



ToMac Holdings, INC

DBA Dogtopia Arlington Heights

Business Plan

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Executive Summary

ToMac Holdings, Inc. is a franchise owner of Dogtopia, the industry leader in dog daycare and boarding with highly sophisticated, safe, and strikingly clean and branded stores all across the country and Canada. With new corporate leadership in 2015, Dogtopia has shown amazing growth both in the number of franchises and profitability of those franchises. ToMac Holdings, Inc. anticipates the same growth and profitability as many of the new Dogtopia franchise owners with positive cash flow beginning in month seven. ToMac Holdings, Inc. will mainly focus on dog daycare and utilizing the combined marketing and operational skills of its owners, Catherine and Chris Barnes, to surpass company wide averages for profitability and growth.

ToMac Holdings, Inc. is currently focused on finding the best location with focus on the northern suburbs of Chicago, IL. Currently, ToMac Holdings, Inc. is in negotiations to lease a 5,600 sq. foot space at Southpoint Shopping Center in Arlington Heights, IL. ToMac Holdings Inc. will DBA as Dogtopia of Arlington Heights after a full lease execution. The **REGIONAL RETAIL CORRIDOR** of East Rand and Palatine Road serves over 1.5 Million SF of Retail in immediate area and Southpoint is across the street from Best Buy, Marshalls, Dicks. The **HIGH TRAFFIC** count of Rand Road, which sees approximately 26,700 VPD and Palatine Road which sees approximately 28,700 VPD to give a total of 55,400 VPD. The convenience for our pet parents there is **EASY ACCESS** with Traffic Light at Two Entrances to Center and is 1.2 Miles from IL-53 Full Interchange. Our target market includes the **GREAT DEMOGRAPHICS** of 330,737 People within 5 Miles and 59,542 Employees within 3 Miles. 20% of the population within a 3 mile radius are Millennials. 28% are Baby Boomers (empty nesters). See appendix for Arlington Heights Demographics.

The day-to-day operations and sales of the business will be handled by an experienced General Manager, hired specifically for building the business at the store level. Catherine and Chris will both be involved with the higher level management of overall operations, which includes Marketing, Team Development, Community Relations, and Volunteer Events. Sales leads will be generated through social media, PPC campaigns, strategic partnerships and guerilla marketing tactics. Training of staff and pre-opening evaluations for dogs will be conducted at nearby Dogtopias ensure the “soft” opening and Grand Opening processes are streamlined.

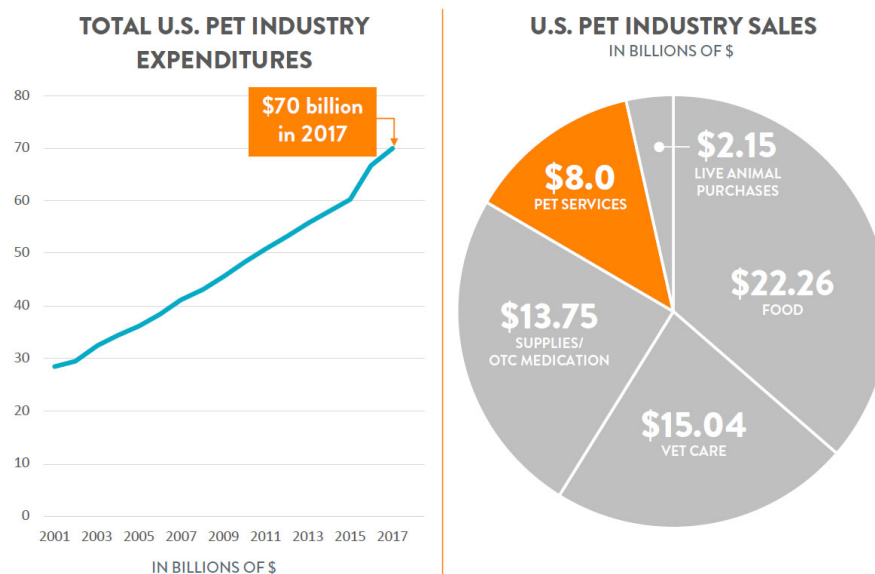
ToMac Holdings, Inc. currently projects revenue of about \$539,850,000 in our first year and about 35% growth in year two estimating \$869,186. Cost of sales will be approximately 90% of gross sales in the inaugural year. Net Income should be modest in year one as we establish our name in the community with reasonable growth and Net Income growing to about \$100,000 in year two. Net Income is projected to reach around \$157,000 by year three as sales increase and operations become more efficient.

Highlights

Dogtopia, created in 2002, has 85 units operating in the U.S. and Canada as of October 2018. Dogtopia focuses on daycare, with 65% of revenues from that service, 22% from boarding, 11% from grooming/spa and 1% in retail. The brand grew modestly under its founder until acquired in June 2015 by franchise guru Peter Thomas of Thomas Franchise Solutions. Thomas has developed billions of dollars in real estate, including shopping centers, apartments, condominiums and golf courses. His most recent development is the Four Seasons Resort in Scottsdale, AZ. His franchise experience includes founder and chairman of Century 21 Real Estate Canada.

In Q3 and Q4 of 2015, Thomas built a world-class leadership team around Dogtopia's new CEO Neil Gill and moved the headquarters to Phoenix, AZ. Mr. Gill has over 30 years of franchise experience, including CEO of Gloria Jean's Coffee where he expanded franchise units from 200 to over 1,000. Fueled by Thomas' unlimited capital and Neil's leadership, Dogtopia was reinvented in what was coined "Dogtopia 2.0." The result was immediate. Franchisees open 13+ months are enjoying a sales increase of 18% this year, their second year of double-digit growth. Forty-eight contracts were signed for new franchise stores in 2016 with a goal of 400 stores by 2021.

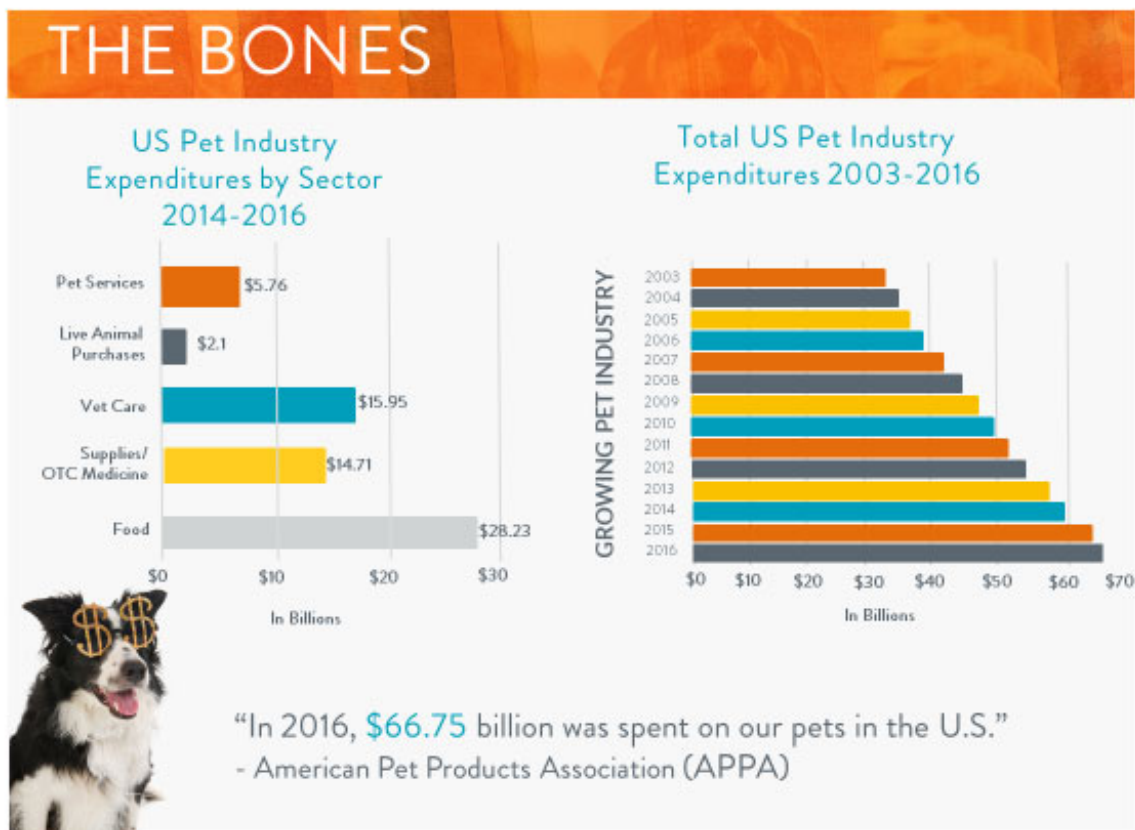
Dogtopia's growth is possible due to the pet industry's explosive growth. The industry is expected to reach a staggering \$66.75 billion this year. Of that, a remarkable \$5.76 billion will be spent on daycare, grooming and boarding by businesses with no consistent service quality, brand or standards. By comparison, the U.S. health & fitness club industry is \$25.8 billion, serviced by what appears to be a fitness club on every corner.



The psychology of the pet industry, in particular America’s infatuation with dogs, is interesting and explains the industry’s recession-resistant nature. There are two very different groups driving pet industry growth, female millennials, and baby boomers.

Female millennials are the prized market of all retailers. They spend more than their male counterparts and are more loyal to a “brand”. Statistically, they are getting married later, having fewer children and/or postponing children until later in life to focus on self-development and careers. They are the top growing demographic for dog ownership based on their lifestyle choices. Forty percent of American households have one dog; 20% have two or more. They spend lavishly on their furry children and apply their nurturing instincts on them, including daycare to ease their guilt of leaving their furbabies alone for hours as they work and to ensure the pet receives the proper exercise, stimulation and socialization. On average, each Dogtopia client brings his/her dog to daycare three times per week. The second population fueling pet industry growth is baby boomers as they find themselves with an “empty nest”. Dogtopia has coined the name “pet parent” to accurately describe the loving, nurturing relationship held by the aforementioned pet parents and their dogs.

Millennials, at 84 million, are the largest cohort group in history. Baby boomers are the second largest at 74 million. Together, they represent 50% of the U.S. population. Their love



Dogtopia Enterprises, LLC (c) 2017 Commercial in Confidence



and psychological need for dogs will ensure the industry continues its growth trajectory for years to come (see chart “The Bones”).

Internet Links:

www.Dogtopia.com

YouTube: <https://youtu.be/9FONo1u85eY>

Facebook: <https://www.facebook.com/dogtopia>

Objectives

ToMac Holdings, Inc.’s objective is to positively impact the lives of the dogs we have under our care as well as the lives of the pet parents. Dogs that go to daycare are better-behaved dogs and daycare reduces health issues by keeping the dogs’ minds and bodies active during the day. Additionally, ToMac Holdings, Inc. desires to positively impact the surrounding community. By working with animal rescue organizations, schools that help the autistic community, and other worthy causes, we can create a profitable business that is always impacting our community.

Description of Business

Dogtopia is the leading provider of dog daycare services in the U.S. It enjoys three differentiators from competitors. First, pet parents place pet safety as their first priority and Dogtopia takes measures to secure and maintain pet parent trust. Facilities are striking in design and maintenance. One feels as if they are walking into a modern professional office when entering Dogtopia (see enclosures for interior store pictures). Each room is sound proofed and the HVAC/air filtration system is industrial grade. The end result is that no part of the facility smells of dog and no dog noise can be heard from the reception area. Additionally, airborne illnesses and diseases, like kennel cough, are eliminated through the air filtration system. A trained Canine Coach remains with the dogs in play areas at all times to provide a safe, structured play environment and to work with the dogs on socialization, education and exercise. To provide the highest level of transparency in terms of pet care, live streaming of all play rooms and kennels is available to pet parents during operating hours via Nest Cameras. This feature is very popular and on average Dogtopia pet parents watch the video feeds of their furry children 13 minutes a day.

The second differentiating factor is Dogtopia’s convenience play. Most daycare and boarding facilities are in rural, industrial or commercial areas. Dogtopias are in neighborhood retail shopping centers. The pet parent arrives in the morning in front of the store that is conveniently located in their community shopping center and is promptly greeted by a Dogtopian who takes their dog. On the way home from work or shopping the pet parent comes into the store to receive his/her dog and a report on the day’s activities.

The third differentiator is Dogtopia's focus on daycare. 65% of Dogtopia's revenues are from daycare and it is considered the "hero" of our business. Daycare is less maintenance than boarding and provides far greater profits.

It is important to note that from the consumer's perspective, dog daycare is not a discretionary spend. A growing population of Americans is choosing dog ownership and loves their pets deeply. They consider their dogs as children, full members of the family and become conflicted when they have to leave their pet at home alone, oftentimes in a kennel, for long periods of time while they work, shop and recreate. They often return home to find the pet too full of energy to enjoy and lacking socialization. Many seek solutions to no avail and are willing to make weekly daycare a part of the family budget.

Service pricing will start at \$36. Multi-day packages will bring the average daycare revenue down to \$32. Competitor pricing ranges from \$28-35 per day.

Grooming and training services are provided on-site through a revenue sharing relationship with grooming and training professionals. Dogtopia staff does provide spa services, such as bathing, nail trimming and teeth brushing.

Hours of business for Dogtopia Daycare lobby are as follows:

Monday-Friday: 7 am to 7 pm

Saturday - Sunday: 10 am to 5 pm

Boarding operations:

Dogs will be boarded overnight in secured location inside of the building

Staff arrives at 6:30 am

Staff leaves around 9:00 pm

Security cameras are in place to notify "staff" of any issues or concerns

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Dogtopia provides an exterior play area that is accessible via the Dogtopia location and offers a privacy fence for pet safety. The recommended placement for this location is to be on the East side of the building. This area is equipped with start of the art turf that is easily cleaned with a traditional garden hose. The area is meant to be a play area and should not be considered the "bathroom" area. As in the interior of the Dogtopia facility, all bathroom incidents by the dogs are to be cleaned up immediately and discarded in a safe and secure location. Dogtopia is to occupy its own trash area adjacent to the building to discard of waste.

Company Ownership/Legal Entity

The Corporation, ToMac Holdings, Inc. is a 50/50 ownership corporation between Catherine and Chris Barnes. Combined Catherine and Chris bring over 30+ years' experience in retail and customer service industry. Currently Chris Barnes is Regional Facilities Manager for the mid-west for KinderCare Education. Catherine is Director of Facilities Planning, Design, and Construction for ACCESS Community Health Network a non-profit healthcare organization in Chicago. Resumes for both Catherine and Chris are included in this business plan.

Both Chris and Catherine have an extensive background in retail, facilities management, construction, real estate, and operations. As executives in their careers, team development and finding top talent for organizations is a key component to their professional experience. ToMac Holdings, Inc. will have an extensive training program for staff, along with engagement and incentive programs to be competitive in the market for top talent.

Marketing/Client Acquisition

Dogtopia franchisees and senior leadership credit their 18% 2016 revenue growth to the Dogtopia 2.0 marketing and client acquisition strategies. Store design, graphics, website and social media have been redesigned, providing for a clean, modern look and feel that says we enjoy dog care but take the responsibilities very seriously. Each store enjoys a micro website where a budget is defined monthly for search engine click-throughs and Facebook advertising. We have \$1,500 a month budgeted per store for digital client acquisition. Dogtopia Club Membership and Awards programs are being developed and will only add to the current acquisition strategy.

Each store participates in a Client Experience Survey program where store managers or owners call distracter clients to resolve any issues that may impair the trust relationship.

Dogtopia provides a robust pre-opening client acquisition strategy that begins 90 days prior to the store opening. "Soft" openings begin one month before the formal opening to allow pet parents to purchase pre-opening packages and tour the facility. Collectively, these actions allow Dogtopia stores to open on their first official day of business with 25 paying dogs. The result is stores achieve positive cash flow in the first seven months.

Marketing will include partnership with neighboring businesses to drive pet parents to change their routines going to and from work or running daily errands. Co-marketing with drycleaners, coffee houses, and retail convenience stores (CVS, Walgreens) will drive pet parents to shop in local businesses.

ToMac Holdings Inc. (DBA Dogtopia Arlington Heights) will also engage in community events such as block parties, main street fairs, community walks, etc. The presence will bring awareness to the business and services, but also provide information regarding Dogtopia Foundation. 100% of Dogtopia Foundation funding goes to the three focuses: Service Dogs for

Veterans; Youth Literacy Programs; and Employment Initiatives for Adults with Autism. To learn more about Dogtopia Foundation: <https://www.dogtopiafoundation.org/>

Competition

The competition in the dog daycare business is fragmented with only one other national brand competitor, Camp Bow Wow. Bow Wow focuses on boarding in a camp environment in rural areas and is not a competitor to Dogtopia's daycare-focused business. There are no standards for service quality, standard of care, consistent practices, or pricing. The closest Camp Bow Wow is 25 minutes away in Elmhurst, IL.

The closest competitor in proximity is Arlington Dog House 9 minutes at 213 S. Arlington Heights Road, Arlington Heights, IL. Arlington Dog House is located on a main road in Arlington Heights in an office/retail setting. ADH charges \$32 per day for day care. They offer ½ day daycare at \$24 per dog per day. They offer packages and specials. They are currently advertising an increase in space with an addition of 2000 square feet to total 4000 square feet. They have received awards regarding their services and are to be considered our top competition in the area.

Doggie DayDream is 9 minutes away at 680 N. Milwaukee Ave Prospect Heights, IL. This Daycare, Boarding and Grooming organization is branded as "cage free". Their 6000 square foot facility offers daycare and boarding which are free reign. The facility is full of sofas, beds and multiple spots with floor beds. There is no agility or skill equipment for the dogs to exercise. Dogs of all sizes are housed together, which can be dangerous in free range daycare based on dogs' natural instincts. Cleanliness practices would be hard to maintain with the amount of "cloth" furnishings. Their fee is \$28 a day for daycare with a discount for multiple days.

Doggie Playhouse is a daycare, boarding, and grooming business located 9 minutes away at 1900 North Rand Road, Palatine, IL. Their fee is \$30 full day and \$20 for a half day. Packages are available.

Dog Play Day Care is a 6000 square foot boarding, daycare, and grooming business 10 minutes away at 301 W. Central Road, Mount Prospect, IL. Their fee is \$24 for half day and \$35 for a full day. They offer 10 day packages for \$220 ½ day and \$330 full day. One service that stands out is they offer a taxi service to pick up pets.

All of the above mentioned businesses are independently owned locations and have established their own "brand". Interiors have an industrial feel with fences and "institutional" décor. All have outdoor areas with chain link fences. Only Arlington Dog House mentions cleanliness routines or dedication to service. Websites for the 3 other competitors listed above are outdated. Photos of the dogs do not appear to be "happy" or showing their best dog life.

Financial Performance

The detailed financial performance pro forma is attached to this presentation. We have been conservative in projecting growth as far as number of dogs per day in daycare and revenue. The revenue figures, expenses and staffing have been derived from existing franchisee financials, data from the Franchise Disclosure Document (FDD) and guidance from existing franchisees and the franchisor. The average price per day of daycare has been calculated at \$32 for the first year of operations based on discounted packages and incentives to build the business. Membership and packages will be available to promote repeat business and incentives for pet parent members. Boarding will be priced at \$50 per day (which will include full day of daycare). Spa services will be priced at \$25. Retail sales projected to be about 1% of the business will be for Dogtopia branded merchandise and an up-sale of treats during daycare. The business projects to achieve operating profit in the fourth month of operations. It should be noted that these important milestones are due to a conservative starting point of 25 dogs per day in month one of operations. Projected growth