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THE HUSTLER club

CONCEPT AND GENERAL INFORMATION

Mini Clubs of AMERICA

36 W. Gay St., Columbus, Ohio 43215
(614) 464-2070

Mini Clubs
of America
HUSTLER

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OFFICERS & DIRECTORS OF MINI CLUBS OF AMERICA

PRESIDENT
&
CHAIRMAN OF THE BOARD
Larry Flynt

EXECUTIVE VICE PRESIDENT
Jimmy Flynt

VICE PRESIDENT—ADMINISTRATIVE SERVICES
Wendell D. Gunlock

VICE PRESIDENT
Althea Leasure

OPERATIONS MANAGER
Avery A. Shaw

PERSONNEL DIRECTOR
Vern Fegley

CONTROLLER
Laurence L. Felsenthal

ARCHITECTURAL CONSULTANT
Bernie Altenbach

DIRECTOR OF SALES
M.J. "Bud" Gallo

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BUSINESS REFERENCES OF MINI CLUBS OF AMERICA

AUDITORS

Mellman-Peterka & Co.
221 Salem Ave.
Dayton, Ohio 45406
Mr. Bernard A. Mellman

ATTORNEYS

Fontana, Ward, Kaps & Perry
50 W. Broad St.
Columbus, Ohio 43215

PATENT ATTORNEY

Mahoney, Miller & Stebens
Suite 3120 Leveque-Lincoln Tower
Columbus, Ohio 43215

SUPPLIERS

Monroe Distributing Co.
2423 Payne Ave.
Cleveland, Ohio 44114
Mr. Norman Goldstein

General Fixture Supply
22 Mead Ave.
Dayton, Ohio 45402
Mr. Elmer Deitering

BANKS

Mr. James Alexander, V.P.
Central Trust Co.
4th & Vine St.
Cincinnati, Ohio 45202
513-852-5000

Mr. Richard McKeever, V.P.
Huntington National Bank
250 E. Broad St.
Columbus, Ohio
614-469-6000

Mr. Frank Andrews, V.P.
First National Bank
106 S. Main St.
Akron, Ohio 44308
216-762-0811

Mr. Robert Scally, V.P.
Central National Bank
800 Superior
Cleveland, Ohio 44114
216-861-7800

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HISTORY

The HUSTLER CLUB originated in Dayton, Ohio in 1967. Brothers Larry Flynt and Jimmy Flynt envisioned a chain of semi-private niteclubs which soon became a reality with the opening of Hustler Clubs in Cincinnati and Columbus, Ohio, in January, 1970 and July, 1971 respectively.

A period of refinement and systemization began aimed at developing a quality absentee management control system and culminated with the installation of the first NCR "Electra Bar" capable of mixing 36 kinds of drinks, each in less than 11 seconds. This equipment not only saves time but eliminates pricing errors, prevents theft of cash or liquor, maintains the inventory, and insures drink consistency and quality.

The Hustler Club chain expanded into Toledo, Akron and Cleveland, Ohio during the period between June, 1972 and May, 1973. Each Club is operated as a separate corporation—all managed by Mini Clubs of America, Inc. The concept and management system developed for the Hustler has been the key to the success of the chain to date. Net profit for the Cleveland Hustler reached over $70,000 for the first 7½ months of operation since May of 1973.

Mini Clubs of America developed its own Magazine titled the "Hustler" which began as a Newsletter in January, 1972. The monthly Newsletter soon developed into a full scale Magazine sold on news-stands across the midwest; the HUSTLER was also sold in the Clubs and mailed to over 10,000 Club Members. With a readership of nearly 50,000 people, the HUSTLER MAGAZINE became an effective tool in the advertising and promotion of the Hustler Clubs.

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The HUSTLER MAGAZINE ceased publication in October, 1973 with the joint venture of Gallery Magazine and MINI CLUBS OF AMERICA. With this association, MINI CLUBS established its national image through advertising its company owned clubs and availability of franchise club operations.

With a corporation as strong and growth oriented as MINI CLUBS OF AMERICA, the need for MINI CLUBS' having its own nationwide publication has long been felt.

MINI CLUBS has launched its own official publication again called the HUSTLER, but now with a nationwide circulation, and a quality that we hope will be unsurpassed as the most sophisticated men's publication of the century. Larry Flynt, publisher of the HUSTLER will kick off the June premier issue with a national circulation of 500,000 issues. The HUSTLER MAGAZINE will benefit franchised Hustler Clubs through regular national promotion and pictorials featuring the Clubs and their beautiful girls.

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CONCEPT

There are only two known niteclub chains in the United States today offering Franchise Arrangements: Playboy Clubs International and Mini Clubs of America. The Hustler offers a less sophisticated approach to entertainment with prices and sex appeal attracting men from all walks of life.

The Clubs are staffed with bikini-clad hostesses offering entertainment by dancing for the customer, engaging him in a game of billiards or assorted novelty games located in the Club Game Room, or simply by sharing casual conversation over a cocktail at his table.

The Hustler offers a compatible atmosphere for the man on the go, such as the businessman in transit who has little to do for entertainment. At the Hustler, he can find (the perfect) place for relaxation, excellent service and drinks, and enjoy pleasant conversation with a pretty girl. Convention traffic and businessmen in transit account for nearly 70% of the business with local traffic accounting for 30%.

Hustler Clubs are always located in the heart of the downtown area near the hub of business activity. A luncheon buffet served from 11:00AM until 2:30PM daily—offers the businessman a reasonably priced meal with excellent service as the perfect break in a busy workday.

Individuality is important...All Clubs vary somewhat in decor and the entertainers in the Clubs are allowed to select costumes that complement their personalities and accentuate their features. This individuality in the decor of each club and variety of beautiful girls they offer adds interest for the traveling businessman as he visits the various clubs. Each entertainer's unique dress allows

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her to be herself. This honesty in decor and dress helps our customers identify with reality; a reality based on the fact that the girls are real and not pretending to be something they aren't. The entertainers are individual personalities with warmth and charm that invites our customer to sit down to share a drink and talk with our girls. This is what keeps our customer coming back and what makes the whole Hustler Club idea such a great success.

The Hustler Club features a Lifetime Membership program costing $25.00—benefits include: drinks at half-price on Membership Night, once a month at the Clubs; courtesy car service to the Club when you are in from out of town; and a one year's free subscription to the HUSTLER MAGAZINE; and a three day, two night vacation package with free lodging in some of the finest resorts in the country, an availability courtesy of Mini Clubs. To date, employees of the Hustler Clubs have brought in over 10,000 members.

In addition to membership revenue, the Clubs also take in cash from the sale of the HUSTLER MAGAZINE.

A customer can also have his picture taken with one of our beautiful girls for a modest amount. The special sex appeal and approach of our girls in the Clubs generate revenue from the sale of drinks and other merchandise that may not normally be found in other night clubs of a similar scale.

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ORGANIZATION

Each Club is staffed with a day and a night manager. A hostess, several waitresses and an adequate number of entertainers complete the staff. Payroll in a profitable Club usually runs between 40% and 50% of gross business. This payroll percentage is necessary to provide customers with the service and attention sufficient enough to maintain their interest and keep them coming back. The management of each Club is given thorough training by our management company. He or she will have worked in a successful Club for a period of at least a month where careful supervision and guidance is provided, the manager learns how to handle every situation (that may arise during this training period) involving motivation and the maintenance of his Club and its image.

Mini Clubs of America provides and maintains a complete visual aids training program encompassing every position in the Club—describing each person's duties and how to perform them. This program not only tends to eliminate procedural questions, but it helps each employee to visualize his or her position in the organization. The 3M Sound and Slide System we have utilized is maintaining uniformity and standardized procedure in our Club chain. It helps to assure that in an absentee management situation such as ours that each person in the system knows his or her job thoroughly.

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With the aid of the NCR "Electra Bar" and a very strict accounting system, the inventories and profits of all segments of our operation are carefully accounted for. Each Club is provided with a complete operations manual which describes to the finest detail how the Club is to be operated. Every possible procedure from how to fill out paperwork accounting for the day's activity, to the location of all light switches and their proper adjustment. The manual contains a list of all suppliers, their delivery schedules, order quantities, proper inventory levels, etc.

In addition to the "Electra Bar" and a strict accounting system, polygraphs are used as an additional cash control and preventive device. Any employee who is responsible for cash is given a pre-employment polygraph. The polygraph is of great assistance in evaluating an employee's ability. This detection aid is also extremely useful in determining any criminal experience or tendency, present or past use of drugs, and the career potential of any given employee. All employees responsible for cash are required to take periodic tests set up by the company every 30 to 90 days to determine any problems with theft or drugs.

Although the Franchisee will have the option to purchase approved supplies and merchandise locally, he may take advantage of reduced cost passed down through large volume national purchases made through Mini Clubs of America, Inc.

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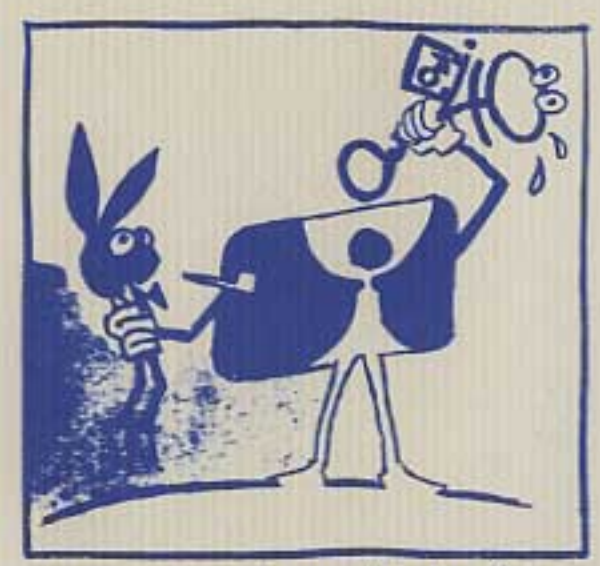


Anyone can be a "Playboy" or have a "Penthouse" but it takes a man to be a "Hustler."

Because the Hustler Clubs are located in downtown areas, good locations are usually easy to find. Depending on the size of the city, Hustler Clubs require only 3000-5000 square feet of floor area. The Hustler Clubs require intimacy that can only be offered by limiting our size. Unlike a club chain similar to Playboy, it has not taken a large city to support a Hustler operation.

Everything that we believe to be needed for proper absentee management is provided. A franchised Hustler Club is taken from concept to a turnkey operation by Mini Clubs, and conferred to the franchisee ready for normal operation. Day to day operation is then measured and guided by the district management consulting services offered by Mini Clubs of America.

Mini Clubs is aware that liquor laws vary from city to city and from state to state. Because of the necessity to conform to these differing legal requirements Hustler Club operational concepts may be modified to suit virtually any local rules and regulations that may apply to an individual club.

MINI CLUBS OF AMERICA

TEN COMMANDMENTS

I *We are a part of Mini Clubs of America and shall have no other night club chain before us.*

II *We shall not take the name of our customers or competitors in vain.*

III *We respect the good name of Mini Clubs of America and the good business ethics it abides by.*

IV *We shall not kill ours or the Company's chances of success for selfish, neglectful or indifferent reasons.*

V *We shall not be unfaithful to Mini Clubs of America.*

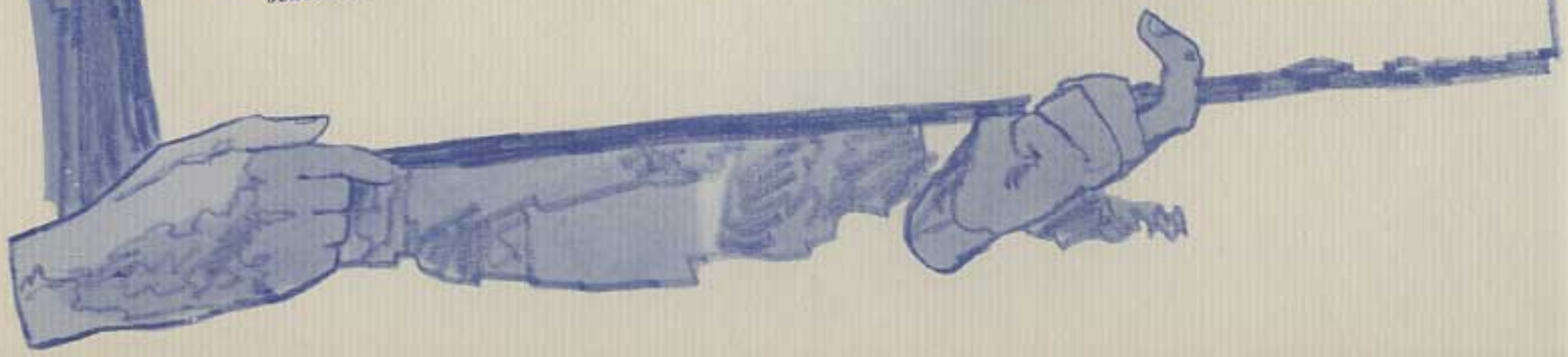
VI *We shall diligently abide by our duty and working schedule.*

VII *We shall not steal away the reputation of our Company by our conduct on the job and we shall not steal a fellow worker's chance for advancement for our own selfish motives.*

VIII *We shall not lie or spread false rumors to take away the confidence of our fellow workers.*

IX *We shall not envy our senior or subordinates' ability or position in the Company for he has labored hard and long. His sacrifices have been many and his efforts great in putting forth the desire, enthusiasm, knowledge and efficiency necessary to secure his gains.*

X *When we feel we know everything there is to know we shall take our leave from the Company, for Mini Clubs of America has grown and will continue to grow through its constant quest for knowledge. It is combined of people with an unlimited capacity for knowledge.*



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THE HUSTLER CLUB'S GOALS TO ITS EMPLOYEES

1. Employees must have a sense of security in their jobs and the feeling that our company is their friend.
2. Wages and other sources of money paid must be more fair and more adequate than anyone else's so they may maintain a desirable standard of living.
3. There must be opportunity and encouragement for advancement within each club and within Mini Clubs of America for those qualified. There must be constant development and maintenance of standards for their safety, health and well being. Each person must be considered equally an individual on his own dignity and merit, and a person of high moral character and integrity.
4. Employee must have a suggestion box so he can express his feelings if he so desires. The scheduling of work should be adequate for educational development for those who wish to extend their education.
5. Supervisors must be qualified and fair-minded. The utmost delegation of authority must be practiced.
6. Executives must be persons of talent, education, experience, ability, and a high degree of moral character. They must have common sense and understanding employing generally accepted tenents of modern business practices.
7. We must attract new customers by providing the best service, food and drink quality, and entertainment found anywhere.

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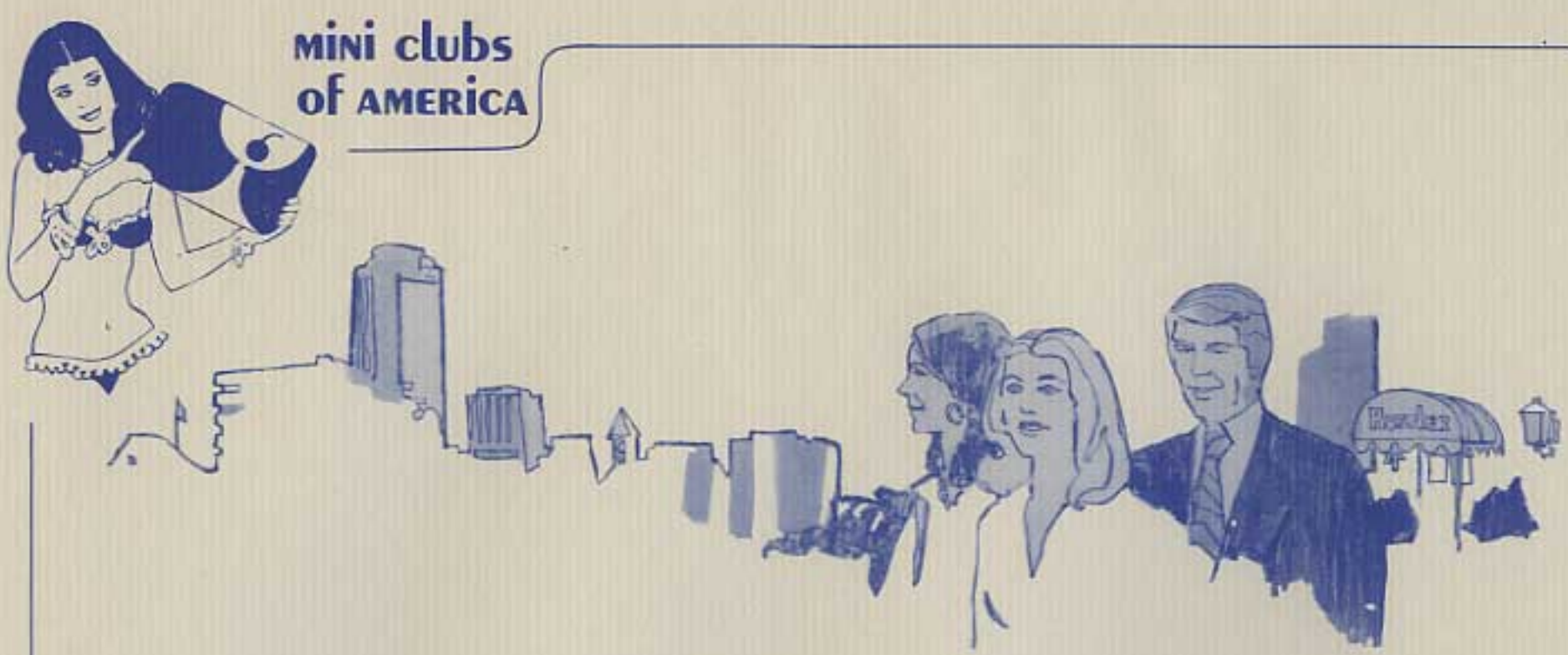

THE HUSTLER'S CREED TO THE COMMUNITY

1. The Hustler must be a good citizen, obeying the spirit as well as the letter of the law, paying our share of the cost of government, supporting good works and charity.
2. We must maintain in excellent condition the property we are privileged to use.
3. We must deal with our suppliers in a fair and business-like manner doing business with the firms who give the best service, quality and price. Keep in mind that we are striving to become a national chain and the supplier needs us; this gives us leverage to demand the best service and price.
4. We must participate in the promotion of civic improvement, health, education and good government using our facilities if need be.
5. We must acquaint the public with ourselves as a member of the community in various ways—as we know best.
6. We must eventually be recognized as the leader in the night club industry.

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THE HUSTLER club

FINANCIAL INFORMATION

Mini Clubs of AMERICA
36 West Gay Street, Columbus, Ohio 43215

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FINANCIAL PROJECTION
THE HUSTLER CLUB, INC.

For the purpose of financial projection—the Cleveland Hustler will be used as the example of what can reasonably be expected in a Franchise Club—assuming a similar business climate and comparable urban environment. We use the Cleveland Hustler as our example because it is our newest Club and is most representative of all future Clubs to be opened, i.e., luncheon buffet, decor, size, and operation.

THE HUSTLER CLUB, INC.
PROJECTED BALANCE SHEET (Note A)
January 1, 1974

ASSETS

CURRENT ASSETS:	
Cash on Hand	$ 1,000
Cash in Banks	2,000
Inventory—Food & Liquor	2,000
Inventory—Miscellaneous	500
Prepaid Expenses	500
TOTAL CURRENT ASSETS	6,000
FIXED ASSETS:	
Bar & Restaurant Equipment	32,000
Furniture & Fixtures	20,000
Leasehold Improvements	40,000
TOTAL FIXED ASSETS	92,000
OTHER ASSETS:	
Licenses & Deposits (Note B)	2,000
Franchise Fee	50,000
TOTAL OTHER ASSETS	52,000
TOTAL ASSETS	$150,000

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:	
Accounts Payable	$ 3,000
Notes Payable	70,000
Chattel Loans Payable	27,000
TOTAL LIABILITIES	100,000
STOCKHOLDER'S EQUITY:	
Common Stock	500
Capital in Excess of Stated Value	49,500
TOTAL STOCKHOLDER'S EQUITY	50,000
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$150,000

THE ACCOMPANYING FOOTNOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

THE HUSTLER CLUB, INC.
FIVE YEAR PROJECTION OF INCOME AND EXPENSES
FOR THE YEARS ENDING DECEMBER 31

	1974	1975	1976	1977	1978	Percentage of Sales (Note C)
TOTAL SALES	$554,700	$610,200	$671,200	$737,800	$812,200	100.0
COST OF SALES	86,200	94,900	104,400	114,800	126,300	15.3
GROSS PROFIT	468,500	515,300	566,800	623,000	685,900	84.7
OPERATING EXPENSES:						
Payroll and Related Expenses	252,150	274,600	299,000	326,350	357,600	45.0
Controllable	55,450	60,600	66,800	73,250	80,300	9.7
Non-controllable	85,500	91,700	98,500	105,900	114,200	14.8
TOTAL EXPENSES	393,100	426,900	464,300	505,500	552,100	69.5
NET OPERATING INCOME	75,400	88,400	102,500	117,500	133,800	15.2
OTHER INCOME	20,000	20,000	20,000	20,000	20,000	3.0
NET INCOME (Note D)	$ 95,400	$108,400	$122,500	$137,500	$153,800	18.2

(See attached schedules for details of summary amounts.)

THE ACCOMPANYING FOOTNOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

THE HUSTLER CLUB, INC.
FIVE YEAR PROJECTION OF INCOME AND EXPENSES
DETAILS OF SUMMARY AMOUNTS

	1974	1975	1976	1977	1978	% Total of Sales	% Dept Sales
SALES:							
Liquor	$291,600	$320,700	$352,800	$388,100	$426,900	52.6	
Beer	76,400	84,100	92,500	101,200	112,000	13.7	
Wine	67,600	74,400	81,800	90,000	99,000	12.2	
Food & Miscellaneous	96,900	106,600	117,200	128,900	141,900	17.5	
Merchandise	22,200	24,400	26,900	29,600	32,400	4.0	
TOTAL SALES	554,700	610,200	671,200	737,800	812,200	100.0	
COST OF SALES:							
Liquor	34,900	38,500	42,300	46,500	51,200		12.0
Beer	6,100	6,700	7,400	8,100	8,900		8.0
Wine	4,700	5,200	5,700	6,300	6,900		7.0
Food & Miscellaneous	36,800	40,500	44,500	48,900	53,900		38.0
Merchandise	3,700	4,000	4,500	5,000	5,400		17.0
TOTAL COST OF SALES	86,200	94,900	104,400	114,800	126,300	15.3	
PAYROLL & RELATED EXPENSES							
Wages—Manager	16,500	18,000	20,000	22,000	24,000	3.0	
Wages—Other	207,450	225,500	244,800	266,750	292,100	37.0	
Payroll Taxes	22,700	25,000	27,500	30,200	33,400	4.0	
Employee Benefits	5,500	6,100	6,700	7,400	8,100	1.0	
TOTAL PAYROLL & RELATED EXPENSES	$252,150	$274,600	$299,000	$326,350	$357,600	45.0	

THE ACCOMPANYING FOOTNOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

THE HUSTLER CLUB, INC.
FIVE YEAR PROJECTION OF INCOME AND EXPENSES
DETAILS OF SUMMARY AMOUNTS

	1974	1975	1976	1977	1978	% Total of Sales
CONTROLLABLE EXPENSES						
Advertising (Note E)	$ 28,700	$ 31,500	$ 34,500	$ 37,900	$ 41,600	5.0
Auto Lease & Maint.	3,800	4,200	4,700	5,100	5,600	.6
Cleaning Supplies	1,700	1,800	2,000	2,200	2,400	.3
Linen Service	1,700	1,800	2,000	2,200	2,400	.3
Legal & Accounting	1,700	1,800	2,000	2,200	2,400	.3
Office Supplies	550	600	700	750	800	.1
Security Service	1,100	1,200	1,400	1,500	1,600	.2
Repairs & Maintenance	9,500	10,400	11,400	12,600	13,800	1.7
General Supplies	1,700	1,800	2,000	2,200	2,400	.3
Miscellaneous	5,000	5,500	6,100	6,600	7,300	.9
TOTAL CONTROLLABLE EXPENSES	55,450	60,600	66,800	73,250	80,300	9.7
NON-CONTROLLABLE EXPENSES						
Management Fees (Note E)	38,800	42,700	47,000	51,600	56,800	7.0
Insurance	1,500	1,500	1,500	1,500	1,500	.3
Rent	18,000	18,000	18,000	18,000	18,000	2.7
Utilities	5,000	5,100	5,200	5,300	5,400	.8
Sales Tax (Note F)	22,200	24,400	26,800	29,500	32,500	4.0
TOTAL NON-CONTROLLABLE EXPENSES	85,500	91,700	98,500	105,900	114,200	14.8
OTHER INCOME						
Amusement Devices	12,000	12,000	12,000	12,000	12,000	
Cigarette Commissions	1,800	1,800	1,800	1,800	1,800	
Miscellaneous	6,200	6,200	6,200	6,200	6,200	
TOTAL OTHER INCOME	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	3.0

THE ACCOMPANYING FOOTNOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

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FOOTNOTES TO PROJECTED FINANCIAL STATEMENTS

NOTE A — Projected balance sheet is based on equity capital of $50,000 and debt capital of $100,000 secured by equipment and fixtures.

NOTE B — Licenses and deposits will vary with different states. Amounts shown are based on the Hustler Club in Cleveland, Ohio.

NOTE C — All percentages are based on average volumes and will vary slightly from actual dollar amounts shown. In the area of non-controllable expenses, certain fixed amounts such as rent, insurance, etc., the variation may be greater.

NOTE D — Net income is shown before provisions for depreciation, amortization, interest on debt or taxes as these items will vary significantly with each operation.

NOTE E — Advertising may be greater than 5% of sales, however the franchise agreement requires at least 5% of sales. Management fees are fixed at 7% by the franchise agreement.

NOTE F — It has been the practice of the Hustler Clubs operating in the State of Ohio to absorb State sales tax, rather than adding it to the customers tab. The current Ohio rate is 4%. This expense will change from state to state and will not exist at all in clubs that do not choose to absorb the tax.