

Black Sea Spa

EXECUTIVE SUMMARY

The golden beaches and warm mineral waters of the lands surrounding the Black Sea have attracted seekers of health and beauty since 1200 BC. No one knows for sure, but there is a chance that Helen of Troy visited spas on the Black Sea Coast more than 3000 years ago in what today is Turkey. She may have sought to beautify the face that launched a thousand ships, or to relieve the stress of political and military conflicts.



Spa is an acronym for **Salus Per Aquam**, which, in English, is **healing through water**. Spa technicians in olden times were trained in balneotherapy, thalasso-therapy, and phytotherapy to maintain their clients' health and beauty. Today's modern spas on the Black Sea sit side by side with ancient baths built by Thracians, Greeks, and Romans. Patronized by the most beautiful women in the world, the spas offer 120 different treatments: mineral rich mud baths, herbal and sea sand rubs, and restorative therapies.

Now, The Black Sea Spa™ of the U.S. is bringing Black Sea Spas and a wide array of beauty and health products to the U.S. Our core business will be the sales of high-end health, beauty, and bath products. Our marketing strategy is to create interest and demand for our products through the operation of three prestigious Black Sea Spa™ day spas in California, and through our catalog and web site.

Propelled by increasing affluence, health and beauty consciousness, and the growing stress of 21st century life, the number of Day Spas in the U.S. is doubling every five years. The gross revenue of Day Spas topped \$10.7 billion in 2001, with about half of the revenue coming from sales of beauty products to spa customers and through catalogs, distributors, and the Internet. According to Forbes Magazine, Day Spas are among the most profitable businesses in the U.S., with an average profit margin of more than 20%.

The Black Sea Spa, Inc., of the U.S. will create beauty and health products under our Black Sea Spa™ brand, using ingredients from the waters, tidal flats, and flowering fields surrounding the Black Sea. The products will include cleansing and anti-age creams, stress-reducing aromatic oils, beauty masks, and naturally stimulating rubs. The products will be manufactured for us to our specifications by modern manufacturing and packaging plants that meet all international quality control standards, and are registered with the FDA in the U.S.

We will use the products in our spas, and sell formulations designed for spa clients to use at home. The spas will demonstrate efficacy of the products and build retail demand for our Black Sea Spa™ brand. We will not sell our Black Sea Spa™ brand products to other spas, with the exception of a few high profile resort and destination spas.

Black Sea Spa, Inc. will open the first of its day spas in Northern California, which leads the U.S. in the demographic characteristics favorable to day spas and skin-care products. This spa will establish the efficacy of Black Sea Spa™ products, and begin to build our reputation among affluent beauty and fashion opinion leaders.



In the second year, we will use the success of our direct product sales to open national accounts among specialty retailers and catalog houses.

We will open a second spa in Northern California in the third year of operation. The second spa will expand demand for our products to a regional level, and attract a broader customer base among affluent patrons, celebrities, and beauty opinion makers. We will exploit our larger base to stimulate demand for our branded products nationally, and to add additional national accounts.

In the fourth year, we will open a Black Sea Spa™ in Southern California. With this opening we will establish a Statewide following for our treatments and products. With the image of beauty and health we will then attain, we can expand sales of our branded products to a full range of national chains and specialty retailers.

The three Black Sea Spas in California will generate a combined revenue of about \$6 million by the end of the fifth year of operation, half in services and half in retail product sales at the spas. Catalog and web site product sales will reach \$6 million in the fifth year, equaling spa revenues. With the success of our own retail spa product sales, the demand for our products will enable us to generate wholesale product sales through distribution of \$24 million by the end of the 5th year.

The Black Sea Spa, Inc., operation will become profitable in the second year of operation, and generate an operating profit of \$7.4 million after taxes by the end of the fifth year, excluding any interest charges. The balance sheet projects assets growing from \$450,000 at the end of the first year to \$13 million by the end of the fifth year.

Cumulative cash flow bottoms in the second year of operation at just over \$1 million. Detailed financial projections and analyses are presented in the Financial Section of this business plan.

BLACK SEA SPA					
CASH FLOW SUMMARY -- BITD					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Spa Services	120,750	594,000	2,424,500	2,410,500	3,078,000
Spa Retail Sales	43,000	515,581	1,103,562	2,066,572	3,024,010
Catalog & Web Sales	237,750	2,190,000	4,295,000	5,364,000	6,000,000
Wholesale		737,000	2,940,000	10,035,000	23,670,000
Total Revenue	401,500	4,036,581	10,763,062	19,876,072	35,772,010
Operating Expenses	1,042,999	3,606,366	7,934,434	16,499,344	26,235,933
Net BTID	-641,499	430,215	2,828,628	3,376,728	9,536,077
Capital Expenses	350,000	350,000	350,000		
Cash Flow	-991,499	80,215	2,478,628	3,376,728	9,536,077

The Black Sea Spas™ will feature several rooms designed for our guests to leave the world behind & step into a healing and sensuous atmosphere.

The beautiful rooms compliment & enhance the treatments. We use only the finest products harvested from the Black Sea coast.

Aromas from Black Sea essential oils will reduce stress and delight the senses.



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