

UPPER PARLIAMENT, INC



Business Plan

Prepared
By
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I. EXECUTIVE SUMMARY

This business plan was prepared to assist **Upper Parliament, Inc.** (hereinafter referred to as “**UP**” or “**the Company**”) in its effort to raise \$125,000 in private equity investment to support its business growth strategy. The Company seeks to take advantage of opportunities in the growing market for urban apparel and footwear among fashion conscious consumers of all ages. The Company will leverage a unique, high end footwear line to launch the next “it” brand in the urban fashion community.

A. COMPANY OVERVIEW

Upper Parliament, Inc. is being organized as an underground-inspired manufacturer of urban footwear and apparel, catering to the needs of men and women seeking the latest fashion trends in urban gear. The Company will exploit growing demand for urban fashion inspired footwear among American consumers, offer an apparel line different from any currently available, and use this line to build a brand that is identified with the ideals and values of urban street culture.

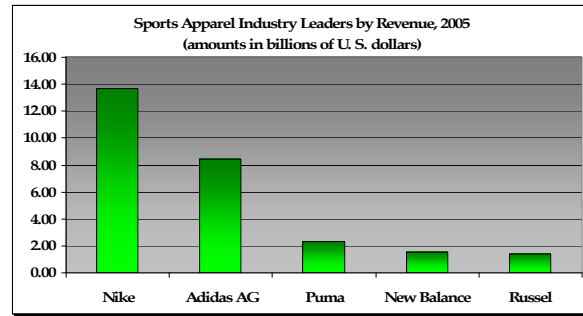
UP’s mission is to capture valuable share in the rapidly growing urban apparel space by developing a brand that reflects the values of their consumer base, and by bringing these consumers the highest quality products featuring innovative designs. The Company will accomplish this goal by following the launch of their first product, the Flare, with successive generations of footwear and clothing that conform to UP ideals.

UP will, upon funding bring their products to an already large and growing consumer base. To date, the Company has conducted **only initial viral marketing efforts, and has gathered more than 6,000 purchase requests.** UP will direct initial capital toward expanding operational capabilities to meet this strong demand.



B. THE MARKET

The expanding marketplace for urban apparel, as measured by the most recent market intelligence, shows signs of strong future growth. Urban apparel overall is estimated at an \$86 billion dollar value, while



sports apparel brings in approximately \$50 billion. A division of the latter figure, athletic footwear grosses over \$25 billion in annual U. S. sales. The segment of athletic apparel categorized as Urban represents an emerging niche market within the apparel landscape, a segment poised for rapid near term growth. Current competitors within this space have developed large consumer followings and achieved explosive earnings and revenue growth using alternative marketing and distribution strategies; **UP will position their brand in a similar fashion, building brand equity from the ground up and capturing share in this growth market segment.**

C. PRODUCTS & SERVICES

UP will deliver urban fashion, in particular limited release and rare colors, styles and sizes, beginning with the release of the UP Flare, pictured below. These products, designed by UP management and manufactured using a combined strategy of domestic and off shore production, will be distributed via direct sale and will break down into three categories:

- **Footwear-Men's & Women's**
- **Clothing-Men's & Women's**
- **Accessories-Mens & Women's**



UP shoes will be priced at \$110 for low tops and \$120 for mid and high tops. The current line of apparel includes t shirts and hats, which will be priced at \$30 and \$25, respectively.



D. MARKETING & SALES

UP will utilize a dynamic multimedia friendly marketing strategy to achieve the objectives of brand establishment and revenue growth. This strategy will target individuals seeking the latest trends in urban footwear and apparel, and will rely heavily on the viral marketing capabilities of channels such as Myspace.com and Youtube.com. The company will utilize marketing methods including viral marketing, internet affiliate advertising and an aggressive, multi-faceted media blast, combining print, television, radio, satellite radio and internet channels to achieve maximum initial buzz and to support initial operations.

E. FINANCIAL SUMMARY

UP will seek private funding of \$125,000, consisting of \$17,750 in capital expenses and \$107,250 to support working capital. Working capital will be used to cover start-up expenses, which include an initial inventory acquisition of \$43,500, general and administrative expenses totaling \$21,451 and marketing expenses of \$30,000 to promote the Company's product and service offerings.

A summary of the financial highlights for the Company is presented below in Table E-1. Revenues are expected to grow from \$1.88 million in 2008 to \$15.65 million in 2012, reflecting largely the expansion in the Company's marketing and sales effort over the business plan horizon. The Company is projected to achieve operating income of \$1.09 million in 2008, which is projected to increase to \$8.14 million in 2012. The Company will achieve a net income in 2008 of \$764,722, a figure expected to rise sharply to \$5.65 million by 2012.

Table 1 UP, Inc. Summary of Financial Highlights					
Financial Metrics	Year 1	Year 2	Year 3	Year 4	Year 5
Operating revenues	1,883,964	2,965,588	8,351,005	12,145,914	15,652,789
Net operating income	1,091,173	1,540,544	4,390,122	5,922,796	8,142,300
Net income after taxes	764,722	1,197,032	2,957,830	4,059,652	5,650,162
Net working capital	808,954	1,914,190	4,816,082	8,868,609	14,502,645
Shareholders' equity	833,923	2,030,955	4,988,785	9,048,437	14,698,598
Net operating margin	58%	52%	53%	49%	52%
Return on equity	92%	59%	59%	45%	38%
Return on assets	78%	58%	53%	42%	36%
Current asset ratio	648%	10511%	960%	1339%	1603%



Shareholder equity is projected to reach just under \$14.7 million by 2012. UP will enjoy a strong growth in assets and sound liquidity position as the expansion of ongoing operations boosts cash flows and stabilizes earnings growth in the near to mid-term investment horizon.



II. COMPANY OVERVIEW

A. MISSION STATEMENT

Upper Parliament, LLC (hereinafter “UP,” “the Company”) is being organized as a manufacturer and seller of high end, fashion oriented apparel and footwear. The Company will initially offer a line of footwear designed to meet the fashion needs of hip, design and image conscious consumers.

UP will leverage an alternative marketing strategy and cost effective production methods to profitably expand into a leading provider in the upscale urban fashion footwear and apparel space.



B. THE BUSINESS OPPORTUNITY

1. Value Proposition of Business

Upper Parliament, LLC will manufacture and distribute a new line of apparel and footwear that appeals to consumers seeking stylish, expressive athletic shoes. Their designs represent modern fashion trends designed for stylish consumers who want to make a statement with their fashion. The Company will bring a line of gear to market that represents the UP lifestyle: hip, young, underground-oriented consumers looking for the cutting edge of urban fashion.

The company will utilize unique designs and an aggressive distribution strategy to build brand equity and create value. UP will create value by distributing their products in both limited and unlimited runs (varying with the type of shoe/clothing) to both keep pace with and help boost demand for this type of footwear. Limited production shoes will feature color schemes and designs tailored to targeted consumer sub-groups (professional sports fans, players, etc.) while distribution of core product styles will not be limited. **This hybrid distribution strategy will heighten demand for UP products and drive company growth.**

In the vein of emerging urban lifestyle giants Rocawear™, BAPE™ and Shady Limited™, Upper Parliament will develop a brand of clothing that has a unique look and feel representing the vision of Company founders. This vision includes product launch in support of a brand, and a brand that supports lateral expansion into new market segments possibly including athletic sponsorship, music production, and other multimedia channels fitting the UP style.

The Company will remain on the cutting edge of sneaker fashion with the help of contemporary street artists and sneaker designers who will bring custom UP models to both fans of the brand and of these artists' previous work. Partnerships with these names will, among other qualities, differentiate the UP brand and help build brand visibility.

2. Apparel & Footwear Industry Background

UP will carve out market share in the U. S. sport apparel industry; a \$50 plus billion dollar industry characterized as mature, but containing significant existent opportunities in niche segments. Major producers of sport apparel are few in number and easily recognizable brand carriers whose product lines span several sport categories without penetrating any one to any great depth. Beyond these large well established players, there exists the niche apparel segments, a number of companies providing products and services targeted to specific sports or product/consumer attributes. UP will provide products targeting the fashion casual footwear segment of this market.

The history of fashion conscious athletic shoes begins to a large extent with Nike products. Released in 1982, Nike Air Force One shoes have become a staple of the fashion footwear marketplace and the manufacturer's flagship casual athletic shoe design. The growth in this product's sales spawned a new segment of the athletic footwear marketplace and contributed to the growth of an industry whose value is estimated at \$18 billion.¹

¹ Plunkett Research, 2006. <http://www.plunkettresearch.com/Sports/SportsStatistics/tabid/273/Default.aspx>



In the early 1990's youth culture savvy manufacturers responded to growing demand by releasing shoe designs and styles that combined the athletic shoe mold with underground hip hop themed designs. **The marketplace for fashion-oriented athletic footwear inspired by these designs continues to show strong growth, and is expected to do so in the foreseeable future.**

C. CAPITAL REQUIREMENTS

UP is seeking \$125,000 to capitalize startup, early stage operations and growth strategy implementation. Of this amount, the Company will employ \$XXX as startup capital and \$XXX as working capital. **The Company will seek out private placement of funds from both Angel investors and through an SBA lender.**

D. BUSINESS & GROWTH STRATEGY

1. Launch/Start-up Phase

The Company will, upon initial capitalization, commence operations in the metropolitan New York marketplace, as well as in other major markets via internet based sales. UP currently operates a homepage in the social networking community myspace.com, where they are linked to a growing number of more than 46,000 friends and from where the Company has derived the bulk of preliminary sales. This pool of friends, whose number is expected to grow at over 15,000 per month, has already generated more than 6,000 purchase requests, or roughly 13% of total friends. The official operational launch will feature an expansion of sales based on this web based marketing platform. UP is targeting a sales goal of 1,000 pairs in their third month of operations, and will seek monthly sales in the categories of footwear, shirts and hats of approximately 1,000 units each per month shortly thereafter. **The Company has already been approached by numerous boutiques, department stores and online merchants seeking wholesale relationships, and will look to expand sales during the course of operations through the penetration of key wholesale markets.**



UP will seek to build a base of loyal repeat customers, individual consumers who identify with brand values and wear multiple pieces of Company clothing as part of an overall look. These consumers are responsible, to a large degree, for the popularity of limited release apparel and footwear from companies like Nike, whose limited edition shoes (approx. 500,000 pairs) can sell out in as little as one day from release. Nike Air Force Ones, the quintessential classic sneaker design on which the UP Flare is based for example, generate more than \$1 billion in revenue per year. Another example is the Nike Dunk, another very popular model whose design is the inspiration behind one product in UP's expansion line. By building a brand that appeals to the fashion needs of sneaker consumers, UP will quickly capture share in this growing marketplace and establish the brand as one of the industry's premier providers of high end urban gear.

2. Footwear Product Line Expansion (Models/Styles)

UP will grow their product line throughout the process of planned operations, eventually including high and mid top shoes as well as their low top designs. The Company is targeting a three month product introduction cycle, and estimates their planned number of styles to be six or seven by the end of the first year of operations.



The Company has designed and will initially launch the Flare, a low top shoe whose design is based on that of the Nike Air Force One. This shoe will be launched first in low, and eventually in mid and high top styles.

The second stage of product launch will involve low mid and high top shoes resembling the Nike Dunk style of shoe, and these will follow the Flares as an expansion line.

UP will, in the course of operations, license some of the best and biggest artists/sneaker customizers/clothing designer to make/design sneakers/clothing to ensure a great variety of product offerings as well to capitalize on the fan bases already established by these designers. This variety and design excellence

will insure that UP remains in the vanguard of sneaker design, securing their place within this market.

As the Company expands operations, they will add various designs to the product line as necessary to drive continuing sales growth and brand expansion. These may include work boots, casual club style shoes, and other fashion athletic models based on classic shoe patterns (classic Reebok, Adidas shell toe, etc.). **All models will feature UP's unique design aesthetic, which will add value to already popular styles of footwear.**

3. Wholesale Distribution

Following the successful launch and growth in b2c sales of their planned line of footwear, UP will establish relationships with national retail footwear merchandising firms and develop a wholesale distribution model. The planned expansion of the Company's sales channels will accompany an increase in operational capabilities to keep pace with large scale sales growth associated with wholesale distribution. The Company expects to establish this sales channel in the third year of operation.

4. Product Line Expansion

UP will focus on building a brand easily identifiable to the average fashion consumer by launching a variety of apparel, footwear and accessory lines featuring the UP look and feel. These product categories have a wide range, and will include:

- **Shirts (T-Shirts, Sweatshirts, Tanks, Polos, etc.)**
- **Jeans, Track Suits**
- **Hats**
- **Backpacks, Key chains, wristbands, etc.**



These products will be designed and released in support of an overall brand building strategy. UP will keep these products updated with the latest styles and designs to ensure that the Company product line remains on the cusp of modern fashion trends.

E. BUSINESS STRENGTHS

1. Innovative Brand

The UP brand will be build around products with the highest level of design and quality, and will focus on meeting the needs of their target consumer. The shoes designed and manufactured by UP are the original vision of the Company's founders, and as of yet no brand of athletic footwear in this marketplace displays elements similar to those of UP.

2. Industry Demand

Demand for fashion oriented casual footwear is high and growing. The sell through rate (the rate at which how fast a product is sold off the shelf in the first week) of athletic shoes is 10%, but the sell through rate for the model that UP is emulating is 100%. New editions of the Nike Air Force One, for example, not only display 100% sell through rates, but often sell out within 24 hours of their release.

3. Management Team

UP's management team consists of three main members: David Hirschowitz, Brian Clampitt, and Robert Johnson. They will oversee the manufacturing, designing, and marketing of UP's products. Between them, they have over 25 years of experience in the footwear and apparel industry, and will guide this company through launch and profitable expansion.



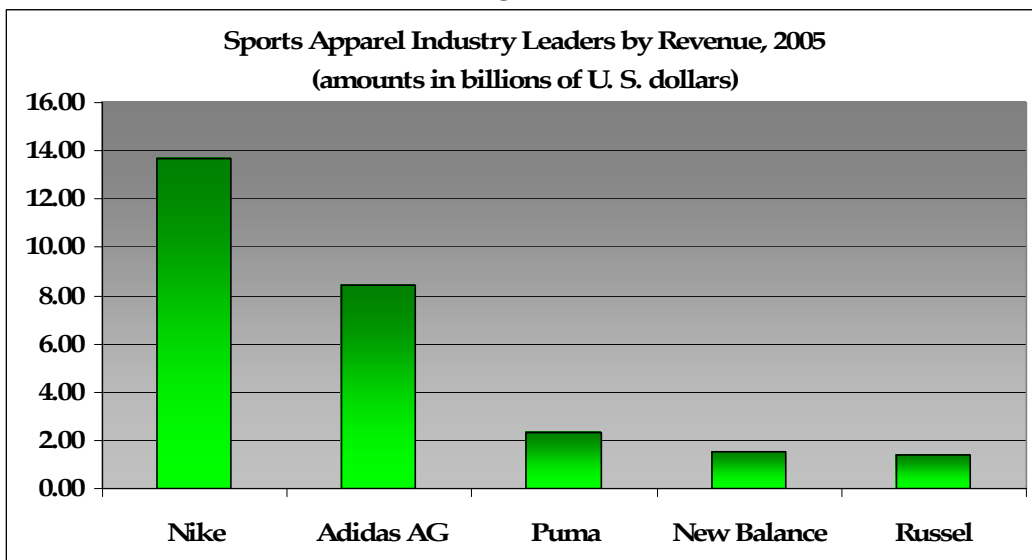
III. THE MARKET

A. U.S. APPAREL & FOOTWEAR INDUSTRY

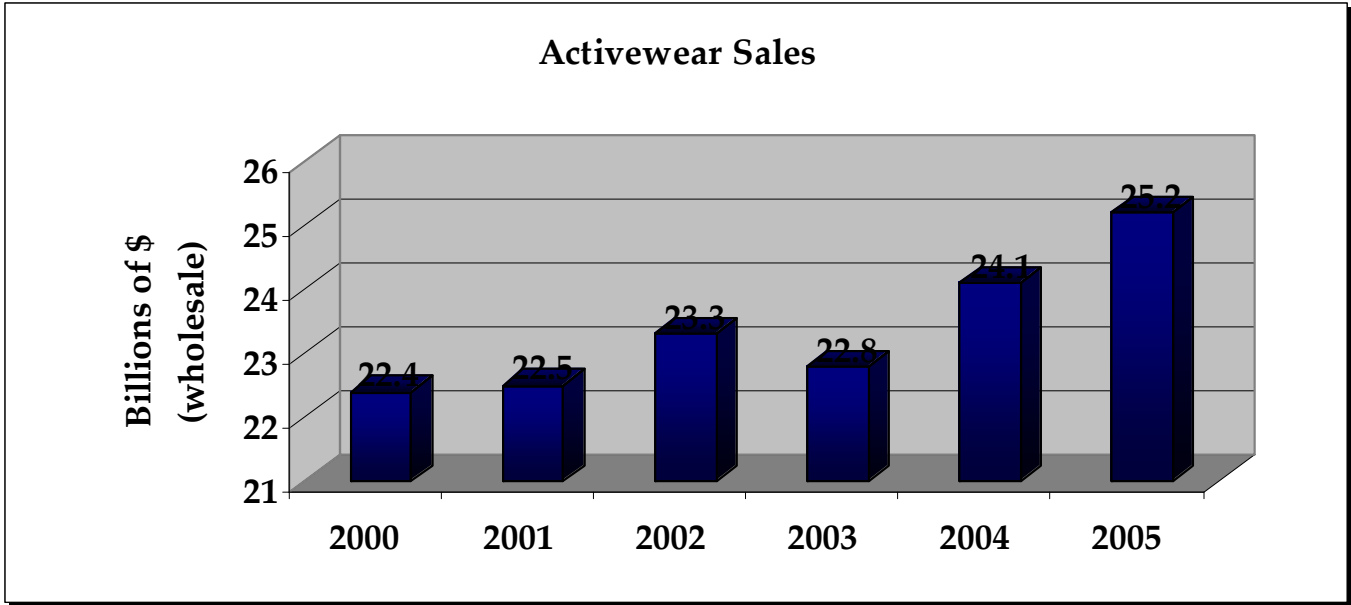
1. Figures

As of 2007, the U. S. sports apparel industry accounted for over \$50 billion in sales. Figure 1 breaks down industry composition by market leading revenue share. As illustrated in Figure 1, the top three competing manufacturers of sports apparel make up the bulk of industry revenue, while smaller competitors fight for a stake in the remaining market share.

Figure 1



The top five competitors in this industry constitute approximately 50% market share, with the other 50% divided among a fragmented field of companies. This fragmented segment of the industry provides significant opportunities for niche company growth.

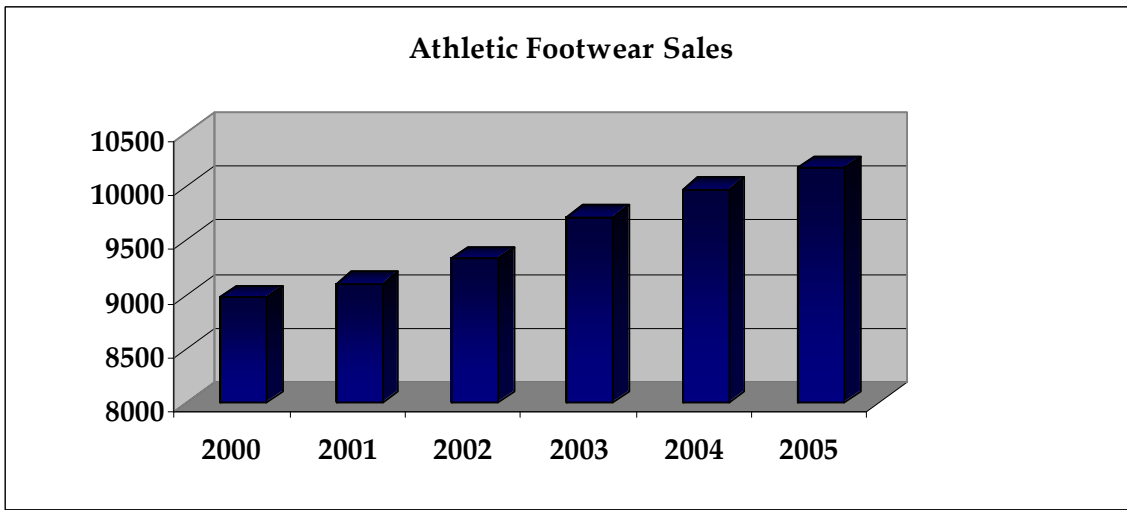


2. Trends

The \$25 billion retail athletic shoe industry has moved from the basketball court into the nightclubs and workplaces of America.

The industry's growth in the short term is expected to compete with and possibly outpace the larger apparel industry. The Sporting Goods Manufacturing Association (SGMA) estimates a growth rate between 5 and 10 percent per year for 2006-2010. Figure two illustrates potential growth of this industry through 2010.

Figure 2



Historically, population size and income distribution drive regional demand for sports apparel products. An increase in the number of health conscious consumers combined with booming licensed sport apparel sales are fueling healthy growth across this industry.

While the external appearance of the sports apparel industry is one of a mature industry, the opportunity for growth abounds in niche markets. **Small companies offering specialized “best in class” product lines have carved out significant market share and forced the largest competitors to adjust their product lines to keep pace.**

3. Analysis

As a mature market, the sports apparel landscape is ripe with opportunity for specialized competitors. Companies that bring products to market focused on one particular core competency operate on too small of a scale to represent a threat to the major players, and compete mainly in a fragmented environment with each other. Barriers to entry in the niche apparel market segment are low, and opportunity for brand expansion is high. Upon creating and expanding a niche brand to the extent of national recognition, the opportunities for strategic exit via buyout by or merger with one of the larger competitors are tangible.

UP is well positioned to establish and expand one such brand in this field. **The brand establishment achieved thus far combined with an aggressive growth strategy will enable UP to move into position as a leading provider of footwear and accessories.**

B. URBAN MARKET SEGMENT

1. Trends and Figures

The urban apparel segment of the industry alone grosses \$58 billion in annual sales, according to Marshal Cohen, co-president of NPD Fashion World, a consulting firm that tracks the nation's apparel and footwear industry. **By 2007, urban apparel sales are expected to increase by another 48.28% to about \$86**



billion. Growth in this marketplace in recent history is expected to continue at a rapid pace into the near future.

Demand for these products is to some extent a function of an increase in consumer spending among key demographics. Aggregate annual expenditures by 15 to 24-year-olds in the largest 15 urban areas in the United States are estimated to \$160 billion.²

2. Analysis

Once known as an “underground” industry, the urban apparel market has grown quite significantly. Whereas once, the products were only available in metro areas, they are now being sold nation wide in department stores and shopping malls. Large corporations have noticed this trend. In the past several years, many smaller urban apparel companies have been acquired for large amounts of money. Table 1, next page, depicts notable mergers and acquisitions in the fast 3 years.

Table 1

Date	Target Company	Acquiring Company	Purchase Price
2004	Phat Fashions	Kellwood Co.	\$140 mil
2003	Enyce	Liz Claiborne	\$121.9 mil
2007	Rockawear	Iconix	\$204 mil
2004	Vans LLC	VF Corp	\$330 mil

² *The U.S. Youth Market, Packaged Facts*



C. TARGET MARKET

1. Profile

Once regarded as “ethnic” or “inner city”, this niche of shoes and apparel has outgrown the “sub-culture status” and become extremely fashionable with pop culture. What used to solely appeal to hip hop fans is now marketed towards athletes, skaters, and fashion savvy young professionals.

2. Demographics

UP’s target demographic is men and women ages 13-25. They follow popular fashion trends through magazines, MySpace, online articles, and MTV. The urban apparel consumer is influenced by their peers. Their choice of footwear is an important aspect of their identity and most consumers buy pairs of footwear.

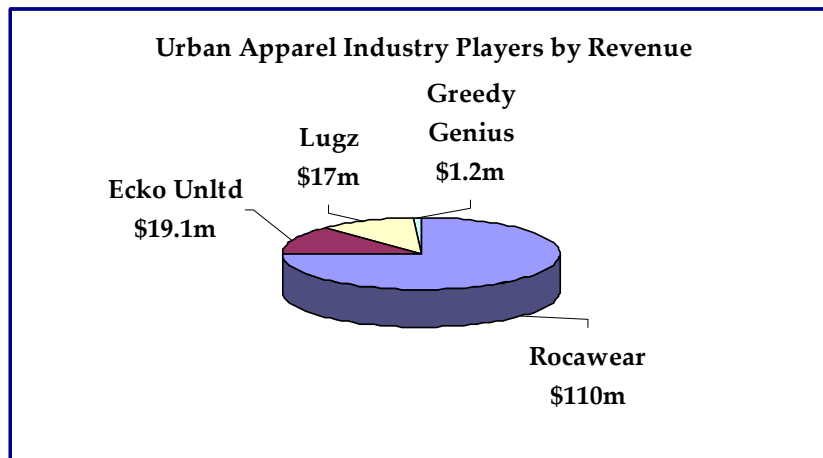
D. PROFILE OF DIRECT COMPETITORS

1. Urban Apparel

UP’s main competitors are within the Urban Apparel segment of the footwear industry. This group creates athletic footwear that is not meant to be worn for sports. These companies were started by entrepreneurs who come from metro areas and have hip hop backgrounds. Examples of these companies include well recognized brands such as Ecko Unlimited, Lugz, Rocawear, and a host of other emerging brands all founded by these underground inspired entrepreneurs, most of which are enjoying rapid growth with only limited traditional exposure. Figure 3, below, breaks revenue for 4 major competitors in this space out into percentages of market share.



Figure 3



Competitor Profile: RocaWear



Roc Apparel, a limited liability company founded in the state of New York in 1999 and headed up by hip hop entrepreneur Shawn Carter, aka Jay-Z, provides an example of an underground apparel line whose brand represents values beyond fashion. RocaWear embodies the lifestyle images and feelings espoused by Jay-Z recordings, and this company has enjoyed dynamic growth as a result of that association. **Starting from the ground up in 1999, this company has grown revenues to more than \$110 million over a span of less than eight years.** RocaWear ties closely into the Rocafella/Def Jam records image, and clothing within this line expresses the viewpoints of these recording studios' fans and artists.

Competitor Profile: Nike

1. Air Force I



The first Nike Air Force I model was released in 1982. Many athletes endorsed the shoe and it became extremely popular. Nike started releasing the shoe in limited quantities and a mystique around the Air Force I created. The brand offers many special edition shoes that have become collector's items. **The Air Force One is the standard of excellence for urban style footwear, generating more than \$1 billion in annual revenue using no formal marketing other than word of mouth.**

2. Dunk

The Nike Dunk, pictured at right, is another classic Nike design very popular among sneaker enthusiasts. The shell comes in high, mid and low tops, and designs follow similar trends to those exhibited on the AF1.



Competitor Profile: Ecko Unlimited



Ecko Unlimited was started in 1993 by Marc Ecko, a student at Rutgers University. This product line, which began as only a handful of t shirt designs, now includes a wide array of apparel and accessories, and brings the company annual revenues of approximately \$20 million.

Competitor Profile: Lugz LLC



Lugz LLC was founded in 1993, with the release of two styles of boots, a quilted vest, and a pair of jeans. The success of this brand can be tied directly to an aggressive celebrity endorsement campaign featuring some of the largest names in hip hop endorsing these products. Lugz is latest successful brand devised by Jack Schwartz, Inc., longstanding industry veteran and maker of the now defunct British Knights brand. Lugz accounts for approximately \$17 million in annual sales, and employs a staff of 70 individuals.



Competitive Case Study: Greedy Genius

Greedy Genius, a one year old phenomenon in the footwear industry and brainchild of four fashion young fashion industry experts, illustrates the demand for fashion oriented sneakers in as bold a way as any company can: with explosive revenue growth. This start-up went from a sold out product launch to one year sales of 1.2 million using little more than viral and word of mouth marketing and publicity stratagem. Product release has been on a very limited basis, and Greedy Genius has a very selective distribution strategy. This upstart brand, whose focus is on an underground, counterculture sensibility, has enjoyed the immense growth of **a product whose market timing syncs perfectly with demand characteristics. UP management will seek to capture share in this market by bringing the same ground up, connected sense of style to fashion footwear consumers.**



Competitor Profile: A Bathing Ape

A Bathing Ape (Bape) is a [Japanese clothing](#) company founded in 1993. The company specializes in hip-hop and urban fashion. Bape has stores in Japan, London, Hong Kong, Taiwan, and New York. The company also owns and operates hair salons, cafes, a recording studio, and an art gallery.



2. Multi-Sport Brands

The apparel industry is a competitive landscape divided between large, horizontally marketed brands and small specialized competitors. This category is a secondary competitor to UP.

These competitors are limited in some aspects by their sheer size. Focusing on national consumer trends, the largest outfits ignore local and regional trends until those trends reach a nationwide level or are brought to light by a competing brand. Nevertheless, the size and resulting capabilities of these firms make them viable competitors in the sports apparel marketplace.



2. Niche Brands

Within the sports apparel industry, the second category of competitors makes up the niche apparel segment. These brands are either smaller specialized companies, such as Under Armour, or segments of larger companies such as the Jordan brand. They seek out specific segments of the consumer population based on brand specialty. This group of companies is secondary competitors to UP.



E. COMPETITIVE ANALYSIS

As a mature market, the sports apparel landscape is ripe with opportunity for specialized competitors. Companies that bring products to market focused on one particular core competency operate on too small of a scale to represent a threat to the major players, and compete mainly in a fragmented environment with each other. Barriers to entry in the niche apparel market segment are low, and opportunity for brand expansion is high. Upon creating and expanding a niche brand to the extent of national recognition, the opportunities for strategic exit via buyout by or merger with one of the larger competitors are tangible.



UP is well positioned to establish and expand one such brand in this field. The company will establish a reputation in this marketplace as a provider of quality merchandise and a company in close touch with the culture of casual athletic footwear and underground hip hop. **The brand establishment achieved thus far combined with an aggressive growth strategy will enable Upper Parliament, LLC to move into position as a leading provider of casual athletic apparel and accessories.**

F. COMPETITIVE STRATEGY

UP will utilize the strengths of an aggressive viral marketing campaign in combination with a strategic distribution style to establish competitive advantage in their space. The Company will focus on bringing new styles of footwear to market in an efficient and cost effective manner possible. This strategy will include both standard shoe designs and specialized limited editions. By limiting the quantity of these shoes distributed, UP will heighten demand for their product and build brand equity.

UP will bring to market a line of apparel whose design is inspired by brand values and the existing designs of UP shoes. This product line will feature the same up and coming artists and designers expressing themselves and adding value to UP products with cutting edge designs and styles of clothing.



IV. PRODUCTS & SERVICES

A. FOOTWEAR

1. Low-Tops

UP's initial product line consists of low-top shoes already designed and available for sale. These shoes, like all others planned in the UP line, are based on the Air Force I mold modified to create the UP product. Currently, these models are available in black/orange and grey/green color schemes.



The Company will, upon capitalization, release the Flare model in four additional color schemes, as defined below.

- **White, royal blue, and orange**
- **All black**
- **Camouflage**
- **White and Red**

2. Mid-Tops

The next product line to be released following the initial launch of the UP low-top will be a mid-top version of the shoe featuring new colors and design elements. The Company estimates that this model of shoe will be ready for sale three months from the beginning of operations, and will carry a price point similar to that of the high top (below).



3. High Tops

UP plans to release a high top 90 days after the release of the mid top version, six months from the beginning of operations. The planned high top will also feature new color schemes and styles, but will be priced just above the low and mid top versions to accommodate a higher product cost.

4. Women's

UP plans to release a line of women's footwear. The shoes will also be released in low, mid, and hi tops, and will feature the new styles and colors to reflect the new line's focus on female consumers.

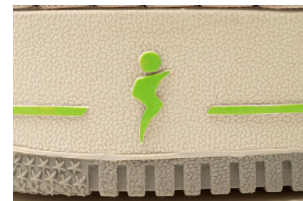
5. Children's

UP will expand into larger children's sizes that fall close to the range of smaller adult sized shoes (adult sizes 4-7). The Company will expand into smaller children's sizes once sustained growth and expanded operational capacity make it profitable to do so.

B. APPAREL

1. Men's

UP's growth strategy includes releasing a line of clothing that features their logo. They will introduce a line of t-shirts, backpacks, visors, sweatbands, necklaces, hooded sweatshirts, and polo shirts. The apparel line will be color coordinated to match UP's shoes. UP will also sell custom made t-shirts designed by local artists.



UP will also license some of the best and biggest artists/sneaker customizers/clothing designer to make/design sneakers/clothing for the company to insure a great variety in what the company can offer as well as capitalizing on the fan bases already established by these designers. This variety and excellence will insure that UP always stays fresh and up to snuff with whats hot in fashion.



2. Women's

UP will develop a line of apparel using the same elements at the men's product line but with unique designs specifically targeting female consumers. The Company will augment their design force with artists and designers whose work appeals to women and follows the overall themes of UP design.

3. Children's

UP will expand into children's apparel incorporating the same design elements as their adult sized clothing. The Company will expand into smaller children's sizes once sustained growth and expanded operational capacity make it profitable to do so.

C. HEADWEAR

UP has secured an agreement with New Era Hats, a large apparel firm based in Buffalo, NY, to manufacture hats with the UP logo. These hats will be color coordinated with the UP shoe line, and will be priced in the \$30 range.

D. ACCESSORIES

Management sees substantial opportunity in expanding the visibility of the UP brand and driving sales growth by marketing supplementary items designed to reflect the feelings and attitudes of the brand. The Company has plans in place to develop a line of accessories including:

- **Keychains**
- **Backpacks**
- **Jewelry**

While the Company will offer these accessories for individual sale, they will also package certain accessories with UP shoes. Each pair of UP shoes will be packaged in a box whose color matches the shoe itself, and will feature



a production number, adding to the shoes' collector value. In addition, UP will include a limited series keychain and drawstring backpack (specific to the model of shoe) with each pair of UP shoes sold.



V. MARKETING PLAN

A. MARKETING OVERVIEW

UP will employ an aggressive, multi-faceted marketing strategy designed to achieve the objective of expanding brand visibility. The company will take an approach to marketing that emphasizes the core assets of the product line: a unique aesthetic, promotion of the street culture, and superior quality.

The Company will exploit every available multimedia channel to achieve this objective including targeted print advertising, radio and television exposure, and promotional activities wherever they arise. UP will select which components to include in this strategy at each point in their operational lifespan based on their ability to support the core brand values and to reach the largest number of target consumers.

The thrust of the UP marketing strategy is an extension of their initial, highly successful viral marketing efforts. The current UP web presence, in the form of a social networking page on the popular myspace.com, **has already generated more than 6,000 purchase requests** from among a growing friend count of over 46,000. This number of requests is doubly expressive in light of the fact that **myspace.com is not a sales channel**, but rather a networking site. UP will use this initial interest in their products as the cornerstone of a successful marketing campaign.

UP will reach their target consumer using three distinct distribution channels. First and foremost, the company will market directly to consumers via a viral marketing campaign. Secondly, UP will partner with a number of musicians, models, and artists in a product placement campaign to increase the physical presence of the brand. Third, the company will operate a series of proprietary retail outlets located in all of their major markets. These stores will not only increase company sales, but serve as valuable focal points for some of the more progressive planned marketing strategies.



B. BRANDING STRATEGY

UP will develop and emplace a dynamic branding strategy designed to support overall marketing activities and build brand visibility. The Company will focus these efforts on reinforcing the feelings and images associated with the products and company.

The ultimate goal of UP's brand is recognition as a trend setting company in urban apparel. They will achieve this objective by using a dynamic combination of viral marketing, promotions and affiliate marketing campaigns.

UP will pursue a branding strategy designed to associate their apparel with what is new in urban fashion. This will consist of two components. First, UP will solicit celebrity endorsements for their urban apparel. Second, UP will initiate an aggressive viral marketing campaign designed to increase awareness of UP's products using existing social networks such as myspace.com. The combination of these strategies forms a progressive, counter culture feel to the marketing activities of the Company, thus solidifying UP's image as an "underground" label.

C. PRICING STRATEGY

UP products will be priced at levels high enough to support earnings and company growth, but low enough to make them accessible to a broad base of athletic shoe consumers. The initial line of low top shoes will be priced at \$110, and the planned mid and high top line will be priced at \$120. The first run of UP T-Shirts are planned at a retail price of \$30, and hats are scheduled to retail for \$25. Product pricing may change as large scale production activates price breaks, and these breaks will be incorporated into UP's pricing strategy.

The Company will, in the future course of operations, develop low and high price points for shoes and clothing falling into either general run or more limited edition categories. This strategy will enable UP to capture share among consumers who seek ownership of the most exclusive styles, as well as the general population of sneaker consumers.



D. INTERNET

1. Web Site

UP's website will serve as the primary PLACE OF PURCHASE for their products. It will have user friendly design and interactive features for visitors to use. UP will work with web designer John Friedly to develop the company web presences. Mr. Friedly will employ his extensive web design experience in the urban/hip hop genre to deliver a web solution customized to company needs. The website will showcase pictures and videos of celebrities and customers wearing UP products. Customers will be encouraged to post pictures of themselves dressed in UP gear. UP will post links to other companies or artists that they have partnerships with. The website will be a network of other hip hop website which will also help UP's brand name and image.

The vision behind the UP website is not only a point of sale, but a community designed to bring together followers and fans of designer sneakers and urban culture. The site will eventually feature news updates, links to other relevant sites, chat forums, and user submitted videos, such as the Youtube videos submitted as part of the Company's viral marketing efforts.

2. SEO-Internet

UP will implement a search engine optimization strategy to increase traffic to their website. UP will focus on Google and Yahoo's search engine. Online marketing suits the UP brand due to its wide breadth of reach, ability to target younger demographics and cost effective nature. The strategy will involve brand placement in the areas of banner advertisements, online magazines, and optimized result placement in search engine finds.

3. Affiliate Advertising

UP plans to launch an aggressive affiliage advertising program with web based partners targeting the UP consumer demographic. These partners' level of involvement will range from simple banner advertisements to more complex distribution based relationships where affiliates both market and sell UP



products. Potential partners for affiliate advertising will include firms catering to rock music(ians) and fans, hip hop supporters and artists, skaters/surfers, athletes, and sneaker fans. Management is confident that a broad approach exposing the UP line of products to as many partner firms as possible has almost limitless potential to draw traffic to UP’s own website, and drive resulting sales gains.

4. Viral / Social Networking



The Company will continue to leverage the widespread access to consumers offered by myspace.com through a partnership with Viral Marketing specialists twentyfourhustle.com. The Company already has a page set up with more than 26,000 friends. **Through collaboration with twentyfourhustle.com, the Company expects to add an additional 10 to 15 thousand friends per month, carrying a potential number of new customers as high as 1,000-1,500 per month drawn solely from this cost effective marketing channel.**



E. PRINT ADVERTISING

UP plans to initiate a heavy magazine advertising campaign to create brand visibility for their product line. The Company plans to target sport and lifestyle specific publications that offer commercial advertising programs. A sample of publications associated with sports lifestyle and urban culture are listed below in table 2.

Table 2

Urban Lifestyle		Basketball
Vibe		Bounce
Source		Dime
Maxim		Hoop
Urban		NBA Inside Stuff
		Sports Illustrated



While the above table offers a small list of target print advertising sources, the Company will seek out all possible publications targeting the Incasso demographic and evaluate each as a candidate for marketing channel effectiveness.

F. INTERNET ADVERTISING

UP will engage in a comprehensive online advertising strategy to achieve widespread brand visibility. Online marketing suits the UP brand due to its wide breadth of reach, ability to target younger demographics and cost effective nature. The strategy will involve brand placement in the areas of banner advertisements, online magazines, and optimized result placement in search engine finds.

G. CELEBRITY ENDORSEMENT & PRODUCT PLACEMENT

UP will receive exposure through celebrity endorsement and product placement. UP has a close relationship with Jane Doe, a famous model, actress, photographer, and musician. Jane has appeared on Entourage, Girlfriends, Miss Cast Away, and several other well known tv shows and movies. She's also known for her MySpace beginnings and presence where she has over 600,000 friends. Jane has agreed to feature UP's clothing on her website and wear their apparel during public appearances.

In addition to Jane, Bob Effort has developed ties with an array of musicians and entertainers who will form a valuable pool of assets for UP's celebrity endorsement campaign. This list of personalities includes:

- **John Doe**
- **John Doe**
- **John Doe**
- **John Doe**



UP will also work with John Doe, the former head of marketing at XYZ Company. John Doe works closely with popular hip-hop artists and has agreed to help cross promote UP's apparel line with up and coming musicians. The Company is confident that through the efforts of current leadership combined with a successful initial launch, they will be able to choose from a wide variety of celebrities who will be excited about endorsing this product line.

H. TELEVISION RADIO

Bob has developed working relationships with BET, Sirius Satellite Radio, and several hip hop radio stations in New York City. Chris will secure deals with these media outlets for on air plugs and promotions.



VI. OPERATIONAL PLAN

A. OVERVIEW



All basic operational elements of Upper Parliament, LLC are in place, and the business is in the initial stage of operations, having successfully developed their initial product line and generated initial sales. The growth of this business will require an expansion and refinement of product and service offerings, as well as commencement of marketing operations. The steps outlined below will guide UP as it expands operations.

The company will achieve initial capitalization and expand operations in the immediate future, and most of the operational requirements for this model have been satisfied. This operational plan will guide the Company on the way to the next company milestone: self sustainability on company revenue.

As the company expands their lines of offered products and grows this business model, it will become necessary to broaden the company's base of manufacturing, administrative and support resources. This expansion is outlined below.

B. COMMERCIAL OFFICES

Upper Parliament, Inc is headquartered in Queens, NY and will maintain office headquarters on site in that location as operations progress. The company will maintain a base of administrative and human resources necessary to the successful operation and expansion of the company. This staff will grow from the current level of 3 partners as necessary to fill the expanding operational needs of the organization, without driving costs too high.

C. MANUFACTURING

UP's shoes will be manufactured by the firm XYZ company, a China based manufacturer whose relationship with UP management of seven years and reputation for quality will enable them to meet company needs. This provider, with more than 12 years of operational experience, is an ISO 9001 certified manufacturer whose past clients have included Adidas and Reebok, among others. This top quality manufacturing firm is a full service provider, requiring no other sourcing to complete product orders.

The Fujian facility is capable of producing 1,300 pairs of shoes per day, but the firm's overall capacity is boosted to 8,500 pairs per day by an array of four sister factories. This expanded production capacity will help ensure a smooth transition to larger orders without requiring UP to change providers.

For now the pricing is at \$26 (\$28 for mid/high tops) per pair at 1,000 units, this price drops \$1 per pair for every 1,000 additional pairs topping out at \$14 per pair. Shipping rates will reduce per 1,000 pairs (approx. 3,000 lbs) as well with the price dropping by .25 for air shipping and .10 for sea shipping bottoming out at \$2.00 and \$.40 respectively for the shipping services.

The Company will employ a modified manufacturing strategy for shirts and hats, working with local manufacturers through the duration of start up. Management anticipates lower initial volumes of shirt and hat sales, and as such will work with a local firm to minimize product lead times. Once sales volumes reach the appropriate level, the Company will source the manufacturing of hats, shirts, other apparel and accessories in a manner consistent with that of the shoe line.



D. INVENTORY CONTROL

1. Product Procurement

UP's manufacturer requires a 20 day notification for each order of shoes. Shipment from China takes 5-7 days via air, and 14-21 days via ocean freight.

2. Inventory Management

The company will employ a strategic procurement strategy that encompasses the entirety of their supply chain to control total cost of ownership while ensuring maximum product quality. During the initial phase of expansion, this process will be handled in-house using a supply chain management (SCM) software solution. Management is considering the feasibility of an outsourced procurement solution to facilitate growth beyond the initial phase of operations.

3. Distribution

As sales growth drives a need for wider and more efficient distribution capability, management will consider the sourcing of their logistical solutions to a contract company able to keep pace with company growth while providing UP's clients with the same standards of quality and service as those outlined in the company vision.

E. INTERNET/WEBSITE

UP's website will be designed by XYZ Studios (www.xyzstudios.com). They are a full service web development company that can accommodate all the needs for an e-commerce website. UP will be working hands on with the developers to ensure that the design and appearance of the website is of superior quality.



F. EQUIPMENT

The Company will source most of the operational needs associated with production, and as such will have minimal needs for equipment. Beyond the initial capital outlay for product molds, UP will not require further equipment until such time as these functions are brought in-house.

G. LEGAL

Robert Simpson Esq. will serve as the general counsel for UP LLC. He has broad knowledge of the footwear industry and serves as an advisor for Man-O-Man Clothing, a retail store in Queens, NY.

H. ACCOUNTING

The company plans to retain the services of accounting and legal firms to ensure compliance with all federal, state and local regulations during the course of operation and growth. These firms will be selected on the basis of their familiarity with the operations of retail and wholesale apparel manufacturers, as well as their ability to keep pace with future growth.

I. INSURANCE & LICENSES

UP will carry adequate coverage to ensure against liability and comply with federal and state regulation. The company will diligently select their insurance provider avoid the maximum amount of risk in the face of some unforeseen occurrence.

The UP brand is protected from duplication by copyright law, and the Company will maintain this protection as necessary to insure against encroachment by competing firms.



VII. MANAGEMENT & STAFF

A. EXECUTIVE MANAGEMENT

David Hirschowitz: Mr. Hirschowitz will serve as UP company president. Through running a successful business, he already has the managerial aspect under his belt from dealing with the factories/wholesalers as well as the shipping companies, timing the whole operation properly so the product gets to the clients on time and keep them satisfied. Hes also aware of seasonal trends and can plan in advance what types of styles to have ready to be made (sometimes a year in advanced). As well, he has developed before large customer lists of wholesalers/retailers and has much experience with getting in the door/buying office for these places so none of this is new to him or out of reach. + with all these contacts, he can utilize them to spread UP's name and make it easier to sell the product since hes already done something like it and has experience in it.

Brian Clampitt: Mr. Clampitt will serve as vice president of Marketing and Sales for UP. His repertoire of contacts and his attitude that he won't take no for an answer make him an invaluable piece since it was that attitude that got him all the celebrity clients that he handles for his shoe customization job. He also has experience managing his brother, up and coming rapper "Rockz", where he parlayed his contacts to get Rockz airtime on the radio, interviews, and big name artists to do songs with him. This type of attitude coupled with his talent makes it seem that no company or artist is too big to get in contact with and do business with.

Robert Johnson: Mr. Johnson will act as chief designer. He originally was offered jobs working with Rocawear, Mecca, and Enyce but turned them down to pursue his own glory and not make his work for someone else. He has designed over 15 sneaker styles already for the future for this brand and every day is studying the new trends to see whats hot and where UP could benefit and realy come out on top. Hes the main fashion guy and although all fashion decisions are discussed together we all go to him for the ultimate opinion of what he thinks.



B. ADMINISTRATIVE STAFF

The company will employ and train an administrative staff as necessary to ensure smooth execution of all operational areas. This staff will include enough resources to meet the HR management, customer service and administrative needs of Upper Parliament.

C. OUTSOURCED SERVICE PROVIDERS

William Frederick Esq: William will serve on the board of directors and as general counsel for Upper Parliament, LLC Ross and his family bring more than 25 years of apparel retail experience to this company, and retain extensive connections in the retail and wholesale clothing industry. His connections in the retail/wholesale clothing industry will prove invaluable since he knows plenty of the huge stores/brands on a personal level and can a foot in the door for us with any of them. As well, his knowledge of the industry coupled with our ear to the street will make a great duo since hes seen plenty of swings in the market and seen the ups and downs. So he can prepare us for whatever is necessary from a business standpoint so we don't collapse like other businesses and over extend ourselves.

Ivan Jacopo: Ivan will serve as an advisor to UP. His connections in the entertainment/music industry like William will prove invaluable since he knows many of the big execs/actors/artists/dj's on a personal level and can get a foot in the door for us. With our enthusiasm and brand strength coupled with his connections in the industry, the world is open to us and there's an endless number of sponsorships we could go after, cross promotional ideas, and lateral moves (magazines, radio shows, tv shows) that can be done with the people he knows and he will make it that much easier to get it done.



VIII. FINANCING & GROWTH STRATEGY

A. CAPITAL REQUIREMENTS

The business plan calls for an investment of \$125,000 to cover total capital requirements, which consist of \$17,750 in capital expenses, and \$107,250 in working capital, as presented in Table 3 (below).

Table 3 UP, Inc. Start-up Capital Requirements	
Capital Items	Cost
Leasehold improvements	5,000
Equipment and computer facilities	3,750
Production Equipment	9,000
Miscellaneous expenses	-
Total Capital Cost	17,750
Working capital	107,250
Initial Inventory	43,500
General and administrative	33,750
Marketing expenses	30,000
Total start-up requirement	125,000

Of the total working capital required, \$43,500 will be needed to finance initial inventory requirements, \$21,451 for general and administrative expenses and \$30,000 will be used to support marketing and advertising. The Company projects income from continuing operations to cover these expenses as of the second quarter in year 1 of operations, and will require working capital to cover expenses only until such a milestone is reached.

B. FINANCIAL STRATEGY

The Company is seeking to initially raise \$125,000 in equity financing to support start-up expenses and successfully launch the business over an initial 3 month period. This amount of funding will allow UP to reach the point of sustainability on internal financing. From this point, management expects to grow operations using internally generated cash flows, with no current plans for additional external capital. Management intends to execute a private placement offering that targets potential equity investors from the angel investor community. Once the required financing is secured the Company will be able to support its operations from internally generated cash flows for the remainder of the forecast period.

C. EQUITY OWNERSHIP & CAPITALIZATION

UP will be organized initially as a partnership owned solely by the three founding partners and company managers. These partners will evaluate changes to this equity distribution based on funding alternatives.

D. RISK ANALYSIS

The risks associated with this venture fall within the medium to high-risk segment of the investment spectrum. Although some initial sales have been transacted, this business has yet to demonstrate the forecast growth in sales and operational capabilities.

While there can be no guarantees that the Company will be able to build and effectively manage the relationships and operational resources necessary for business success, the management team is confident that it will be able to execute all functions that are outlined in this business plan. Current sales forecasts and growth estimates are based on the comparatively large number of requests for shoes and clothing the Company is already receiving as a result of initial marketing efforts, and management is confident that an expanded operational ability will serve to boost this number even further upon capitalization.



E. EXIT STRATEGY

Management will evaluate options for an exit strategy that may include an acquisition by a Company within the apparel industry or a sale to private investors. The acquisition of growth oriented startups that demonstrate high future value is a commonplace occurrence within the apparel sector, as larger competitors continue to seek out new value and maximize market share. Management will evaluate such opportunities as they arise based on the criteria of maximizing value for equity investors/partners and the best interests of the Company.



IX. FINANCIAL PLAN

A. NOTES TO FINANCIALS

All projected financial statements except for the first Year have been projected on a quarterly basis for a Five-Year period and summarized annually. These projections were developed based on the following assumptions:

1. Revenue Model

UP will earn revenues from the retail sale of UP products in years 1-5 and from the wholesale distribution of the same products in years 4 and 5. The proceeds from these sales will constitute the principal source of UP revenue.

2. Pricing Assumptions

The Company will sell UP products in accordance with the pricing schedule presented below.

Upper Parliament LLC Pricing Assumptions	
Low Top Shoes	\$110
Mid/High Top Shoes	\$120
Hats	\$25
Tee Shirts	\$30



3. Sales & Revenue Growth Assumptions

The Company's 5-Year sales and revenue forecast assumptions are summarized in Table 4 on the next page. Management projects that the operations will be able to achieve a total number of shoes sold of 9,552 at the end of the 2008, which is expected to approach 189,086 by year end 2012. Shoe transactions are based on an initial 300 sales per month, with each sales transaction carrying a price of \$110 and costing \$30 per pair, resulting in a gross profit per sale averaging \$80. The retail revenue totals are based on an initial nationwide launch generating 550 sales per month.

Sales	2008	2009	2010	2011	2012
Shoes	9,552	20,331	99,704	149,093	189,086
Shirts	3,547	6,777	8,595	10,900	13,824
Hats	5,320	10,165	12,892	16,350	20,736
Total Sales	18,419	37,273	121,191	176,343	223,646
Revenues-Retail					
Shoes@ \$110	1,223,712	2,338,024	2,965,180	3,760,565	4,769,306
Shirts@ \$30	106,410	203,306	257,842	327,006	414,722
Hats@ \$25	168,777	424,257	692,766	1,074,798	1,611,937
Revenues-Wholesale					
Shoes@ \$60	-	-	4,435,218	6,983,545	8,856,824
Total revenues	\$1,498,899	\$2,965,588	\$8,351,005	\$12,145,914	\$15,652,789



4. Expense Assumptions

The total operating expense budget for 3 months of operation amounts to \$31,099, and includes \$7,200 for wages and salaries, \$1,008 (14% of wages and salaries) for payroll taxes, \$2,100 for rent expense,

Table 4 UP, Inc. Q12008 Operating Expenses	
Wages and salaries	7,200
Payroll expenses	1,008
Employee benefits	1,440
Professional fees	3,000
Rent	2,100
Insurance	1,200
Service fees	2,100
Telephone & communications	1,500
Travel and entertainment expense	1,500
Office supplies	750
Web site hosting and maintenance	7,201
Utilities	600
Miscellaneous expenses	1,500
Total operating expenses	31,099

\$3,000 for professional fees, and \$7,201 for web hosting and maintenance (note: web hosting and maintenance expense is \$6,000 in month one to account for site setup, and \$400 per month in months 2 and 3). The remainder of the budget is made up of other general and administrative expenses. Wages and salaries are based on the operations plan and the number of full-time-equivalents that are hired at their respective salaries.

The operating expenses are projected to grow at the rate of 5% over the 5-year period. Marketing and advertising expenses are budgeted at \$30,000 for the start-up phase of operations, and will comprise approximately 12% of gross sales for the remaining 4-years of the forecast period. Cost of sales is projected to average 33.9% of gross sales for the 5-year forecast period across all product lines.



5. Use of Proceeds

The net proceeds of \$125,000 from financing will be used to finance capital expenses, final product development, marketing and advertising expenses, and general and administrative expenses. Table 5 presents a summary of the sources and uses of funds.

Table 5 UP, Inc. Sources and Uses of Funds	
Sources of Funds	
Equity Proceeds	125,000
Debt Proceeds	0
Total Sources of Funds	\$125,000
Uses of Funds:	
Leasehold improvements	5,000
Equipment and computer facilities	3,750
Office furniture and fixtures	9,000
Miscellaneous expenses	-
Total Capital cost	17,750
Working capital	107,250
Initial Inventory	43,500
General and administrative	33,750
Marketing expenses	30,000
Total uses of funds	125,000



B. PRO-FORMA FINANCIAL STATEMENTS

The section presents a summary of the Company's pro forma financial statements, listed in Schedules 1, 2 and 3. The pro forma financial statements are prepared on a quarterly basis and summarized annually, except for the first year, which are prepared monthly and summarized annually.

1. Pro-Forma Income Statement

The projected financial results for the first year are presented in Schedule 1 below. Revenues are projected to be \$1.88 million in 2008, growing to \$2.96 million in 2009, and should approach \$15.65 million in 2012. General and administrative expenses are projected to be \$106,447 in 2008, and are expected

Schedule 1					
UP, Inc.					
Projected Statement of Operations					
	Year-End 2008	Year-End 2009	Year-End 2010	Year-End 2011	Year-End 2012
Revenues	1,883,964	2,965,588	8,351,005	12,145,914	15,652,789
Cost of sales	566,344	739,327	2,500,285	4,473,094	5,672,965
Gross margin	1,317,620	2,226,261	5,850,721	7,672,820	9,979,824
Marketing expense	120,000	126,000	132,300	138,915	145,861
General & administrative	106,447	559,717	1,328,299	1,611,108	1,691,664
Net operating income	1,091,173	1,540,544	4,390,122	5,922,796	8,142,300
Depreciation	4,219	5,328	5,938	6,000	6,000
Interest earned	40,919	78,083	162,948	325,447	552,882
Income before taxes	1,127,873	1,613,299	4,547,132	6,242,243	8,689,181
Income taxes	364,801	418,756	1,591,496	2,184,785	3,041,213
Net income	763,072	1,194,543	2,955,636	4,057,458	5,647,968

to reach \$1.69 million in 2012. The Company is projected to achieve operating income of \$1.09 million in 2008, which should climb to \$8.14 million at the end of 2012. The Company's projected net operating results indicate solid performance revenue with net income increasing from \$763,072 in 2008 to reach \$5.64 million in 2012.



2. Pro-Forma Statement of Cash Flows

The Company's pro-forma cash flow statement (Schedule 2) indicates that the Company is expected to generate positive net cash flow from operations in the 1st quarter of the first year, which should be sustained over the rest of the forecast period.

Schedule 2					
UP, Inc.					
Projected Statements of Cash Flows					
	Year 1	Year 2	Year 3	Year 4	Year 5
Cash flows from operations					
Net Income:	763,072	1,194,543	2,955,636	4,057,458	5,647,968
Depreciation	4,219	5,328	5,938	6,000	6,000
Increase (decrease) in accrued liabilities	1,608	13,166	46,315	3,054	3,207
Increase (decrease) in accrued taxes	142,282	(142,282)	494,939	152,326	246,054
Increase (decrease) in accounts payable	3,440	172	181	190	199
Net cash flows from operations	914,621	1,070,927	3,503,008	4,219,029	5,903,428
Cash flows from investing activities:					
Capital expenditures	53,750	93,750	58,500	9,750	18,750
Prepaid expenses	400	860	63	66	69
Other assets	-	-	-	-	-
Net cash flows from investing	54,150	94,610	58,563	9,816	18,819
Cash flows from financing:					
Proceeds from issuance of debt	-	-	-	-	-
Debt service payments	-	-	-	-	-
Proceeds from sale of stock	69,201	-	-	-	-
Net cash flows from financing	69,201	-	-	-	-
Net increase (decrease) in cash	929,672	976,317	3,444,445	4,209,213	5,884,608
Beginning cash balance	-	929,672	1,905,988	5,350,434	9,559,646
Ending cash balance	929,672	1,905,988	5,350,434	9,559,646	15,444,254

Cash balances are projected to increase from \$929,672 at the end of 2008 to \$15.4 million at the end of 2012.



3. Pro-Forma Balance Sheet

The projected balance sheet for the Company is presented in Schedule 3 and indicates that if the Company is successful in executing its business plan, the venture will achieve sustained financial liquidity over the horizon of its business plan. The Company's total assets are projected to increase from \$909,719 at

Schedule 3 UP, Inc. Projected Balance Sheet					
	Year 1	Year 2	Year 3	Year 4	Year 5
Assets:					
Current assets					
Cash and marketable items	884,350	1,931,315	5,374,874	9,582,905	15,466,333
Accounts receivable	-	-	-	-	-
Prepaid expenses	400	1,260	1,323	1,389	1,459
Total current assets	884,750	1,932,575	5,376,197	9,584,295	15,467,791
Net non-current assets:	24,969	116,766	172,703	179,828	195,953
Other assets	-	-	-	-	-
Total assets	909,719	2,049,341	5,548,900	9,764,123	15,663,744
Liabilities & Shareholders Equity					
Current liabilities					
Accounts payable	3,440	3,612	3,793	3,982	4,181
Accrued liabilities	1,608	14,774	61,088	64,143	67,350
Accrued taxes	142,577	-	495,234	647,561	893,614
Total current liabilities	147,625	18,386	560,115	715,686	965,146
Total liabilities	147,625	18,386	560,115	715,686	965,146
Shareholders equity					
Common stock	69,201	69,201	69,201	69,201	69,201
Retained earnings	764,722	1,961,754	4,919,584	8,979,236	14,629,397
Total shareholders equity	833,923	2,030,955	4,988,785	9,048,437	14,698,598
Total liabilities and equity	981,548	2,049,341	5,548,900	9,764,123	15,663,744

the end of 2008 to \$15.66 million at the end of 2012. The pro-forma balance sheet indicates that the total shareholder equity of \$833,923 will increase at a rapid pace during the forecast period to \$14.69 million; indicating solid returns to the Company's shareholders over the initial five year period of operations.

