

The Yoga Marketplace (excerpted from business plan)

Yoga found its roots more than 5,000 years ago as a system of realizing a more fulfilled life. It is not a religion, but, rather, a surprisingly practical approach to creating physical, emotional and spiritual balance. The word "yoga" comes from the Sanskrit root yuj, which means "to join" or "to yoke". The continued practice of yoga is designed to lead you to a sense of peace and well-being, and also a feeling of being at one with your environment. Ultimately, the physical aspects of the practice of yoga make the body strong and flexible; they also improve the functioning of the respiratory, circulatory, digestive, and hormonal systems. In many practitioners, yoga brings about emotional stability and clarity of mind as the ultimate aim of yoga is one of self-development and self-realization. We believe this makes yoga the perfect activity for the 21st century as it combines the physical benefits of exercise and activity with the psychological benefits of clarity of mind and emotional stability.

Currently, an estimated 15-20 million adults, more than 80% of whom are women, practice yoga in the US and that number is growing at over 25% per year (Harris Interactive Poll, 2003). Compare this to the roughly 35 million adult Americans that are currently members of a health or fitness club and you begin to understand the strength and depth of demand for yoga in the United States. However, whereas general health and fitness is a mature and saturated marketplace with numerous offerings for all types of consumers, the yoga market is relatively underserved and infantile in its development. This situation is rapidly changing.

In the last five years, the yoga provider market has responded to the incredible demand with a doubling in the percentage of health clubs that offer yoga (now more than 75%) and the appearance of more than 3,000 independent studios. This has resulted in a market dominated by individual studios and general fitness clubs that, often times, offer the consumer poorly-defined programming, highly-inconsistent service and erratic pricing that serve as barriers to participation. Similarly, on the

service-provider side, lack of professionalism, erratic compensation, and non-existent career paths and employee benefits have led to an often difficult and uncertain financial future for many teachers. While there are, for sure, a few standouts, all of this has combined to create a daunting and often anxiety-producing entree process for many would-be yoga practitioners and a challenging environment for those seeking to earn a living as yoga teachers. And yet, even in the face of this dysfunctional market, the fevered demand for anything yoga has buoyed all ships.

In fact, there is enough demand that even with less than ideal offerings, most studios, yoga-themed media products, and yoga-centric merchandise have found a ready audience and a profitable niche. We see this as an excellent opportunity. We believe that the inconsistent level of programming and service and lack of a strong brand will drive yoga-interested consumers to any venture that is able to offer compelling programming, consistent service and a well-known national brand. We also believe that the creation of the first-ever clearly-defined, long-term Yoga Educator Career Path will lead many of the most qualified current and prospective teachers to Sonic Yoga's doors. For these reasons and others, the market is ripe for Sonic Yoga's next-generation, fully-integrated family program.

Before opening our first location in 2001, our experience as yoga-consumers yielded what we perceived to be a substantially underserved market. We saw widespread dissatisfaction among those already indoctrinated and, among the vastly larger prospective-student market, a state of near-pervasive confusion and anxiety about the process of beginning. We saw, and continue to see, an opportunity to build a better yoga-mousetrap for both market segments. Without even considering our expanded family programming, we have created a solution that has drawn nearly 7,000 customers in the first 33 months with more than 20% of those being new market participants. And we accomplished all this with no pre-existing customer base, no following and no public reputation. Moreover, though we do not offer "top of the market" compensation, our inviting setting, professionalism and opportunity

have led New York City's top teachers to our doorstep. The power and success of our solution to date validates the need we perceived and our ability to fill that need.

To summarize, demand for yoga is growing at an incredible rate while, in most markets other than the major cities (New York, Los Angeles, San Francisco and Chicago) interested consumers are subject to local studios offering limited programming in varying styles and less-than-ideal surroundings. Sonic Yoga is the solution to this marketplace problem. Sonic Yoga's programming unites two worlds—it is authentic enough to appeal to much of the "installed" base of traditional practitioners, but also inclusive enough to attract the vastly larger market of new yogis, prospective-yogis and fitness-oriented yogis with more mainstream needs. Simply put, we have created a solution that will appeal to readers of Yoga Journal as well as Prevention, Parenting and SELF Magazine and their families. And furthermore, we believe the franchise model is the best possible method in which to aggressively serve this market need.

See Addendum for a detailed study of the Yoga Marketplace and Potential Competitors