.
- Rent Revenue:
 - Model Maternity will purchase their building using a note and owner investment. One half of the building will be rented to a furniture store specializing in children's furniture at a monthly rent of \$5000 with an annual increase of 15%. A five-year contract has already been agreed upon.
- Income tax rate is 34%
- Any excess cash will be reinvested in the business for the first two years. Thereafter, dividends will be paid based on 10% of net income.



Model Maternity, Inc.

**Model Maternity, Inc.
Projected Balance Sheet
December 31, 2008**

Assets

Current Assets

Cash	\$21,000	
Accounts Receivable	61,000	
Inventory	200,000	
Prepaid Expenses	13,000	
Total Current Assets		\$295,000

Property, Plant, & Equipment

Land	100,000	
Building	400,000	
Less: Accumulated Depreciation	(12,000)	
Equipment	20,000	
Less: Accumulated Depreciation	(2,000)	
Total Property, Plant, & Equipment		506,000
Total Assets		\$801,000

Liabilities and Owner's Equity

Current Liabilities

Accounts Payable	\$55,000	
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Long-term Liabilities

Notes Payable	120,000	
Total Liabilities		\$175,000

Owner's Equity

Paid In Capital	500,000	
Retained Earnings	126,000	
Total Owner's Equity		626,000
Total Liabilities and Owner's Equity		\$801,000

- Accounts Receivable and Accounts Payable are projected to grow at a rate of 15% each year.
- Prepaid expenses consist of insurance that has been paid in advance for 2 years. It will be used up at a rate of \$6500 per year.
- Land and building are the store location, including half the building that is being rented to furniture store. Building will be depreciated at 3% per year.
- Equipment consists of store fixtures and computers. The will be depreciated at a rate of 10% per year.
- Notes payable consists of a \$120,000 mortgage on the property that will be paid at 15% of principle each year and 8% annual interest.
- Paid in Capital consists of the founders original \$500,000 investment (\$100,000 per founder).



Model Maternity, Inc.

Model Maternity, Inc.
Projected Statement of Cash Flows
For the Year Ended December 31, 2008

<u>Cash flows from operating activities</u>	
Net Income	\$102,150
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation Expense	\$14,000
Increase in Accounts Receivable	(15,000)
Increase in Inventories	(50,000)
Decrease in Prepaid Expenses	8,000
Decrease in Accounts Payable	(10,000)
	<hr/>
Net cash provided by operating activities	49,150
<u>Cash flows from investing activities</u>	
Purchase of equipment	<hr/> (20,000)
Net cash used by investing activities	(20,000)
<u>Cash flows from financing activities</u>	
Payment of dividends	<hr/> (12,750)
Net cash provided by financing activities	<hr/> (12,750)
Net increase in cash	16,400
Cash, January 1, 2008	4,600
Cash, December 31, 2008	<hr/> <hr/> \$21,000



Model Maternity, Inc.

Project Income Statements for the next five years:

Model Maternity, Inc.		
Projected Income Statement		
For the Period Ended (2009):	June 30	December 31 (Total Year)
Sales	\$174,800	\$437,000
Cost of Goods Sold	69,920	174,800
Gross Profit	<u>104,880</u>	<u>262,200</u>
<u>Operating Expenses</u>		
Selling Expenses	20,700	51,750
Administrative Expenses	16,100	40,250
Income from Normal Operations	<u>68,080</u>	<u>170,200</u>
<u>Other revenues and gains</u>		
Rent Revenue	31,500	63,000
Income before taxes	99,580	233,200
Tax Expense	33,857	79,288
Net Income	<u><u>\$65,723</u></u>	<u><u>\$153,912</u></u>

Model Maternity, Inc.
Projected Income Statement
For the Year Ended December 31, 2010

Sales	\$502,550
Cost of Goods Sold	<u>201,020</u>
Gross Profit	301,530
<u>Operating Expenses</u>	
Selling Expenses	59,513
Administrative Expenses	<u>46,288</u>
Income from Normal Operations	195,730
<u>Other revenues and gains</u>	
Rent Revenue	66,150
Income before taxes	261,880
Tax Expense	<u>89,039</u>
Net Income	<u><u>\$172,841</u></u>



Model Maternity, Inc.

Model Maternity, Inc.
Projected Income Statement
For the Year Ended December 31, 2011

Sales	\$577,933
Cost of Goods Sold	<u>231,173</u>
Gross Profit	346,760
<u>Operating Expenses</u>	
Selling Expenses	68,439
Administrative Expenses	<u>53,231</u>
Income from Normal Operations	225,090
<u>Other revenues and gains</u>	
Rent Revenue	<u>69,458</u>
Income before taxes	294,547
Tax Expense	<u>100,146</u>
Net Income	<u><u>\$194,401</u></u>

Model Maternity, Inc.
Projected Income Statement
For the Year Ended December 31, 2012

Sales	\$664,622
Cost of Goods Sold	<u>265,849</u>
Gross Profit	398,773
<u>Operating Expenses</u>	
Selling Expenses	78,705
Administrative Expenses	<u>61,215</u>
Income from Normal Operations	258,853
<u>Other revenues and gains</u>	
Rent Revenue	<u>72,930</u>
Income before taxes	331,783
Tax Expense	<u>112,806</u>
Net Income	<u><u>\$218,977</u></u>



Model Maternity, Inc.

Implementation Schedule

Model Maternity, Inc. is on schedule to open their doors at end of 2007, in time for the Holiday season. Currently David Hall, VP-Sales, is negotiating with Motherhood Maternity to begin shipping clothing to our store on November 1. With two weeks to stock and arrange the store, our doors will open for business on November 15.

The Nauvoo Management Team will finance the initial start up costs for Model Maternity, with enough resources to excel in the first year of operations. As the business progresses, funding will be sought for future expansion into surrounding areas.

Through aggressively marketing our store and products, we plan to build interest before our doors open. The strong interest we are creating will also create a need for the quick restocking of our store. This is where our past relationships with DHL Global Forwarding will help to promote our continued success. With biweekly shipments already in place to supply inventory, our state-of-the-art inventory management system can alert us of trends and supply levels with enough lead time to be able to allow DHL the needed lead time to have our inventory restocked without paying expedited shipping costs.

Mothers Work Inc. has agreed to meet a volume double of our expected needs for the first five years. DHL has also promised the ability to handle any volume of shipments we may require. These agreements will allow us the flexibility to meet our inventory needs without adding unforeseen costs that will diminish expected profits.



Model Maternity, Inc.

Conclusion

The Nauvoo Management Group is honored to present this business plan. We feel that Model Maternity, Inc. will be a huge success in the Rexburg area and will be able to expand into the surrounding markets quickly. We invite all interested investors to join with us at the ground floor of this exciting and profitable venture.