

**AGREEMENT CONCERNING PARTICIPATING IN THE
DOWNTOWN RETAIL BUSINESS PROGRAM**

This Agreement, entered into this 21 day of May, 2009, by and between the Village of Lombard, Illinois, (the "Village"), Timothy J. Arado (hereinafter referred to as "Property Owner") and George Matejovsky (hereinafter referred to as "Business Owner"), doing business as a retail business at 112 W. St. Charles Road, Lombard, Illinois (said business location being legally described on Exhibit 1 attached hereto and made part hereof – hereinafter referred to as the "Subject Property"), with personal property being secured at 112 W. St. Charles Road, Lombard, Illinois.

WITNESSETH

WHEREAS, the Village, pursuant to Sections 36.70 through 36.74 of the Lombard Village Code, has established a Downtown Retail Business Grant Program (hereinafter referred to as the "Program") and, as such, will provide monetary grants to qualified business owners and property owners in the Eligible TIF Districts (as said term is defined in Section 36.71 of the Lombard Village Code) for the start-up of new businesses or the expansion of existing businesses in the Downtown; and

WHEREAS, this program will compliment and support the Village's plans to maintain a quality Central Business District; and

WHEREAS, certain businesses are desirable uses within the Central Business District and contribute to an economically strong Central Business District; a commercial area where the image, appearance, and environment encourage the attraction of shoppers; and

WHEREAS, the Business Owner wishes to participate in this program for a service business but with a retail component located at 112 W. St. Charles Road, Lombard, Illinois.

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt of which is hereby acknowledged by the parties hereto, the parties agree as follows:

SECTION 1: The Village shall grant up to \$10,300 for which Business Owner qualifies pursuant to the Downtown Retail Business Grant Program. Such loan shall be available to Business Owner and Property Owner upon the authorization of the Village's Director of Community Development, after receipt of satisfactory evidence that the project has been completed and Business Owner and Property Owner have paid all invoices for labor and materials in connection therewith. The maximum amounts of the loan identified in this paragraph are based upon the Business Owner's and/or Property Owner's expending for the projects no less than the estimated costs of \$20,600. In the event that Business Owner's and/or Property Owner's expenditures for the project are less than said estimate, the loan shall be reduced by the same percentage as Business Owner's and/or Property Owner's actual costs are less than the estimate.

SECTION 2: The Business Owner and Property Owner agree that the project will be performed in accordance with the application approved by the Director of Community Development of the Village of Lombard, and attached hereto as Exhibit 2 and incorporated in this agreement.

SECTION 3: The Business Owner and Property Owner will perform the following obligations in connection with the project:

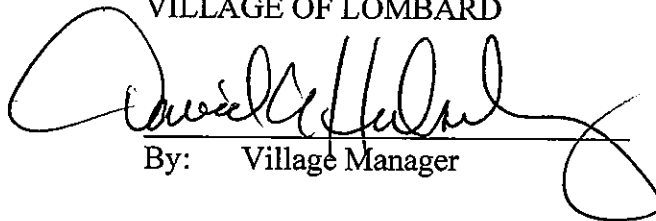
- a. Comply with all regulations and standards of the Village of Lombard Retail Business Grant Program and all applicable building codes.
- b. Take all reasonable action to assure completion of the project within nine months from the date of execution of this agreement. Failure to complete the project within nine months from the date of execution of this agreement may result in forfeiture of the loan and termination of this agreement.
- c. Allow inspection of the project by authorized employees of the Village to assure compliance with federal, state, and local regulations related to the loan, as well as compliance with applicable building codes.
- d. Maintain and allow access to the financial records that pertain to the project by authorized employees of the Village. At a minimum, all contracts, change orders, bills, invoices, receipts, canceled checks and partial and final waivers of liens shall be kept.
- e. Submit copies of all final waivers of lien, canceled checks, and invoices related to the project to the Department of Community Development.
- f. Submit to the Village a completed Illinois sales tax release form.

SECTION 4: The Business Owner and Property Owner agree to maintain the business at 112 W. St. Charles Road in accordance with all Village codes and ordinances and agrees not to substantially change the use of the interior space of the building for which this Grant was received for a period of not less than three (3) years from the date of this Agreement.

SECTION 5: The Owner agrees that this Agreement may be duly recorded against the property located at 112 W. St. Charles Road to serve notice upon future purchasers, assigns, estate representatives, successors, mortgages, and all other interested persons of the conditions outlined in this Agreement.

SECTION 6: The Village may suspend or terminate this Agreement if the Business Owner and/or Property Owner fails to comply with any of the terms of this Agreement. In the event of suspension or termination, the Business Owner and/or Property Owner shall be required to repay any amount of the grant disbursed.

VILLAGE OF LOMBARD



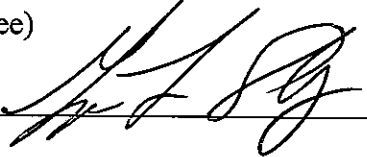
By: Village Manager



Attest: Village Clerk

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112 W. St. Charles Road
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BUSINESS OWNER
(Lessee)

By:  _____

Address 112 W. St. Charles Rd.

City, State Lombard IL 60148

BUSINESS OWNER
(Lessee)

By: _____

Address _____

City, State _____

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PROPERTY OWNER

By: _____

Address _____

City, State _____

PROPERTY OWNER

By: _____

Address 5745 N. LINCOLN AVE Suite 20

City, State Chicago IL 60659

STATE OF ILLINOIS)
) SS.
COUNTY OF DUPAGE)

I, the undersigned, a Notary Public, in and for the County and State aforesaid, DO
HEREBY CERTIFY that DAVID A. HULSEBERG, personally known to me to be the
Village Manager of the Village of Lombard, and BARBARA A. JOHNSON, personally
known to me to be the Deputy Village Clerk of said municipal corporation, and
personally known to me to be the same persons whose names are subscribed to the
foregoing instrument, appeared before me this day in person and severally acknowledged
that as such Village Manager and Deputy Village Clerk, they signed and delivered the
said instrument and caused the corporate seal of said municipal corporation to be affixed
thereto, pursuant to authority given by the Board of Trustees of said municipal
corporation, as their free and voluntary act, and as the free and voluntary act and deed of
said municipal corporation, for the uses and purposes therein set forth.

Given under my hand and seal this 5th day of June,
2009.

Diane M. Jantelezio
Notary Public

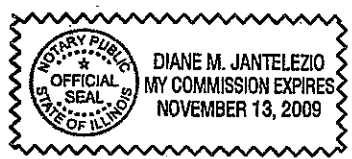


EXHIBIT 1

Legal Description

Lot 7 (except the East 125 feet thereof) in Block 11 in the Town of Lombard, being a subdivision in the northeast quarter of the northeast quarter of Section 7, Township 39 North, Range 11, East of the Third Principal Meridian, in DuPage County, Illinois.

PIN 06-07-204-028

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EXHIBIT 2

Application

**DOWNTOWN RETAIL BUSINESS GRANT PROGRAM
APPLICATION**

1. A. Building Address: 112 W. ST CHARLES ROAD
B. Property Identification Number: _____

2. A. Business Owners Name: GEORGE SKY MATEJOVSKY
B. Business Owners Address: _____
C. Business Owners Phone (daytime): (630) 247-5750

3. A. Property Owners Name: TIM ARMED
B. Property Owners Address: 5765 N. LINCOLN AVE SUITE 20
CHICAGO, IL. 60659
C. Property Owners Phone (daytime): (630) 1-773 275-7745

3. Lease Terms: 5YR w/ 5YR OPTION

4. Description of Business (use additional paper if necessary):
FAMILY MARTIAL ARTS School. WE SERVE +
SELL RETAIL PRODUCTS TO THE COMMUNITY - WE
HAVE OVER 180 STUDENTS THAT REGULARLY VISIT +
PURCHASE PRODUCTS. WE ALSO SELL PRODUCTS TO OUTSIDE
WORK IN CUSTOMERS. PRODUCT LINES OF NUTRITION / SUPPLEMENTS
+ PRODUCTS + SUPPLIES WILL NOW BE AVAILABLE.
5. Proposed Improvements associated with the project (use additional paper if necessary):
BUILD OUT HIGH END RETAIL AREA. PRODUCT WALL
DISPLAYS + LIGHTING + FLOORING - STEELING + RETAIL
COUNTER - FOUNTAIN w/ WATER AT ENTRANCE
ENCLOSURE OF RETAIL AREA.

RECEIVED

4-7-09
CR

6. Plans/Drawings prepared by:

A. Name: _____

B. Address: _____

C. Phone (day time): _____

D. Estimated Cost of the project: \$ _____

7. Statement of Understanding.

- A. The applicant (undersigned) agrees to comply with the guidelines and procedures of the Downtown Retail Business Grant Program and the specific design recommendations of the Director of Community Development.
- B. The applicant must submit detailed cost documentation, copies of building permits, and all contractors waivers of lien upon completion of work.
- C. The applicant, owners, and all contractors must comply with all federal and local regulations (see the attached list).

Business Owner Signature _____ (Date) 4-7-09

Property Owner Signature Tom Ansel _____ (Date) 4-7-09

Return application to:

Village of Lombard
Community Development Department
255 E. Wilson Ave., Lombard, IL 60148
630-620-5746

Cost Estimates

Sky Centers Martial Arts -112 St. Charles Rd.

Retail Area

Flooring	3000.00
Paint-Wall/Ceiling Repair	5500.00
Water Sculpture	4000.00
Media flat panel screens	1000.00
Media material/install	2000.00
Retail Counter	600.00
Front Retail Computer	2000.00
Lighting Fixtures	500.00
Misc. Materials	500.00
Retail Slot board/Plywood	1000.00
Retail Bamboo décor	70.00
Retail Furniture wood wall	1000.00
Retail Slot board hardware	500.00
Graphic Designer retail	500.00
Retail chairs/seating	300.00
Graphics for retail area	<u>600.00</u>
	24070.00

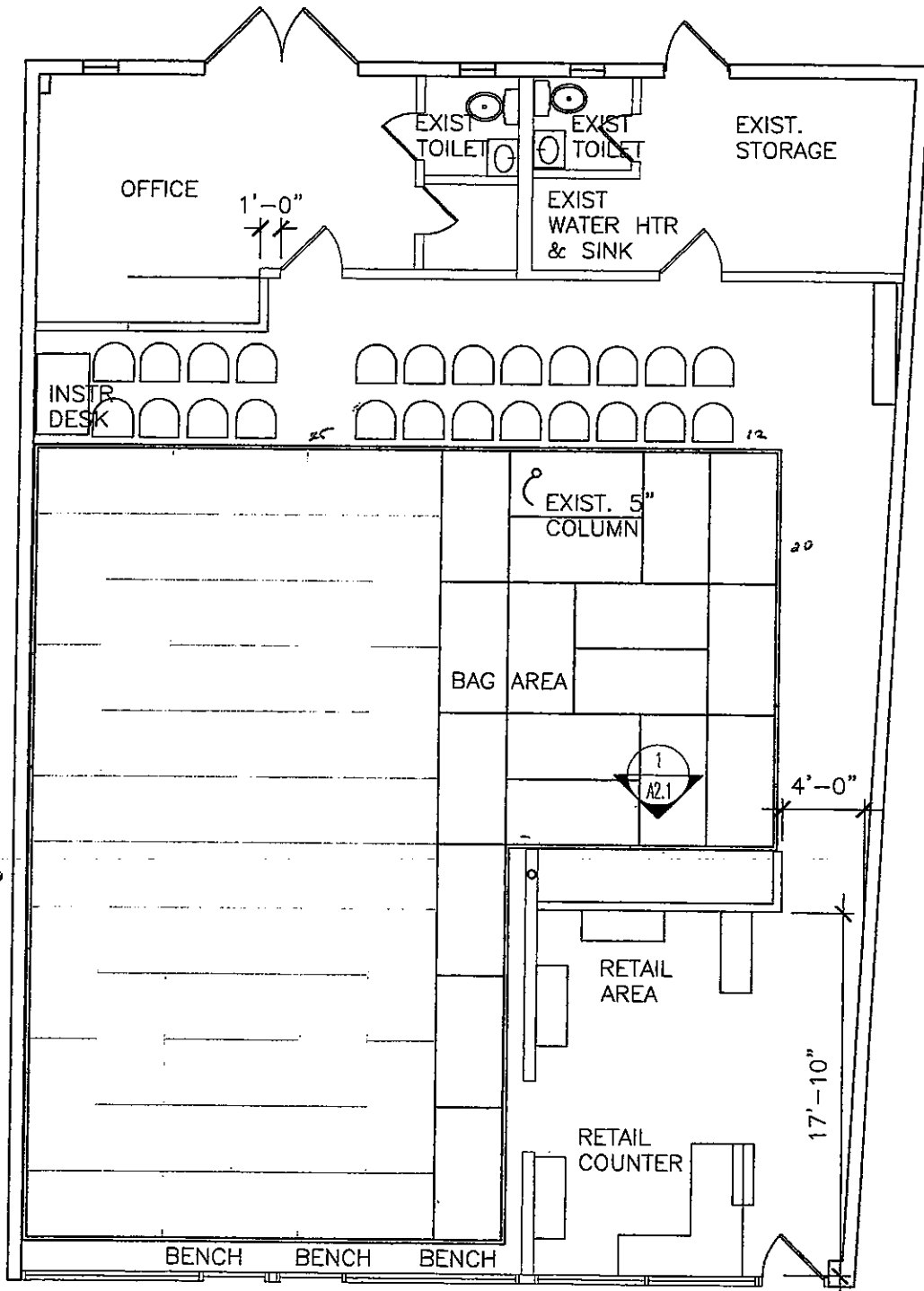
General Area

Mats	2500.00
Dragon Sculpture	4500.00
Fire Extinguisher service	85.00
Floor sealing/repair	1800.00
Certificate of Occupancy	100.00
Computer Tables/Desks	500.00
Office Chairs	300.00
Dragon Painting	500.00
Spectator seating/chairs	800.00
Shoe Cubbies	500.00
Coat Racks	200.00
Instructor Station	200.00
Wooden mat border/install	500.00
Misc. Signs/restroom	200.00
Mirror installation	300.00
Product storage shelving	735.00
Pole column Safety Pad	<u>150.00</u>
	13870.00

Fascade Improvement

Signage	8000.00
Window decals	500.00
Wood Trim for Lower Panels	300.00
Replacement flange	1000.00
Outdoor flower boxes	<u>300.00</u>
	10100.00

Estimated Build out Costs: 48040.00



A. Description of Sky Centers

1. Sky Centers is a martial arts and fitness school specializing in the development of Mind and Body qualities in a unique, state of the art curriculum that allows for the development of a positive spirit.
2. It is headed by George "Master Sky" Matejovsky who is a 25 year veteran of professional martial arts and fitness.
3. The martial arts movement in the United States started off in the early 1960's when Veterans returning from the Korean War and brought back martial arts skills that they learned from instructors overseas and wished to continue training. For the next 10 years traditional karate schools started popping up in the United States catering to tough guys that wanted to get the discipline and hard core training. In the early 1970's Bruce Lee mainstreamed the martial arts fantasy and curiosity when he became a legendary movie star. He is also one of the first Martial Artist to challenge to old traditional training formats and platforms in the martial arts. In the 80's and 90's parents became aware of the benefits of martial arts through movies such as Teenage Mutant Ninja Turtle and Karate Kid Movies.
4. In the early and mid 2000's martial arts schools began popping up all over. Main stream martial arts had arrived. TAE Bo became a fitness fad and lasted a few years because there were no benefits other than fitness. Most recently with the emergence and demand for quality family martial arts and wellness programs that can benefit family members on a personal development level as well as a family, as well as the worldwide popularity explosion of Mixed martial arts competitions like the UFC, has led to the reduction in schools qualified to teach and keep up with the evolution of martial arts and business. In addition, advent of identification and cultural embrace, childhood diseases like HDAD, the spectrum of autism, multiple needs, behavior disorder, severe handicap, child or adult, all have benefited from the martial arts programs available at Sky Centers and all have seen measurable results. Teachers, aids and social workers all have seen a difference in how these students and participants have been dramatically changed through our program classes. Only martial arts schools like ours that have embraced custom tailored programs with quality instruction are thriving.
5. Sky Centers has evolved over the years and implemented customer feedback loops to receive monitor such feedback from customers, vendors and peers. We are constantly establishing networks to continue

providing the highest quality and safest products and services. The continual evolution and refining of the system was started early on the 1980's and continues to this day. We as a Black Belt school, continue to work to earn trust and respect with our members, family and the community. We continually keep up to date through international and national business associations and well as a myriad of master instructors and successful school business owners. Our mission is to raise the standards for the martial arts as well as the business and retail industries. Staff continually receives classes and certified instructor training through Sky Centers, and also receive feedback and coaching through outside sources, which includes: national instructor college's, student service and retention, marketing and advertising, retail sales and promotion, school evaluations, as well as weekly feedback and education from educators, mentors and industry leaders. Another consulting firm and business partner for over 8 years is Educational Funding Company. EFC is responsible for our tuition billing and collecting as well as consulting, workshops and networking and top in the industry worldwide. There reputation is unprecedented. Top MMA schools and related organizations are seeing an upheaval in business of MMA. Retail spaces with quality locations can provide a school with room for a pro shop to sell products and safety type equipment for internal as well as external customers. Only schools that have embraced the family programs and structured personalized programs as well as the MMA programs in quality retail spaces with pro shop sales and service are thriving. Sky Centers is specifically focused on teaching family martial arts to increase qualities of respect and self control, focus, volunteerism, leadership and self discipline for the kids, while providing measurable stress reduction, self esteem, fitness, peace and happiness and well as community service and socialization for the adults. Tie this all together with quality family time that like no other activity can offer.

6. Networking and consulting with local state, national and international organizations has been instrumental in the growth and sustainability of Sky Centers. Developing structures systems and increased knowledge in the specific growth areas being targeted have been one of our greatest advantages. Volunteering and networking locally has proven beneficial as well. Building trust and integrity as well as being mentored and educated by top local professionals and leaders is something that I believe have given me the opportunity to receive the distinguished service award for Respect in

2007. A new space can allow for meetings, gatherings and local networking to continue in a downtown central location with plenty of space for daytime meetings and networking. In this economic environment it is critical that all local business' network and cross promote with each other to help create growth and job opportunities locally. This space will also allow for the continuation of hosting and providing free community events and seminars. .

7. Addressing children with special needs: Sky Centers has been involved with special needs children since the beginning. We teach Autistic BD, MN, ADHD, MS, just to name a few. Autistic kids have seen the greatest benefits from our program. There is a large spectrum of autistic children and Sky Centers has the ability and leadership to effect direct and measurable results. The teachers, parents and aides are seeing sustainable results and the review and testimonials are extremely positive. The need for alternative programs for all special needs and autistic kids is growing at a fast pace. Sky Centers has been in that forefront and will continue to be a leader in this alternative direction.

B. Features and Advantages of our services and products

1. Our foremost advantage over our competition is the creativity and technical skills of Master Sky. His peers and community recognized him in 2009 by awarding him The Distinguished Service Award for Respect from the Village of Lombard and Lombard Jaycees.
2. Another reason students are drawn and satisfied is our cutting edge structured programs including professional caring instructors; custom developed structured programs with measurable results, clean facility, a family atmosphere, along with continual goal setting and support. To ensure this is self sustainable, we strive for leadership, customer service excellence, clean facilities, personal training levels, fun and exciting atmosphere, socialization, and helping the community stay strong and structured in this current economic climate.
3. Sky Centers staff is actively involved with a top martial arts consulting company in the world, which creates the advantage of implementing the strongest and latest systems to grow a business. This will continue to evolve and allow for a skills transfer from successful multi-chain schools into our growing and profitable market. Skills transfer from owner to owner, instructors to instructors, including training

and advancement seminars, certifications as well as directors to director on the advancement and growth of our featured programs and services.

4. We provide the highest quality and safest equipment available today. We are direct suppliers of numerous brands including Century Martial Arts Supplies. Century is the world's largest supplier of martial arts equipment. We are honored to have received the MARK OF EXCELLENCE award in 2008 presented by Century Inc. for our contribution and dedication to the martial arts.
5. Our structured programs begin with an 8 month Basic Training Program for all new students. They develop skills and body conditioning that allows them to start experiencing better health and vitality while preparing the body for more rigorous demands. When a student has shown all of the required skills and proper mindset they qualify to be nominated to the next level of training called Black Belt Club. This 36 month upgrade allows students to participate in basic sparring skills as well as basic weapons training and basic escape self defense as well as additional classes and discounts on various Sky Centers activities. Once a student is upgraded into BBC they can then work and qualify for Master Club. Here in the MC 36 month program students receive all the benefits of BBC with the additional entitlement to unlimited classes, they learn advanced self defense, advanced sparring , advanced weapons as well as grappling and aerial kicking. This level also allows them to qualify for our highest level upgrade which is TEAM SKY ELITE which is our Competition and Demonstration team. All students must be nominated by a staff member or instructor and then voted on to receive a nomination card. Certain criteria must be met before someone can receive a nomination. for young students including honor roll status, high levels of respect, self-control, self discipline, volunteerism and dedication are just a few of these such requirements. Structured programs allow for a lifestyle outline based on physical, mental and spiritual skills that all age groups necessitate to improve and enhance their life experiences.

These structured programs are successful because they address each age group based on life experiences, and they do not blend the needs of these age groups into one format. It allows for a foundational and progressive program that creates the continual success patterns both mentally and physically for those we see throughout all age groups. As one student learns the foundational needs of

the basic curriculum they are allowed to then build on that foundational block and continue to grow with a progressive reward system.

Sky Centers fine tunes the base program structure to each individual student's needs. They progress and advance at their individual pace. We guide, direct and motivate all students to believe in and focus towards constant and never ending self-improvement. We understand that we must give to receive. We do unto others as we would have done to us.

6. With the recent international recognition by Team USA , USAFPA and FILA (the international governing body for the IOC (International Olympic Committee) Sky Centers has qualified as an official USAFPA Olympic Training Facility. This will help growth in the MMA and competition market. Specialized programs and satellite facilities will be set up in the event that the 2016 Olympics are hosted in Chicago.
7. The martial arts and fitness industries have variable and fixed pricing packages and pricing has been fairly stable. Sky Centers takes instruction seriously, and takes time to ensure suitability of instruction is consistent with program selected. When students enter into a program, there is a contractual relationship to enforce this development. 6, 8, 12, and 36 month packages with prices range from \$800 to \$7,660.
 1. Basic training ranges from \$199 down and \$125 per month for 8 months (\$1,199)
 2. Black Belt Club Programs are \$195 down and \$150 per month for 36 months \$5400.00
 3. Masters Club Program \$ 225 down Payment \$180.00 per Month for 36 months \$6705.00
 4. Master Elite Program \$ 299.00 down \$ 205.00month for 36 months – \$7679.00
 5. MMA Program \$99 down 117.00 month for 6 months =\$ 801.00
 6. Lastly, private lessons are offered by instructors (such as Master Sky).

Average rates are:

- a) Single 1 hour session \$140.00
- b) Package of 4 = \$540.00
- c) package of 8 = \$880.00

8. Products are also a revenue source for the school and are included in certain packages. For example, there are equipment package pricing for Black Belt Club members, who will need them as part of their basic weapons and sparring training.
1. Mandatory equipment packages for basic training run about \$100.00 BBC and masters club packages run \$300-\$500 In addition Team Sky Elite packages for competition and demonstrations requires the elite weapons and sparring package around \$700.00/student.
 2. Additional and supplemental training equipment comes in varieties of sizes and applications. Equipment used for home training and practice adds additional revenue from retail sales of approximately \$100/student a year.
 3. Martial Arts fashion apparel as well as Sky Centers Logoed equipment and apparel has seen an uptrend in retail sales. On average, this adds incremental revenue of approximately \$50/student a year.
 4. Nutritional supplements and vitamins are a common need and sought after retail item. Sky Centers intends to supply a line of products to tap into this retail opportunity.
 5. Teas and Herbs. A highly sought after product for Martial Artists. Sky Centers celebrations offer a free tea ceremony prior to each Black Belt Promotion Ceremony. This has added to an increase in requests to supply these types of teas and tea products such as tea pots, cups strainers etc. Anticipated increase in retail sales of 100.00 per student. Additional Herbs for healing and body soreness are expected to generate additional retail purchases.
 6. Educational books and DVD's have seen an uptrend in sales. DVD's from other professionals will be sold in the retail pro shop. Professional DVD's from Master Sky as well as a published book with subjects including motivation and instruction are currently in the design stage and will be sold worldwide as well as in the Pro Shop. Increased pro shop sales of these items are estimated at \$60 per student per year.
9. It is well known among quality martial arts schools that in many cases under pricing your products will lead to fewer sales due to a lack of confidence in a low cost service. Our competitive advantages are the

experience of Master Sky, our educated and courteous staff, the professional programs, our storefront, our products and our personalities.

10. The school grew to 175 students by the end of 2008. This was an increase of 75% from 2007. It is estimated that families would spend \$2,000 year on fitness¹. Our goal for 2009 is 230 students, which is a conservative estimate of a 31% revenue growth rate. Our long term (5 year) goal is to capture a .05% market share of the families in DuPage County or approximately 1,180 students, as explained in section 3 below.

a. Our average revenue per student in 2008 is: $1,300 \times 160 \text{ students} = \$208,000$ in revenue.

i. Our average profit per student is $\$300 \times 175 \text{ student} = \$52,500$

b. Our expected revenue in 2009 is $\$1,500 \times 230 \text{ students} = \$345,000$

i. Our expected profit per student in 2009 is $\$350 \times 230 \text{ students} = \$80,500$

11. Our potential is great, as our past performance and potential for market share shows. Interestingly, the downturn in the economy has created an upturn in interest. Note that we have also tried to slow growth through the raising of prices and that the numbers in 2006/2007 were due to an under priced programs/product or underpriced promotions to create market share.

C. Market Research and Analysis

1. Clients – Our students are a mix of both male and female and range in ages.

1. Little Dragons: Preschool 3-6 years of age. This pre-school age group is the most energetic and happy of all. Little Dragons can start as early as 3 years old and graduate at age 6-7 into our junior program. This student base is at a beginner level of interactive and socialization skills with other children. They are usually lacking controlled focus and very playful. Parents and teachers of these students seek out Sky Centers for respect, self-control and sitting still skills and controlling feeling and aggression. These are skills that are taught to their children as well as the parents to give them the tools to help these young students achieve a controlled

¹ Conservative estimate based on fitness only research and student interview statistics based on existing payments. This is conservative because the % families spend on maintaining their health is a second component, so there are actually two different, but related areas (Health and Fitness) and if you include drugs and therapy for preventable illnesses it's likely close to half a trillion per year. Preventable illness alone makes up 90% of all healthcare costs.

direction to put their energy. Focused attention is a key element that this age bracket tends to need most. Typically, families of students with controlled and channeled energy are having a greater quality of life for the child and family with less stress and anxiety. Most Little Dragons have siblings older and/or younger in age. Parents are mostly double income families that are middle or upper middle class.

2. Juniors: 7-15: Typically 50% male and 50%female. Over half of these enrolled students are honor roll students. Many students will increase 1 grade point in the first 6 months of enrolling at Sky Centers. The majority of this segment has at least one sibling. Most are from 2 parent families with either both biological parents or remarried. Single parents and custodial grandparents find Sky Centers a great way to add structure and stability for a child of one parent or divorcing household or non-active parents. All students in this category are looking for guidance, fun activities, challenging exercise, confidence and friendship networks that have the same values and belief systems. Most students are under the local school in the Districts 44 and 45 umbrellas. Exciting, motivated, and goal attaining classes developing life skills and leadership qualities through martial art belt advancement structures are what students at this age are asking for. This generation is smart and they know exactly what they want. Large portions of this student group also attend some type of summer camp or child care during the non-school months.
3. Special Needs Students: Autistic, MS, ADH, as well as MD, BD. Parents, teachers and aides of special needs children in this category are seeing dramatic and incredible results, using our program. We have seen an increase in parents and teachers who are seeking out our special needs programs through the referrals of those who have seen the unprecedented results. Special Needs teachers as well as all educators have unanimously agreed that our instructors and programs have a direct effect on a student's education and growth. After expanding our daytime programs to include NWSRA leisure education programs, educators have seen exponential changes and excitement in the students that attend. Master Sky's ability to reach out to each of these students on an individual and group basis and create a lasting bond with

them is a unique talent. We have increased our special needs classes 100% from 2008-2009 and expect to double again in 2010. In February 2009 we signed a contractual agreement with NWSRA and Schaumburg Sports Center for satellite classes teaching special needs programs. We look forward to growing our special needs program in our local community as well.

4. Adults 18-34: These are typically both female and male students that are either college graduated or in the working force. They tend to look for the healthy athletic workout and physical benefits of training. As they grow into the system they find that there is more to the system than physical exercise. They look for martial arts for controlling compulsion, family parenting and leadership skills as well as weight management and stamina. Students in this category are also attracted to the MMA system of training that is geared toward the physical side. Most in the MMA classes do not want to compete in events yet want to train hard as if they are. They have careers and need not be injured or bruised due to training. Those that are willing to go to the competitive level will likely be in the 18-24 group and will also be a large portion of the student segment for Olympic Pankration training for 2016. Most do enjoy the hard workouts and challenging curriculum. They are middle and upper middle class went to local high schools and come from college educated parents and families. Our students typically work full time and support themselves. The higher age bracket in this category has started a family and is in a double income situation.
5. Executives 35+: Typically male or female 35-65, upper middle class. Our students 55-65 are working professionals, or retired with a college education and a family. Usually have a sense of local pride, an appreciation and/or need for health and fitness. Some clients in this age group lived in the city of Chicago and moved to the area to raise children. Our students 35-45 are middle, upper middle and higher class with professions such as teacher, doctor, police, attorney, corporate sales or tradesman, and even an entrepreneur millionaire listed in Chicago Crain's Top 40 under 40. Many are parents with children currently enrolled in our programs. Again, they almost always have a college degree and have a sense of fun, family, personal growth and working out to stay healthy and achieve presence and peace. Some students

work at insurance companies, medical professionals, realtors, charities, financial service companies, publications and manufacturers. High quality, well thought out, structured programs by instructors with similar life experiences are required and appreciated by executive students. Our 35+ find that the atmosphere of personal attention to specific personal needs help deal with issues involving personal challenges like death, poor health, depression and anxiety as well as family issues including divorce, re-marriage and family crisis like loss of job or home.

2. The market for all of these student segments is vast. The key is the trend towards physical and mental health/fitness and awareness. Ironically, as mentioned above, sales are increasing during the economic downturn and our enrollment percentage is up 30% over last year at this time. Families are putting off costly trips to Vail and the Caribbean and instead are focusing on self improvement and personal development.
3. In the communities of Elmhurst, Villa Park, Lombard, Carol Stream, Glen Ellyn, Wheaton, Naperville, Downers Groves and Oak Brook there are approximately 35 martial arts schools. In DuPage County there are 236,252 families with an average income of \$75,200. The average median age is 28. We are looking for a mere 0.5/100th (1/2 of 1%) of a percent of the market share or approximately 1,180 students.

D. Estimated Market Share and sales

1. As mentioned in the previous entry there is plenty of market and we need a very small share. Approximately 0.5/100 of the market is more than we could handle and do not wish to be the biggest, just the best value for the money.
2. The very best martial arts schools do not rely solely on advertising; they create relationships and service clients so that their referrals are their business. We are continuing to as well as creating these relationships with not only our clients but local corporate partners such as Sweet Street, Park Ave Cleaners, Bricks Pizza, 20 West Wine and Spirits, Fairy Tails, Clancy's Butcher. Capone's restaurant, 7-11, Lombard Toyota, Our education relationships are expanding to include partnering in education with organizations such as Junior Achievement of Greater Chicago, NWSRA for

special needs recreation, school districts 44, 45 12, 59, 54, and Salt Creek district 48. Community relationships include, the Lombard Chamber of Commerce, Lombard Towne Centre, Helen Plum Library, Village of Lombard, Merchants Care, and Outreach House, We will continue to take part in Lombard Towne Centre and Lombard Chamber events and host events such as our Community Open House which occurred last March, as a way to give back to the community and meet potential clients.

3. Our pricing is average for independently owned martial arts Schools and low for an award winning martial arts and fitness instruction. Our clients often comment on how they brag about the value and benefits to friends.
4. Since professional martial arts and fitness can be considered a luxury item by some students, we rely on repeat business from relaxed and happy clients our sales are very relaxed and encouraging.
5. As mentioned we will be advertising but will focus most of our marketing on web based excellence, event driven awareness and a continued involvement with local organizations.

E. Design and Development Plans

1. We have achieved 85% of our goals from 2008, which included a clean and modern look to the present location with high tech office and a clean and pleasing greeting area for parents and other prospective students. By outgrowing our present location as outlined in our operations plan below in section F-3, we are on schedule to relocate to our new facility which will be open May 3 2009. Our grand opening and ribbon cutting will take place on May15 and the open house and pig roast will be on May 16 2009. We look forward to enlarging our retail space as explained below in section F and allowing more mat space for students as well as expanded space for parents and spectators to observe and socialize during classes. We will also be offering Wi-Fi access to students and parents for homework as well as web browsing. We pride ourselves on keeping our school a clean and professional facility as well as a creating a modern welcoming image so that residents and clients have something new and exciting to experience when entering the school.
2. The extent of the rehabilitation of the new location includes increased retail space and display furniture, shelving, flooring, multimedia systems, retail counter, retail walls fixtures, art sculpture

and paintings. Cost estimates are estimated at \$30,000. Exterior façade improvements including signage, lighting, window decals, wood trim is estimated at \$10,000.

F. Operations Plan

1. Sky Centers is located in historic downtown Lombard on a state highway known as St. Charles Rd. Commuters can see our large display windows while at the Lombard stop.
2. Our current 2400 square foot school which has a padded dojo flooring with heavy bags, mirrors, a small waiting area, small kitchen, small back room for introductions, and a front office. Previously a manufacturing space, the improvements made were to replace floors, cosmetic updates to bathrooms, replace door, facade improvements, and repair and paint walls and add shelving for display. Also included were custom lettering on windows, walls and rear door, rewiring for computer network and telephones and mats and equipment in the dojo.
3. Our strategy was to get to expand to a more useable space with higher visibility while offering the highest quality instruction as quickly as possible so as to take advantage of the current trends and space availability. We have signed a 5 yr. w/ 5 yr option contract for a 2500sq. ft. space located at 112 W, St. Charles Rd. This location has a much better layout. It will allow for us to create a 300% larger retail area for increased retail sales and exposure. The area will be high end and have a spa feeling. The training space will allow for 40% more workout area as well as a 75% increase in seating for viewers and spectators. The location will create much more exposure to traffic on St. Charles Rd. as well as help create a tremendous amount of foot traffic after 5 pm. The location will draw attention to school and also showcase classes.
4. Our staff consists of three instructors, a Program Manager and Master Sky. We may consider hiring again in the future if sales increase and the proper candidates are available.

G. Management Team

1. Master Sky is the Owner and Chief Instructor at Sky Centers and has been actively teaching martial arts for over 25 years. He currently holds a 5th Degree Masters Black Belt in American and Mixed Martial Arts. He has cross trained in various arts including Kenpo, Muay Thai, Pankration, Tae Kwon Do, and Shorei-Ryu. Master Sky has been inducted into the American Karate Associations Hall of Fame, and

inducted in the International Olympic Federation of Pankration Hall of Fame. He has held national standings in Fighting, Weapons, and Empty Hand Forms. In 2005 and again in 2009. In 2005 Master Sky was voted team captain for TEAM USA International Competition Team. Master Sky won 2 Gold, and 2 silver metals. In 2009 he won 3 Gold Medals at the Arnold Schwarzenegger Sports Festival, was named top instructor and team captain by Team USA President Dave Sixel, and coached 13 competitors winning 29 Gold, 9 Silver, and 1 Bronze Medal.

2. Krista Sky, known at the center as Mrs. Krista, is our Program Director as well as a business partner. Mrs. Krista brings over 20 years of people skills, knowledge and organizational skills to the Sky Centers staff. Her ability to please customers and create a family atmosphere at the center is one of her many strengths. Her responsibilities as an instructor include teaching the introductory classes for all new beginners and assisting classes. As Program Director she is responsible for all front office procedures and retail operations. Enrollments, renewals, and upgrades are executed by Mrs. Krista upon the confirmation of Master Sky. She is also on the nomination committee for student program advancement and belt promotions.
3. Sensei Dominic Ostrick Jr. has been involved in martial arts for over 12 years. He currently holds a 1st degree Black Belt in mixed martial arts and Tae Kwon Do. He holds the position as one of Master Sky's Staff Instructors. His responsibilities include: lead instructor for the Extreme Classes, instructing the junior beginner, intermediate, and advanced classes, sits on the junior and adult black belt testing board, has part on the curriculum structure and planning board which is responsible for reviewing and refining the system. He also runs the junior black belt assistant instructor program. Sensei Dominic is also a member of TEAM USA International Black Belt Team. He is also a certified Junior Achievement volunteer and performs school talks and P.E instructor for a day. His personality and caring for students attracts children to learn and respect him. His passion for teaching allows him to excel in the martial arts as an instructor and a practitioner. His dedication makes him a great role model for kids and the adults look up to his abilities and maturity as an instructor.
4. Louis Tobar is our MMA instructor. Mr. Tobar has instructed for over 9 years both privately and in classroom structures. Instructor Louis is also a husband and father of 2.

He has over 13 years in martial arts training. Louis has studied Thai boxing, Boxing, Jeet Kune Do, Jiu-Jitsu, and holds a Black Belt in Kyokushinkai Karate. Louis is an excellent instructor with an open mind, who takes the time to teach things right the first time. His ability to teach you to center your focus on the task at hand, allows you to grow quicker and develop a strong, positive lifestyle. He attracts 18-34 year old students as well as executives with his no ego attitude. Louis creates an exciting atmosphere when he teaches and keeps certain that all ability levels are learning and improving.

5. Mr. Tino Spears has been under Masters Sky's accelerated and staff training program since its inception. Mr. Tino is responsible of teaching and assisting various classes. He is responsible for all special events including; birthday parties, parent's night out, as well as teaching little dragons and junior basic training classes. Mr. Tino is one of the most sought after instructors by the junior students. He is a superior leader and role model for kids as well as a creative and professional instructor. Mr. Tino also assists Master Sky with our Partners in Education classes that we hold at local school as well as a certified Junior Achievement Volunteer. His volunteer hours that are also required for staff include, Outreach House, Lombard Pride Week, JA volunteering, Miracles for Mia just to name a few. His future is strong at Sky Centers and his caring and people first attitude are what keeps students of all ages excited and motivated.

H. Critical Risks and Problems

1. Our industry has many price points. Some students will not consider a school if the price is too low, as it gives the assumption that they are not as good as higher priced schools.
2. There is a current trend that says that many people are getting laid off and there is uncertainty due to the recession. They will find work; however there might be some segments which will be experiencing greater volatility than others.
3. Due to the varied experiences of the principles the businesses largest operating expense, salaries, can be, and have been, slashed by 20% helping us. With a low advertising need, we need only worry about utilities, equipment and events which are currently all under control.
4. Our business is primarily service and we have implemented just in time inventory management, so excessive carried inventory is not a concern.

5. Due to recent market activity, we might have difficulty in obtaining credit and can counter that through frugality and pre-paid products/services.
6. Our sales goals are for a business that may be serviced by the owner(s) alone and therefore we do not initially need to rely on trained labor.
7. Inflation or rising costs on day to day items could hurt our industry. However, gas prices are falling. High gas prices are what have been killing the average family. These gas prices have sent food prices through the roof. Prices at the pump and the grocery store have lowered since last year and have appeared to stabilize.
8. Personal Responsibility. Difficult economic times help people accept the fact that they are responsible for their own success or failure in life. No one is going to pick them up and dust them off. In short, the bad economy is currently an enforcement mechanism in place to support self-development. If the economy improves, this mechanism may decrease.

Sky Centers looks to be a leader in not only quality of products, services and profitability but as a source of pride for the community and the people of Lombard.

Sky Centers Heartful Arts
2005

Sky Centers Year End 2006

<u>Date</u>	<u>Rent</u>	<u>Expenses/Utilities</u>	<u>Auto</u>	<u>Auto Misc.</u>	<u>Mileage</u>	<u>loan</u>	<u>Clothing</u>	<u>Prof Expenses</u>	<u>Telephone</u>	<u>Cell Phone</u>
Jan-06	\$ 2,050.00	\$ 102.51	\$ 467.26	\$ 55.10			\$ 8.97			\$ 19.98
Feb-06	\$ 2,050.00	\$ 527.76	\$ 467.26	\$ -			\$ 91.92			\$ 151.12
Mar-06	\$ 2,050.00	\$ 528.18	\$ 467.26				\$ 54.75	\$ 175.00	\$ 29.46	\$ 129.43
Apr-06	\$ 2,050.00	\$ 827.46	\$ 467.26	\$ 222.13			\$ 339.50		\$ 75.29	\$ 151.63
May-06	\$ 2,050.00	\$ 253.07	\$ 467.26	\$ 33.62					\$ 72.91	\$ 136.60
Jun-06	\$ 2,100.00	\$ 737.94	\$ 467.26				\$ 372.15			
Jul-06	\$ 2,100.00	\$ 437.93	\$ 467.26	\$ 56.66			\$ 24.97	\$ 350.00		
Aug-06	\$ 2,100.00	\$ 696.56	\$ 467.26	\$ 275.23			\$ 78.93		\$ 147.87	
Sep-06	\$ 2,100.00	\$ 591.25				\$ 456.15		\$ 139.50	\$ 294.40	
Oct-06	\$ 1,800.00	\$ 90.04					\$ 29.98			
Nov-06										
Dec-06										
	\$ 20,450.00	\$ 4,792.70	\$ 3,738.08	\$ 642.74	\$ -		\$ 1,001.17	\$ 664.50	\$ 619.93	\$ 588.76

Sky Centers Martial Arts
2005

Sky Centers

<u>Date</u>	<u>Equipment</u>	<u>Uniforms</u>	<u>Logo wear</u>	<u>Advertising</u>	<u>SBC</u>	<u>Taxes</u>	<u>Donations</u>	<u>NPC</u>	<u>Meals/Lodging</u>	<u>Chamber</u>
Jan-06										
Feb-06				\$ 232.00						
Mar-06										
Apr-06				\$ 218.00						
May-06				\$ 386.58						
Jun-06				\$ 100.42						
Jul-06				\$ 351.69			\$ 50.00			
Aug-06				\$ 539.19						
Sep-06				\$ 97.70						
Oct-06	\$ 111.76									
Nov-06										
Dec-06										
	\$ 111.76	\$ -	\$ -	\$ 1,925.58	\$ -	\$ -	\$ 50.00	\$ -	\$ -	\$ -

Sky Centers Martial Arts
2005

Sky Centers

<u>Date</u>	<u>Total Expenses</u>	<u>EFC Deposits</u>	<u>Merchandise Deposits</u>	<u>Central Deposits</u>	<u>Total Deposits</u>	<u>Profit</u>	<u>Support Staff</u>	<u>Operating Profit</u>
Jan-06	\$ 2,703.82	\$ 4,171.04	\$ 416.10	\$ 780.10				
Feb-06	\$ 3,520.06	\$ 4,278.74	\$ 2,104.87	\$ 635.00				
Mar-06	\$ 3,434.09	\$ 4,256.55	\$ 528.39	\$ 306.83				
Apr-06	\$ 4,351.27	\$ 4,344.97	\$ 491.16	\$ 548.39				
May-06	\$ 3,400.04	\$ 4,208.42	\$ 711.20	\$ 1,004.40				
Jun-06	\$ 3,777.77	\$ 3,690.09	\$ 1,208.85	\$ 5,251.00				
Jul-06	\$ 3,838.51	\$ 4,311.91	\$ 1,005.05	\$ 2,493.77				
Aug-06	\$ 4,305.04	\$ 4,557.09	\$ 809.56	\$ 433.47				
Sep-06	\$ 3,679.00							
Oct-06								
Nov-06								
Dec-06								
	\$ 34,585.23	\$ 33,818.81	\$ 7,275.18	\$ 11,452.96	\$ 52,546.95	\$ 17,961.72	\$ -	\$ 17,961.72