

FOR INFORMATION ABOUT HERTZOGUD (tm)  
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OPERATING & INVESTMENT PLAN

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(1) OVERVIEW

Described herein is a sportswear production and national marketing venture aiming at multi-million dollar annual sales. It offers the benefits generally only possible in start-up operations -- i.e., low investment, high potential return -- yet is without many of the risky unknowns inherent in most start-ups. The dynamics and costs of the general business of marketing sportswear are fully known and, in the company's beginning stages, production and distribution will be contracted out to qualified (successful) operators.

What makes the Hertzogud (tm) product different is ownership of copyrighted designs targeted at a specific market niche which is, as yet, unexploited. A new unexploited market niche is, of course, the stuff market professionals dream of finding; and it is for the investor to decide whether that is indeed the case. The related question to be answered is whether the Hertzogud (tm) designs will appeal to that market.

Given a real market and appealing designs, cost and minimum return level projections are a matter rather forthright calculation. Market professionals do like the product and see 1.75 - 2 million dollars in first year sales as a reasonable projection. In a worst-case approach, the analysis in this document uses one third that level as a projection of first year sales and still predicts extraordinary profit. The company will be capitalized for well under one hundred thousand dollars, and even the conservative base of first year sales at one third the practical expectation indicates company value quickly rising to several million dollars.

At the time of this report, product samples are ready to put in the hands of market representatives, requiring new capital of less than four thousand dollars. Market performance will, of course, determine company and share value. Success will remove the only real investment unknowns, significantly raising share price; thus, those who will profit most will be those who invested before this point. Should the product not move in the market (highly unlikely), the company will cut its losses, liquidate, and return what is possible to investors. Stock shares are currently available (subject to change) at \$4.00 per share; reaching projected annual sales would put the value between \$30 and \$120 at that time, but positive movement of the product within even a few weeks would simply make shares unavailable.

## (2) THE CONCEPT

The long-term strategy is to establish the "HERTZOGUD" (tm) trademark as an enduring symbol of quality sports apparel and accessories. Initial recognition and public imprinting will begin with a base of trendy popular designs contrived to quickly capture public attention and a profitable market share. These copyrighted designs hitchhike upon a pair of current fads, exploiting both their recognition and acceptance factors. Long after the fads have faded, trademark recognition should continue based on a strategy of providing high quality, competitively priced products which still reflect the same attention-getting imagination of the initial designs.

The first products will be short and long-sleeved T-shirts, sweaters, and tank tops for the nation's 30,000,000 runners, as well as others involved in active "strain-and-develop" sports

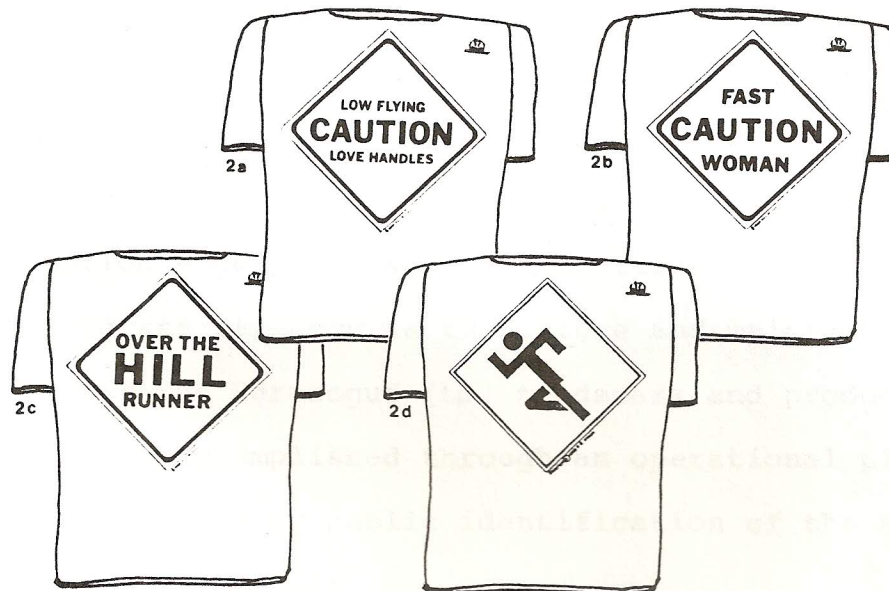
(eg. cyclists, aerobic exercisers, weightlifters, power walkers etc.).

It is toward this mind set that Design #1 is directed. Best described as a "Suffering Smiley", Design 1 has immediate appeal to these people; it also obviously establishes the base for public recognition of the trademark.



Design #1 may also be printed on the backs of shirts. Other variations will involve changes in the associated slogan.

Design #2 has several variations (2a - 2zz) all based on the current caution sign fad (eg., "baby on board") and will be printed only on the backs of garments, accompanied by the trademark (very small). Some of these are as follows:



Most of the designs have obvious humor appeal, and all have some degree of safety-consciousness appeal. The market value of such things has been clearly established by phenomenal sales of both the "baby-on-board" window signs and the subsequent humorous adaptations (eg. "Mother-in-law in trunk"). Somewhere in every runner's mind is the desire to promote driver awareness of the need for caution around runners, a need especially pronounced regarding cars approaching from the rear. Collision is not the only problem; crowding, stolen right-of-ways, splashing, and being forced off the road are all concerns of the typical runner.

— The humor in some of the designs directly takes the form of good-natured teasing that many runners take from their friends and family (eg., "low flying love handles", "over the hill runner"), tapping into a motivation for gift-buying.

As active sportswear, athletic T-shirts are not as seasonal as casual-wear T-shirts, being worn even outside in the very early Spring and into the late Fall. In any case, the Hertzogud (tm) designs are as applicable, and will be applied, to long-sleeve T-shirts, sweatshirts, and outer-wear. Merchandise will also include accessories like sportsbags, water bottles, iron-on reflector caution signs, and a permanent runner's reflector vest.

Overall market strategy is to capture and maintain maximum market share for the Hertzogud (tm) trademark and product line. This goal will be accomplished through an operational plan designed to sustain ongoing public identification of the Hertzogud (tm) name with four things:

- (1) Creative Product;
- (2) High Quality;
- (3) Low Price; and
- (4) Prompt Delivery.

(4) REVENUE AND EXPENSE(a) Overall Forecast:

With a total potential market of 30,000,000 runners as well as the huge numbers involved in aerobic exercise, weight lifting, cycling, power walking, and other "no strain, no gain" physical activity, the upper end of the potential profit scale may be calculable, but not honestly predictable. There is nothing like the Hertzogud (tm) designs currently on the market; they are priced well within what such people willingly pay for other T-shirts; the proposed budget is sufficient to tap that national market; and, the appeal of the designs to those who have seen them is extremely high (to be verified in a market test). The enormity of the T-shirt market and opportunity might be appreciated by the experience of one company profiled in the April 8th Lawrence Eagle Tribune. A Salem, N.H., company begun literally as a back porch operation with \$450 in capital now produces 7.5 million T-shirts annually with this year's expected sales at \$44 million. Thus, the upper-level profit potential is wide open: a business begun with less than thirty thousand dollars could see several million in not only annual revenue, but profit.

At the lower end of the revenue scale, to insure against loss, market appeal is being tested in a step by step process. The apparant appeal of the designs is verified again and again by "regular people" who see the drawings and are openly impressed; those in the business, including our supplier of printing

services, a project manager for a national supplier of designed T-shirts, and the highly experienced sales representative (GGA: see pages 5-6) all see the concept as logically sound and believe the product "should sell". It is time to produce samples and present them to the retail outlet purchasing agents.

Conservative projections of minimum sales levels, cash flows, and asset development are profiled in Table #1. Table #1 is based upon figures in Table #2 (page 11) and Table #3 (pages 12 - 14). Cash flow assumes starting capital of \$30,000.

TABLE 1: SALES, CASH FLOW, AND ASSETS  
(SOURCE: TABLE #2 AND TABLE #3)

ITEM	WITH FACTORING											
	JUNE	JULY	AUGST	SEPTR	OCTBR	NOVBR	DECBR	JANRY	FEBRY	MARCH	APRIL	MAY
SALES #:	-	600	1000	2000	3000	5000	6000	8000	10000	14000	19000	24000
NET DIRECT \$:	<760>	<1191>	2125	3225	4625	10350	3368	17865	19523	30697	37118	46015
INDIRECT EXPENSE \$:	10445	3520	3670	3020	2920	2920	3570	3220	2970	3570	2970	3720
NET CASH 30,000 \$:	18795	14084	12539	12744	14449	21879	21677	36322	52875	80002	114150	156445
INVNTY \$:	-	899	1724	1779	1779	1790	1790	1768	1790	1768	1790	1790
A/R \$:	-	2025	5400	10125	16875	27000	37125	47250	60750	81000	111375	145125
A/P \$:	-	980	5010	5010	8065	25387	23850	31777	25650	55627	75548	95400
ASSETS \$:	18795	16028	14653	19638	25038	25282	36742	53563	89765	107143	151767	207960
MONTH:	1	2	3	4	5	6	7	8	9	10	11	12