

**A Business Plan For:**

**Costa Pools, Inc.**

This Business Plan is confidential and the proprietary property of COSTA POOLS, INC., and shall not be duplicated or released to others without the expressed written consent of COSTA POOLS, INC.

## **Index**

|   | Page |
|---|------|
| Introduction .....                      | 215  |
| Summary of Funding Requirements .....   | 215  |
| The Corporation .....                   | 216  |
| The Management .....                    | 217  |
| The Products and Services .....         | 219  |
| The Facilities .....                    | 220  |
| The Equipment .....                     | 220  |
| The Market .....                        | 221  |
| The Marketing Program .....             | 224  |
| The Competition .....                   | 225  |
| The Financials .....                    | 226  |
| The Growth Potential .....              | 226  |
| The Diversification Program .....       | 227  |
| Summary of Business Plan .....          | 227  |
| Receipt for Copy of Business Plan ..... | 228  |

## **Introduction**

THIS BUSINESS PLAN AND ACCOMPANYING MEMORANDUM MUST BE READ IN THEIR ENTIRETY BY INTERESTED PARTIES. THIS BUSINESS PLAN IS, THEREFORE, QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF ACCOMPANYING MEMORANDUM.

COSTA POOLS, INC., is a privately owned Arizona corporation formed as a successor to COSTA POOLS, a company that has operated in the metropolitan Phoenix area in the pool service and repair business, with the same principal, since 1966. THE PRINCIPAL OF THE COMPANY HAS CONSTRUCTED APPROXIMATELY 400 POOLS. The recent incorporation of the company has been strengthened with the addition of an experienced director to face the anticipated growth. The principal owners remain the same.

This is a management team and company without a single customer or subcontractor complaint lodged against it in a lucrative industry where such complaints are all too often justified. This speaks highly of the integrity, morals, and ethics of the managing principal.

COSTA POOLS, INC., is in the unique position of not being committed to the metropolitan Phoenix market and, therefore, possesses the flexibility to design its future growth around the less competitive, more profitable, market centers consisting of Arizona's fastest growing master planned communities of CHANDLER and BULLHEAD CITY. The pool construction competition measured in these communities is less than 5 percent of what it is in the Phoenix metropolitan area.

It is the company's plan to take a leadership role in these rapidly-growing, master-planned communities. These communities represent a path of growth with the least resistance for the company, enabling management to utilize capital that normally would be required for competitive advertising programs, for services, and for inventory. Due to the growth and the lack of competitive saturation of these targeted master-planned communities, further opportunity arises in the lucrative ancillary, pool gazebos and outdoor furniture. These markets are at similar low competitive levels. Retail sales of pool supplies and accessories are a natural addition to the company's plans.

Typical of management's thorough planning is the company's plan to house corporate management and accounting in its retail outlet in a high traffic area. This element of planning minimizes overhead, tightens control, and maximizes market exposure.

COSTA POOLS, INC., therefore, has prepared this Business Plan, which is designed to capitalize on its impeccable reputation, and to take the lead in these targeted, high-intensity, low-competition markets.

## **Summary of Funding Requirements**

The company is offering a funding opportunity in the form of a combination capital loan, a line of credit, and a homeowners financing plan to interested financiers and the opportunity to become bankers and secured lenders to the company and a wide range of its homeowner customers. All financial transactions will be secured within the State of Arizona.

Paramount to the successful growth of COSTA POOLS, INC., is the requirement that it be able to grow at a fairly rapid rate to attain a leadership position in these new markets.

Such flexibility can only come from a flexible funding plan comprising a capital loan, a line of credit, and retail financing for the homeowner customers. Some floor-planning credit lines may be required for the company's retail store operation.

Specifically, the funding to be made available through this plan will be utilized as follows:

**1. Capital Loan.**

To acquire additional equipment.

To underwrite initial increase in cost of operations and new Chandler facility.

**2 . Line of Credit.**

To serve as future growth capital if and when required.

**3. Homeowner Financing.**

To provide a financing package to customer homeowners for financing pools, spas, and patio construction as home improvements.

**4. Floor Planning for Retail Store.**

To serve as required should retail sales volume of large ancillary items, i.e., gazebos, spas, and outdoor furniture require displays and promotional sales inventories.

These expenditures, together with the results thereof, will:

1. Increase line and volume of service and repair operation by 100 percent in a demand market.
2. Permit the company to realize prudent growth to a leadership role in its marketplace.
3. Increase sales, give the company the competitive edge, provide total service to customers; reciprocate courtesies to company's bank by referring all homeowners to the bank for their banking needs.
4. Enable the company to be the only single source, one-stop retail center for the market community.

The projected results of these financial support functions can be evaluated by examining this Business Plan in its entirety.

This Business Plan essentially involves the development of increased services and products to feed an existing, fast-growing, and underserved market. To fully capitalize on these plans, the following levels of financial support may be required.

### **Maximum Amounts of Funding Requirements**

|                                   |                 |
|-----------------------------------|-----------------|
| Capital Loan (Chandler)           | up to \$100,000 |
| Credit Line (Growth Capital)      | up to \$100,000 |
| Floor Planning (Retail)           | up to \$50,000  |
| Home Owner Finance Plan (Monthly) | up to \$75,000  |

### **The Corporation**

This is a privately owned Arizona Corporation, which began operation in 1966 as an unincorporated entity. The founding principal and current owner is Mr. Donald Shell, who formed the operation during his tenure as a Captain of the Cactus, Arizona, Fire Department. The company was incorporated in October 1993 as part of this Business Plan. The corporation is

authorized to issue 10,000,000 shares of common stock and has issued 150,000 shares to Mr. Shell, representing substantial control of the issued and outstanding stock of the corporation. The balance of the shares of the common stock is held in the treasury of the corporation.

The officers, directors, and managers of the company consist of:

Donald Shell, President and Director  
Nancy Shell, Secretary and Director  
James Shell, Vice-President and Director  
W. R. Tercell, Advisor and Director

Commensurate with the implementation of this Business Plan, the company's investment banking firm will appoint one of its senior partners to act in the capacity of director of the corporation and as a full-time advisor to management. This Advisor/Director has more than 30 years of hands-on management experience in the service and contracting fields and has agreed to serve in this capacity for the remuneration of \$100 per Director's meeting, plus direct travel expenses as required to assist the corporation in its business affairs.

The corporation is in good standing and is not a party to any legal proceedings at this date, nor has it ever been involved in any form of litigation or adversity. The books of the company have been professionally established by a Certified Public Accountant and will be maintained accordingly, pursuant to this Business Plan.

The books and records of the corporation will be audited by independent auditors on a regular semiannual basis, at which time certified financial statements will be presented to management. All such financial statements will be provided to the corporation's banks.

The corporation utilizes computer accounting for monthly operating statements and management control.

## **The Management**

**Mr. Donald Shell, President and Director**, has 27 years of management, training, and service-related experience. Thirteen of these twenty-seven years of experience were as a Captain of the Cactus, Arizona Fire Department, where he excelled in management, training personnel, and public relations. He served in each area of work over a sustained and lengthy period of time. Mr. Shell later served as Fire Chief for the City of Thunderbird, Arizona.

His management position with these municipalities in a stress-related field required only four-day workweeks and, therefore, enabled Mr. Shell to found COSTA POOLS in 1966. While operating COSTA POOLS in purely an ancillary position during this period, he still managed to have the company appointed as warranty service agent for the leading pool equipment and construction companies, including Black Hydro, Stay Now Industries, Inc., Northwest Motors, Ltd., Dade's Heaters, Inc., A. Eberling Corporation, and Langone Industries, Inc. The company became recognized as a qualified and reputable expert from the outset as a result of Mr. Shell's efforts.

Separately, and as a result of a personal interest in the projects, Mr. Shell functioned consecutively as Marketing Director and co-owner of electric and computer-oriented companies, wherein he gained six additional years of invaluable management experience.

He was born in 1934, has virtually perfect health, and attended Phoenix College, where he attained a GPA of 3.94—4.0.

It is anticipated that Mr. Shell will manage all of the bidding policy and supervisory field work of COSTA POOLS, INC.

**Mrs. Nancy Shell, Secretary and Director**, has 8 years of administrative, sales, public relations, and management experience. Three of the 8 years' experience was hands-on line management. Mrs. Shell excels in administration, computer operation, and public relations. She was formerly owner-manager of a computer-oriented company, where she gained extensive experience in the day-to-day operations of a company.

She was born in 1947, is the wife of Mr. Donald Shell, has virtually perfect health, and attended both Scottsdale Community College and Glendale Community College, where she majored in Business.

It is anticipated that Mrs. Shell will manage the administration and public relations of COSTA POOLS, INC.

**Mr. James Shell, Vice-President and Director**, has 17 years of hands-on experience in the servicing, repair, and sales of pool-oriented supplies. He has played a major role in the service of the company from its inception, beginning at a very early age.

His tenure with the company was temporarily interrupted during his college educational period.

James attended Oral Roberts University and attained a Bachelor of Science degree in Business Management, with a minor in Spanish Language.

His 17 years of hands-on experience in the pool business, coupled with his Business Management degree and management experience, make him a key employee. The family loyalty and first-hand interest further enhance his abilities.

James was born in 1955 and has virtually perfect health. It is anticipated that James will assist in the overall business aspects of the company, with emphasis on proper accounting, service, and planning.

**Mr. W. R. Tercell, Advisor and Director**, is a senior partner and co-owner in the Investment Banking Company of UNDERWRITERS INVESTMENTS CORP, LTD. He has 33 years of management and financial experience as a principal of various corporations. He is the former President of American Investment Bankers, Inc., Soccer Investment Division, and owner of five operating companies, including a Mortgage Banking and Brokerage firm, an investment management firm, a publishing firm, an energy development firm, and a full-service travel agency. Mr. Tercell previously owned and operated Word Inc. for a period of 10 years. Word Inc. employed 248 employees and operated 34 aircraft for the United States Government Top Secret and "Q" clearance projects throughout the world.

Mr. Tercell began his career as an Industrial Engineer with the Cool Radio Company (Rockcliff Corporation) in 1953 and advanced to marketing management. Later he was employed by Leer Inc. and functioned as head of Leer's Domestic and International commercial marketing operations until he formed his own company in 1968.

Mr. Tercell attended Glendale City College, Los Angeles City College, and the University of California at Los Angeles, where he majored in Business and Industrial Engineering.

Mr. Tercell is the recipient of numerous industry awards; has served as officer, director, committeeman or chairman of nine separate industry organizations; and has lectured before

the American Society of Tool Engineers, Association of Airline Presidents, Electronics Manufacturers Association, National Junior Achievement Organization, Mortgage Bankers Association, and others.

Mr. Tercell is known throughout most of the world for various business endeavors. His business biography is listed in *Who's Who in Finance and Industry*, *Personalities of America*, *International Who's Who of Intellectuals*, and six other international registries.

He will serve as a full-time advisor to management of the company for an indefinite period of time.

## **The Products and Services**

The company's business consists of marketing both products and services as follows:

### **1. Pools**

The company offers a wide variety of custom pool designs for the pool buyer at an average cost of \$15,000, including extras or add-ons, based on a 5-year history of purchases in the Phoenix metropolitan area.

### **2. Service and Repair**

This is perhaps the most active market area of the company, involving hundreds of customers. It is also the original product of the company. The service consists of short- and long-term contracts for maintenance of the pool chemical balance and scheduled cleaning of the pool. The repair portion of this service is a natural extension of pool maintenance.

The repair work consists of warranty work for manufacturers of pool equipment, i.e., pumps, heaters, filters, and other repair work at the request of the pool owners.

### **3. Decking**

Each pool includes standard decking, or a conventional amount of quality decking known as cool decking; however, the company offers expert craftsmanship in designing and constructing custom decking. In some cases, the extra custom deckwork approaches the price of the pool.

### **4. Spas**

The company offers a complete line of spas, both remanufactured and custom-built. Spa sales, installations, and service represent a substantial market of its own. One market for spas is the pool owner who demands the ultimate luxury of the added spa. The second, and very large, market for the spa is the space-limited homeowner, who is unable to purchase a pool due to space restrictions. A third, and ancillary, spa market is the therapeutics and recreational market.

### **5. Gazebos**

This market has steadily increased throughout the Southwest during the past decade. Gazebos are particularly popular in the Arizona area, due to the high temperature ranges. They are often purchased in conjunction with spa purchases and as accessories to patio and pool decor.

## **6. Patios and Patio Covers**

This market is quite often stimulated by the homeowner's purchase of a pool, especially with new homes. The pool builder logically has the inside track to this business. It is a logical and basic extension of the pool and new home. The company designs each custom patio and patio cover to meet the customer's demands.

This product is, however, often acquired by homeowners independent of any purchase of a pool. Patios and patio covers are the number-one home improvement made by owners of older homes. Once again, the vast Arizona market for this product is, in part, due to the extreme heat levels experienced in the area.

## **7. Outdoor Furniture**

This is an annual multimillion-dollar business in the State of Arizona. Not only is it the first accessory purchased by pool, spa, and patio purchasers, but it is expendable due to its direct exposure to weather extremes and rough recreational treatment by homeowners. While customers view this service as a convenience to themselves, it is, in fact, a very large and profitable business.

The company's products are all depicted in a professionally prepared, quality color brochure and other literature issued by the company, together with a price list for all products except custom items. The less costly sales literature is utilized for general distribution in developing interest and sales leads, while the more costly quality color brochure is presented only to known or qualified prospective pool purchasers.

## **The Facilities**

The facilities of the company are considered minimal for the sales volume generated. They consist primarily of:

- A single combination, commercial building, housing a retail sales outlet, warehouse, and corporate and administrative offices. This building consists of approximately 5,000 square feet with 3,000 square feet allocated to retail sales, 1,000 square feet of warehouse, and 1,000 square feet of general offices.
- An exterior display area of approximately 2,000 square feet, together with a security fence, is required directly adjacent to this building. Additionally, and to the rear of the building, is a security-fenced storage lot for company vehicles, equipment, and a chlorination storage tank.

This facility must be located in a high-traffic location of the community. The extended Business Plan calls for a second, self-underwritten, retail outlet during the third year of the plan and a major new building in the Chandler area during the fifth year of the Business Plan.

## **The Equipment**

It is the plan of the company to minimize company-owned equipment related to the pool construction portion of the business. The company will, for several more years, utilize subcontractors in the construction portion of its operation. This method of construction enables the company to parallel its direct expenses with income and, simultaneously, contract multiple jobs without the burden of a major debt service for equipment. This policy will apply to all pool construction, concrete, and patio contracts.



The service and repair operation of the company requires a moderate amount of equipment, including service route vehicles, service tools, chlorination storage facilities, and repair-shop tools. The retail sales operation of the company requires a moderate amount of equipment, including display counters, warehouse and store shelving, outdoor sign, one office set of furniture, cash register, and miscellaneous hand tools.

The general offices of the company, which are housed by the retail sales facility, require two office sets of furniture, a computer, telephone system, and various miscellaneous accessories, including copy machine, calculators, and typewriters.

### **Summary of Equipment**

#### *General Offices:*

- 2 sets, office furniture
- 1 computer
- 1 telephone system
- 1 set, office machines and equipment
- 1 radio, base communications system
- 2 executive automobiles for sales and company business

#### *Construction Operations:*

- 1 one-half-ton pickup truck
- 1 radio mobile system

#### *Service and Repair Operations:*

- 6 one-half-ton minitrucks
- 4 sets of service tools and equipment
- 2 sets of repair tools and equipment
- 1 chlorination, central storage supply tank
- 1 set of tools and equipment for repair shop
- 6 radio mobile systems

#### *Retail Sales Operation:*

- 12 sections, display counters
- 16 sections, steel warehouse shelving
- 1 outdoor sign
- 1 cash register
- 1 set, office furniture
- 1 set, miscellaneous tools and equipment

### **The Market**

The basic object of this Business Plan is to strategically position the company in a minimum-competition, high-demand market, with ongoing growth. Hence, the markets of Chandler and Bullhead City, Arizona.

In both markets there exists phenomenal growth in housing coupled with virtually nonexistent, local competition in the pool business. This situation exists only as a matter of timing. The pool industry has not yet responded to these vast markets. It is paramount to the company's long-term industry status to immediately establish itself in these available markets. Once established in these markets, it will serve as a deterrent to competition and allow for further

penetration of these markets prior to the entry of any measurable competition. The company's impeccable reputation will boost its efforts in establishing itself as the leader in these markets.

The company plans to service the Chandler, Arizona, market as a locally-based, owned, and operated company.

It will service the Bullhead City, Arizona, market through an alliance with home builders in the area and through local sales representation.

The plan is to group Bullhead City contracts, or schedule five or more contracts, for completion during the same period. This plan will be cost-effective and provide adequate service for the immediate market. The company's future plans make provisions for a second autonomous operation to be based at Bullhead City. This operation, although to be separated physically and financially, will be a duplication of the Chandler operations.

The company has made no plans beyond these markets except through its service and repair operations, whereby it will continue to serve existing and new clients located throughout the South Phoenix-Tempe-Gilbert-Mesa market.

### **Chandler Market**

1. There are no pool builders in Chandler or listed in the Chandler telephone directories through 1993.
2. There are only 3 retail pool supply stores in Chandler, serving a population base of more than 80,000, a ratio of 26,666 residents to each retail store.

#### *Sample Comparison:*

In the Phoenix metropolitan area there are 155 retail pool supply stores serving a population base of 1,900,000 residents, a ratio of only 12,258 residents to each retail store (approximately 633,333 houses and 158,333 pools).

In metropolitan Phoenix there are approximately 1,022 pool owners to each retail store. In the Chandler area there are approximately 3,111 pool owners to each retail store.

3. There are only 4 pool service and repair firms in Chandler serving the population base of more than 80,000, a ratio of 20,000 residents or 2,333 pool owners, to each service and repair firm.

#### *Sample Comparison:*

In the Phoenix metropolitan area there are 236 service and repair firms serving the population base of 1,900,000 residents, a ratio of 8,051 residents, or only 671 pool owners, to each pool service and repair company.

4. In 1980 there were only 29,673 residents of Chandler. This increased to more than 80,000 residents by 1989, an increase of 170 percent, or 21 percent per year. Current studies by the Department of Planning and Development, as approved by Maricopa County Association of Governments, project 93,341 residents by 1994, 104,342 residents by 1995, and 197,288 residents by 2000; a further increase of 147 percent, or 11 percent per year for the future.
5. Chandler is consistently one of the two fastest-growing communities in the State of Arizona (Bullhead City is the other).

6. New housing and new pool starts in Chandler have been:

| Houses  | Pools  | Ratio   | Pools/Houses |
|---------|--------|---------|--------------|
| 1990-91 | 3,548  | 262     | 7%           |
| 1991-92 | 1,876  | 727     | 39%          |
| 1992-93 | 3,238* | 1,184 * | 37%          |

7. The progressive mode of Chandler city officials toward developing the downtown financial district, Chandler Airpark, and Chandler City Center encourages future growth even beyond present rates and projections. The company's plan is to be a vital part of this growth.
8. There are approximately 540 pools constructed each month in the adjacent market of Phoenix. There has been an average of 1,029 new homes constructed each month (12,350 per year) in the Phoenix area since 1975. One out of every three of these new homes receives a pool. One out of every 35,186 older homes receives a pool (or 180 additional pools each month).
9. More than 40 percent of Chandler's residents are between 25 and 44 years of age and more than 75 percent of Chandler's residents have attended college, two important elements related to the pool market.
10. Chandler Airpark alone is projected to produce 22,000 new jobs by 1995 and 45,000 by 2005.

#### **Bullhead City Market**

1. The Bullhead City market area consists of 100,000 residents; 42,000 of these residents are located in Bullhead City and Laughlin, Nevada.
2. There are no builders located in Bullhead City or listed in the Bullhead City telephone directory.
3. There are only two retail pool supply stores located in Bullhead City, a ratio of 50,000 residents to each retail store. (See item 7 herein regarding temporary versus permanent housing.)

#### *Sample Comparison:*

Phoenix area ratio, 12,258 to 1  
Chandler area ratio, 26,666 to 1

4. There are no pool service and repair firms located in the Bullhead City market area.

#### *Sample Comparison:*

Phoenix area ratio, 8,051 to 1  
Chandler area ratio, 20,000 to 1

5. There are approximately 33,000 single-family dwellings located in the Bullhead City market area. Bullhead City population grew 60 percent from 1980 to 1985. In 1985 there were only 18,000 residents. This is projected to increase to 43,868 residents by 1995, an increase of more than 143 percent or more than 14 percent per year.
6. Bullhead City is consistently one of the two fastest-growing communities in the State of Arizona (Chandler is the other).

\* annual rate based upon new starts through June 30, 1993.

7. The rapidly-growing housing requirements of the neighboring Laughlin Hotel and Casino industry are forcing Bullhead City's growth. During 1991 and 1992 there were more than 10,000 new jobs created within the Bullhead City market area. For the same period there were 364 new housing starts and 494 temporary housing (mobile) starts. There was virtually no housing available in Laughlin (in 1992). Laughlin, Nevada, is one of the fastest-growing small cities in the United States and is located across a river bridge from Bullhead City, Arizona.
8. The Arizona Department of Commerce projects 14,294 new housing starts in Bullhead City by 1995.
9. There is no adjacent community or city to compete with Bullhead City (or Laughlin) for the influx of residents. Phoenix is located 204 miles southeast of Bullhead City and Las Vegas is located 73 miles northwest of Laughlin.
10. The new employee/residents are largely transfers from Las Vegas, Nevada, and Phoenix, Arizona, two of the country's most pool-oriented communities.
11. Bullhead City/Laughlin consistently records the highest daily temperatures in the United States (85.4 degrees annual average), the number-one known factor favorable to pool sales.
12. More than 80 percent of Bullhead City's residents (Laughlin employees) are between 25 and 40 years of age, a favorable age range for pool owners.
13. Demographers project that the neighboring Laughlin Hotel and Casino business will create more than 62,500 new jobs in the 1994 through 1997 period (about 11.5 service-oriented jobs for each of the 5,000 Hotel-Casino jobs).
14. New housing construction, as reported by the Bullhead City Planning and Zoning Commission, increased more than 500 percent for the period 1991 through 1992. It increased another 68 percent through July 1993.

## The Marketing Program

The company's marketing program is primarily dictated by demand markets as set forth in this Business Plan. Demand markets call for "service marketing" as opposed to sales-oriented marketing. Servicing a demand market drastically reduces the usual costs of competitive advertising and solicitation. It is every company's dream, but few have the insight to plan their company's growth around such markets.

Equally important in the planning and structure of the company's marketing plan is to recognize its competition as it is presently, and as it is anticipated to be at future periods. Therefore, this Business Plan is based upon a portion of known markets that the company can reasonably expect to capture. The conservative projections should in no way be viewed as negative or pessimistic. They are the company's guidelines to financial control, and experienced management knows that it is much less painful (financially) to grow than to recede.

The company's marketing program will consist of six key elements.

1. *One-on-One, Quality Brochure.* This is directed only to the qualified and interested prospective buyer. It consists of an embossed cover and eight full-color pages depicting the company's complete range of products and services. This brochure is comparable in all respects to those utilized by the leaders in the industry. The purposes: to give the company an edge over most competitors, to eliminate questions relative to the company and its products, and to carry forward the company's image of quality and ethics.

Brochures such as this generally eliminate from competition the independent, the unlicensed, and the unscrupulous pool builders that make up a large part of the pool builders serving the Phoenix area. Such brochures also enable the company to sell using representatives who are less than highly paid experts, while maintaining factual and controlled representations of the company products and policies.

2. *Advertising.* The company's media advertising is limited to strategically-positioned listings.
3. *Industry Interface.* Management's association with home builders, real estate agencies, and civic organizations generates a high level of referrals in the market communities.
4. *Vehicular and Facilities Decor.* The company's logo and image is conveyed to hundreds of homeowners every day, making it an acceptable entity in the market communities.
5. *Community Activities.* The company and its principals participate in and support meaningful organizations and functions, including the Chamber of Commerce and business-related organizations.
6. *Select Direct-Mail Brochure.* This envelope-size, foldover, low-cost brochure is an introductory piece only, directed toward generating inquiries from home buyers as recorded in city, county, and other records. It places emphasis on pool service and repair, because of the large number of homes being purchased that already have pools; however, it depicts the company's wide range of product and experience.

## The Competition

The company's competition is principally preoccupied with the massive Phoenix Metropolitan Area's 1,900,000 residents. The Chandler and Bullhead City markets are not only remote and bothersome to the metropolitan-based pool builders, but they represent less than 5 percent of their immediate market targets. This will benefit COSTA POOLS, INC.

It is a long-established marketing fact that local residents will trade with local businesses more than 95 percent of the time when an equivalent selection of products, prices, and services is available. The company's plans are to fulfill these requirements.

The known competition is the pool builders of the metropolitan Phoenix area. There were 76 such pool builders operating in 1993. There were 79 in 1992, and 73 during 1988 through 1991.

This establishes a ratio of one pool builder for each 25,000 residents for the metropolitan Phoenix area, compared with COSTA'S position in Chandler of one pool builder to 80,000 residents and in the Bullhead City market area, of one pool builder to 100,000 residents, a 300 to 400 percent advantage with respect to established residents.

The percentage growth rate in new housing construction of both Chandler and Bullhead City far exceeds the metropolitan Phoenix area (Chandler, 58 percent, 1993; Bullhead City, 500 percent, 1992 through 1993; metropolitan Phoenix, 2.9 percent, 1993). However, the overall current size of these markets is dwarfed by the massive metropolitan Phoenix market which is required by the larger pool competitors to sustain their volume and overhead. It is highly unlikely that the major competition will redirect effective efforts toward the markets of Chandler and Bullhead City in the near future.

The unknown competition for these select markets is the second- and third-level, small pool contractors. This is the segment of the industry where integrity and service problems prevail. This is the company's most competitive edge, its impeccable integrity and service. The com-

pany has prepared itself for this area of competition by becoming a locally owned and operated business and by the publication of quality literature featuring the company's record. The company projects that this level of competition will initially affect certain sales due to a period of public education; however, such competition generally results in added business for companies such as COSTA POOLS, INC.

The company anticipates the so-called copy-cat competition that traditionally follows any successful program. However, management believes that such competition will not appear until after the second year of the company's plan of operating in these markets.

The company believes that all such competition will serve to stimulate industry growth, more sales, and certainly, more service contracts.

## **The Financials**

### **Author's Note**

*As suggested earlier, the financial presentation portion of the business plan needs to be well prepared. If assistance is needed, contact a reputable accounting or other business firm that will be able to provide accurate, reasonable, and meaningful information.*

*As a general guide, the financial section may include the following data:*

- *Notes, definitions, and assumptions used in preparing the financial data.*
- *Profit and loss forecasts:*
  - years one and two by month;*
  - years three through five by year.*
- *Balance sheet forecasts:*
  - years one and two by quarter;*
  - years three through five by year.*
- *Cash flow forecasts:*
  - years one and two by quarter;*
  - years three through five by year.*

## **The Growth Potential**

The growth potential of the company's selective markets is phenomenal. It is one that must be prudently managed, not aggressively attacked for maximum sales. The rate of growth of these markets far exceeds the company's projected growth. The company's plans are deliberately restricted to approximately 2 percent of these markets. This is believed to be an easily attainable objective to reach and maintain with satisfactory profits and minimum risks.

This plan does not preclude the company's automatic growth as a result of its maintaining the 2 percent of these growing markets. As the market grows, so grows the company's position of 2 percent of the market.

The company's secondary plans for growth include a second full-service, autonomous operation at Bullhead City. This is expected to be in place prior to the end of the second year of this Business Plan at a time when the company has surplus capital available.

The growth of the company is limited only by management's conservative approach of slow, profitable growth. It is not within the company's plans to become the "biggest" or "largest," but to always be recognized for its quality and impeccable reputation.

The company believes that reasonable growth is one of manageable reality.

### **The Diversification Program**

The company is fully diversified within the pool construction industry by the product line it markets, which includes pool construction, spas, gazebos, patios, outdoor furniture, pool service, pool repair, and retail sales of supplies and accessories.

Part of the secondary diversification plan of the company is to purchase and own real estate related to its business, specifically, the facilities of its retail outlets and residential properties of the principals.

The long-term plan for diversification calls for the formation of a subsidiary finance company that will enable the company to build contract equities.

Since the company is service-oriented, it is difficult for it to accrue real assets. Therefore, a major effort is being made to increase its real-asset base over the term of this business plan. Management intends to build the company's asset base with:

1. Retained earnings
2. Real estate holdings
3. Contract equities
4. Equipment ownership
5. Inventory investments

These plans should lead the company away from the traditional weaknesses affiliated with service-oriented companies.

### **Summary of Business Plan**

This Business Plan has been developed by management from their more than 20 years of operating experience in the subject industry and with the assistance of professional consultants utilizing 33 independent and authoritative sources of data. Each representation contained herein is believed to be not only factual but conservative.

Emphasis has necessarily been placed on identifying the selected markets. The end results prove beyond a doubt that management has selected the most favorable markets in which to attain the desired profit levels. There are few, if any, markets that possess the attractiveness of the selected markets, which are virtually free of competition and rich with growth. Management properly points out that such market conditions exist only as a result of timing. The company's plan is to immediately assume leadership in these markets.

Paramount to the substance of this Business Plan is management's decision to restrict all projections, current and future, to a nominal, less than 2 percent share of the known markets. It is believed that this portion of the market can be attained with very little cost to the company at a very profitable level. Given all of these favorable factors, management has still

compiled all projections herein with less than one-half of the company's normal percentage of profit (28% versus 13%).

Despite the foregoing, a \$1,280,000 net profit is anticipated for the projected period.

### **Receipt for Copy of Business Plan**

I acknowledge that I have received a copy of the 1992 through 1996 proprietary Business Plan of COSTA POOLS, INC.

I acknowledge receipt of this Business Plan both as a responsible individual and as an authorized representative of the entity I have listed below.

I understand that this Business Plan is the proprietary property of COSTA POOLS, INC., and must not be shown to others, or reproduced in part or whole, without the express written consent of COSTA POOLS, INC.

I agree to immediately return this Business Plan to the company either upon completing my review or upon terminating further business interest in the plan. Under any circumstance, or event, I agree to return this Business Plan to COSTA POOLS, INC., immediately upon its request.

---

Company or Entity

---

Name

---

Title

---

Address

---

Telephone Number