

# **Titan Roof Tiles, Inc.**

## **Strategic Business and Marketing Plan**

**Roofing Division of Titan Brick, Inc.**





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## **Executive Summary**

The purpose of this business plan is to showcase the specialized manufacturing company that has a patent pending roof tile product that will be used in conjunction with new housing construction and roof repairs. Titan Roof Tiles, Inc. (“the Company”) is a Virginia (although registered in Delaware) based company that intends to aggressively manufacturer and distribute this roofing product throughout the United States and abroad. Titan Roof Tiles, Inc. is a wholly owned subsidiary of Titan Brick, Inc. (“The Parent Company”). The business was founded by Don Blalock.

### **The Titan Roof Tile Product Line**

Titan roof tiles are an improved version of traditional roofing tiles. Unlike traditional forms of roofing tiles, these products are 2.5 times stronger. Additionally, these products are highly resistant to fire, water, insects, mold, mildew, storms, and high wind.

Most importantly, Titan Roof Tiles are green friendly and they require very little maintenance. From the onset of operations, the business will aggressively seek to partner with companies that are focused on providing for installation of green friendly construction materials. Additionally, the Company will work closely with government entities and related contractors for the installation of these products within their new constructions and rehabilitations. The product line will be further discussed in the third section of the business plan.

### **The Financing**

At this time, the Company is not seeking an outside investment in order to launch operations. The Parent Company will make a capital injection of \$847,000 into the

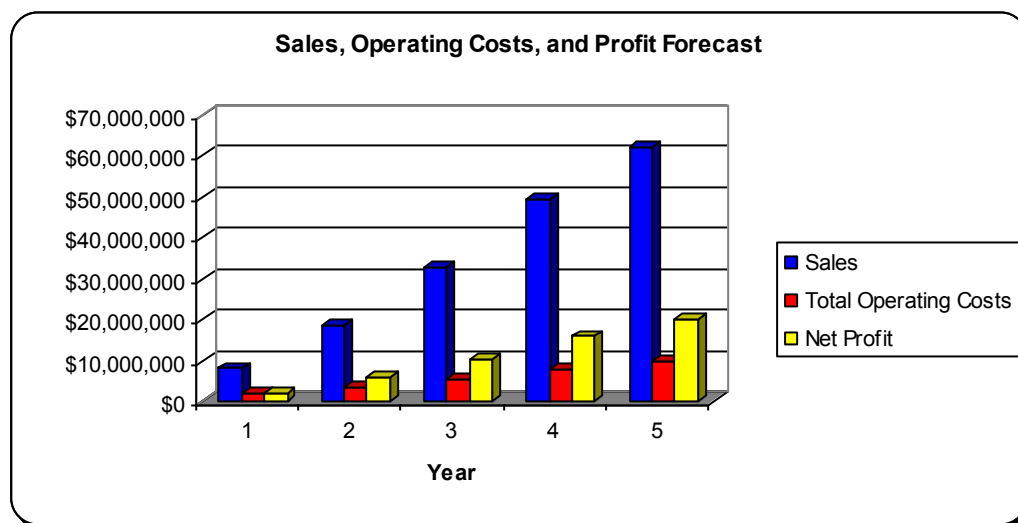


business. In the future, the business would be an excellent candidate for a working capital line of credit secured by inventory as well as highly predictable purchase orders.

## Sales Forecasts

Titan Roof Tiles, Inc. anticipates an exceptional rate of growth upon the commencement of operations. Below is a chart that exemplifies Management's vision for growth during the first five years of operations.

Proforma Profit and Loss (Yearly)					
Year	1	2	3	4	5
<b>Sales</b>	\$8,191,800	\$18,841,140	\$32,971,995	\$49,457,993	\$61,822,491
Cost of Goods Sold	\$2,621,376	\$6,029,165	\$10,551,038	\$15,826,558	\$19,783,197
<b>Operating Income</b>	\$5,570,424	\$12,811,975	\$22,420,957	\$33,631,435	\$42,039,294
<b>Total Operating Costs</b>	<b>\$1,901,652</b>	<b>\$3,488,127</b>	<b>\$5,513,925</b>	<b>\$7,843,547</b>	<b>\$9,693,628</b>
<b>EBITA</b>	<b>\$3,668,772</b>	<b>\$9,323,848</b>	<b>\$16,907,031</b>	<b>\$25,787,888</b>	<b>\$32,345,666</b>



## The Future

After the business commences manufacturing operations, the Company intends to aggressively develop OEM relationships with a number of manufacturers that will license the patented technology from Titan Roof Tiles and its Parent Company. This will allow the business to generate extremely high gross margins while concurrently allowing the business to act as its own distribution agent for tiles that are produced in house. Management is determining whether or not the Company will allow for the usage of the Titan Roof Tiles brand name if they are produced and distributed by a third party manufacturer.



## The Financing

### 2.1 Funds Required

A total capital investment of \$847,000 will be made by the Parent Company into Titan Roof Tiles. The investment will be used for the following:

Projected Startup Costs	
Legal Fees	\$50,000
Site Improvement	\$200,000
Initial Accounting Fees	\$20,000
Insurance	\$100,000
Initial Rent	\$62,000
Working Capital	\$35,000
Starting Inventory	\$80,000
Manufacturing Equipment	\$300,000
<b>Total Startup Costs</b>	<b>\$847,000</b>

### 2.2 Investor Equity

At this time, the Company is not seeking an outside equity investor.

### 2.3 Management Equity

Titan Brick, Inc. will retain a 100% interest in the business.

### 2.4 Board of Directors Composition



The directors of Titan Brick, Inc. (Parent Company) will serve as the directors of Titan Roof Tiles, Inc.

### **Titan Roof Tile Products**

As discussed in the executive summary, the Parent Company has pioneered insulative compressed earth roof tiles and bricks. Both products have a molded texture that is smooth to the touch and very exact, which will allow us to interlock the tiles so they will not dislodge during high winds. They are fire retardant and help insulate the structure. Waterproof bricks and roof tiles will replace many systems now used in the construction industry, because they are stronger, longer lasting and cost less. Titan Roof Tiles can be manufactured 1" thick and can be marketed 10% less than fired clay roof tiles. Titan roof tiles are priced according to the cost of clay tiles found in the three states that use them most.

#### **Advantages:**

- Titan roof tiles can be manufactured in the traditional Slate (flat) or barrel (curved) style.
- Factory painted to any color (paint bonds to the tile for very long life).
- Tiles provide additional thermal mass insulation value to structure.
- Any style can be manufactured for qualified projects (requires a simple change of molds).
- Multi-color tiles and tiles that look like wood shake will be available.
- Titan roof tiles are fire retardant to 1,800 degrees.
- Stronger than fired clay tiles (will not break when walked on).

Titan Roof Tiles will primarily target the homes built with Titan Bricks and the construction industry at large. Because of its exclusive status as the only company to manufacture these compressed earth products, the competition will be constantly held at bay. Installing Titan roof tiles offers the user an energy efficient system that will not fail





and will outlast all other types of roofing. Titan roof tiles are a true system that meet the demands of today's architectural designs and will continue to provide these desired features in the future. Waterproof compressed roof tiles are a non-deteriorating material and can survive freeze/thaw cycles that fired clay tiles can not. This opens the entire country for sales, where fired clay tiles can only be used in the southern parts of the US. Titan roof tiles can be manufactured in the traditional design look of the curved Spanish terra cotta, a flat slate style and even take on the look of wood shake roofs.

Some of the outstanding features of Titan roof tiles that have become necessary in the construction industry include:

- By conserving heat/cold within a structure, the tiles are energy efficient.
- The product is cost effective because it costs less than fired roof tiles and services the insulative need as well.
- They will not corrode and therefore require little maintenance.
- Guaranteed to be 100% waterproof.
- All Titan roof tile products are fire retardant to 1,800 degrees.

### **Overview of the Organization**

#### **4.1 Registered Name**

Titan Roof Tiles, Inc. The business is registered as a for profit corporation in the State of Delaware.

#### **4.2 Commencement of Operations**

The Company plans to commence revenue generating operations starting by mid 2013 in conjunction with that of the Parent Company, Titan Brick, Inc.

#### **4.3 History**

The Company has not yet begun normal business operations. The business was founded after years of development and research on behalf of its CEO, Don Blalock.

#### **4.4 Mission Statement**

Titan Roof Tiles will replace fired clay roof tiles and provide a much stronger roof tile for upscale homes and businesses. The tiles are heat resistant up to 1,800 degrees and provide added insulation value to the roof for a lower cost. Freeze/thaw cycles have no effect on the tiles like they do on fired clay tiles.

#### **4.5 Vision Statement**



Through their diverse areas of expertise and knowledge, the Founders of the Company expect to build a business that will achieve \$61 million of revenue by the fifth year of operations.

#### **4.6 Organizational Objectives**

- Develop Titan Roof Tiles, Inc. as a premier manufacturer and distributor of ecologically friendly construction materials.
- Maintain stringent standards that comply with all OSHA laws as it relates to manufacturing.
- Maintain LEED certification for all Titan Roof Tile products.
- Develop ongoing licensing and distribution relationships with companies that operate on an international basis.
- To create a wealth producing vehicle for the Company's senior managers and investors.

#### **4.7 Organizational Values**

- Complete disclosure and transparency regarding all financial transactions.
- Remain within the letter of the law as it relates to manufacturing operations.

#### **4.8 Founders and Management Team**

##### **CEO: Don Blalock**

Mr. Blalock is a native Floridian and was a contractor in Central Florida for over 30 years. He attended Stetson University from 1969-1973. A short while later, he entered the Army and served with the 101<sup>st</sup> Airborne for three years, leaving as a Specialist 5 (Sgt). He started a home improvement company in 1978 and rarely advertised for customers because of the exceptional workmanship and an understanding of what the customer was looking for. His duties included home sales, engineering, installation, customer service and marketing. In 1999, he took a sales position for Paul Davis Restoration where he worked with State Farm Insurance providing quotes for damage to homes and businesses. This job and many years in the construction business as a contractor, seeing first hand just how fragile our homes are, an idea for a new building material was born. Mr. Blalock has founded and headed the brick Company in its quest to develop, test and certify this new waterproof, interlocking brick.

##### **Chairman: Corey C. Park**



Mr. Park is a Certified Hedge Fund Professional (CHP), with additional (CHP) certifications at the highest levels in Portfolio Analytics & Risk Management. He also attended the Notre Dame Mendoza College of Business (Leadership & Management) and has served in executive leadership positions for over 20 years. Mr. Park has closed several acquisitions and multimillion dollar lines of credit from hedge funds; as well as negotiated and / or closed many mergers, strategic partnerships, license agreements and joint ventures.

He brings value to companies by identifying and utilizing leverage, building momentum in their marketplace and positioning entities to maximize strategic resource and capital channels within the private and public markets. Mr. Park is also proficient at structuring and implementing advanced strategies designed to maximize a company's capabilities and resources (the pillars of successful companies). In addition, he is avidly pursuing his goal of becoming an expert in leading-edge business strategy.

As a lifelong student of corporate strategy, he has read, studied and applied numerous books and countless articles relating to strategy (According to the Wall Street Journal, the most sought after executive skill set is strategic thinking). Mr. Park also brings with him and consistently draws upon an extensive network of advisors, experienced business professionals and successful entrepreneurs to help him maximize shareholder value.

#### **President: Lanny Park**

Mr. Park has been in construction as a general contractor, construction manager and in development for over twenty years. He attended Lees McRae College and Radford University where he studied business marketing and development.

Prior to starting his own successful construction company, Mr. Park was the construction manager for Park Place Construction where he was responsible for several large scale residential developments.

Mr. Park, a Class A General Contractor, has successfully owned and operated Parkway Construction, LLC. for the past ten years. He has effectively managed his general construction company and mainly focused on large scale residential projects. His management and leadership established his company as a premier lakefront homebuilder in the southwest Virginia area.

#### **Secretary and Treasurer: Brian Kaspereit**

Brian is an entrepreneur and an engineer specializing in thermal and liquid dynamics. Over the years, Brian has quickly moved up the corporate ladder from Jr. Engineer to Professional Engineer to Project and Department Manager over a group of 15 people and in charge of 300 million dollar engineering projects.



While working as an engineer, Mr. Kaspereit has learned project and office management, as well as budgets and business development. Outside of the office Mr. Kaspereit has pursued additional business knowledge to further strengthen his abilities. Among other things, he has learned hedge fund management, private equipment management, Currency, futures and Commodity exchange trading, stock market evaluation, general business management and accounting practices.

## **Advisors**

### **Joe Zhang**

Joe is a Mechanical Engineer specializing in hydraulics. He also has an MS degree in computer science. Joe also has 15 years of business management experience and 10 years in marketing and new business development. He owns several stone processing businesses (marble) which sell in local and overseas markets. His knowledge of hydraulics and computers will help enable us to develop our automated facilities.

### **Ed Martinez**

Ed has degrees in business administration and mechanical engineering, served with the US Navy in an engineering capacity and also worked with TRW and NASA to develop high vacuum test equipment for the lunar landing module. Ed also worked at AETL where he tested and certified windows for homes and buildings. Ed holds 3 patents for vacuum test equipment he designed.

### **Dr. Esther Obonyo**

Dr. Esther Obonyo is a Professor at the University of Florida's Rinker School of Construction. Her academic degrees include a Doctorate in Engineering, Masters degree in architectural technology and a BA in building economics. She offers courses in construction engineering and productivity improvement. Dr. Esther's interests are in the area of sustainable design and construction, and in particular, on identifying opportunities for cross fertilization between the stakeholders in the built environment and other industrial sectors. She is a member of the Powell Center for Construction and Environment and also sits in the College's Sustainability Committee.

## **Strategic Analysis**

### **5.1 External Environment Analysis**

The business of providing specialized construction material sales (with a specific focus on the sales of roofing tiles) is a moderately complicated business that has several operations to manage. This section of analysis will detail the overall economic climate and interest rate environment. Management feels that this analysis is often overlooked by many businesses, and as Titan Roof Tiles is in the manufacturing and distribution business – changes in interest rates and the political/economic environment can impact the costs of doing business.

Currently, the economic condition in the United States is moderate. The high cost of oil coupled with the sub prime and real estate market issues have led many economists to believe that the economy will remain to have sluggish growth. However, Titan Roof Tiles, Inc. will be able to maintain economically stable operations as the low cost and environmentally friendly nature of the Company's flagship roof tile product line will be in demand among consumers that need roofing repairs.

Inflation is another concern for the Company. As the inflation rate decreases, the purchasing power parity of the American dollar decreases in relation to other currencies. This may pose a significant risk to the Company should rampant inflation, much like the inflation experienced in the late 1970s, occur again. This event may significantly weaken the Company's ability to develop profitable ongoing relationships with companies that operate internationally. However, the federal banking system has done an excellent job of ensuring that inflation is kept under control. While this is a concern for Management, it is not expected that rampant inflation will occur anytime in the foreseeable future.



## 5.2 Industry Analysis

Below is an overview of the industries in which Titan Roof Tiles will operate within:

### 5.2.1 Roofing Tile Manufacturing

Within the United States, there are approximately 2,480 manufacturers and distributors of roofing tiles. In each of the last five years, annual revenues have exceeded \$15.4 billion. Annual payrolls in each of the last five years have exceeded \$1.4 billion. There are approximately 35,000 people employed by the industry.

The roofing industry is expected to increase substantially over the next five years as new housing starts continue to improve. Additionally, the number of households that have roofs reaching the age of 25 is starting to increase. As such, many homeowners will want to use the long lasting Titan Roof Tiles when they need to replace their roofs. As such, the estimated year on year growth rate for the industry is expected to be 3% to 4% per year during the next five years.

### 5.2.2 Roof Contracting Industry

According the U.S. Economic Census, roofing installation contractors generated gross revenues of \$36 billion dollars. The industry employs more than 350,000 people and outputs gross annual payrolls of \$9.7 billion dollars.

Roofing contracting and maintenance is only something that a trained and licensed professional can perform, and as such, the demand for roofing contractors is expected to remain strong regardless of the general economic condition. This will ensure that Titan Roof Tiles will be able to remain profitable and cash flow positive at all times.

## 5.3 Customer Profile and Target Market Analysis

In regards to the distribution business, there are more than 1,000,000 active contracting and construction related businesses in the United States that could become potential buyers of the Titan Roof Tiles product line. Management has outlined the “average” demographics of customers that will continually purchase Titan Roof Tiles from the business:

- Annual revenues of \$500,000 to \$50,000,000 per year
- Operates as a roofing contractor, home builder, general contractor, home remodeler, or green focused builder within the United States
- Will spend \$10,000 to \$200,000 per month with the business.

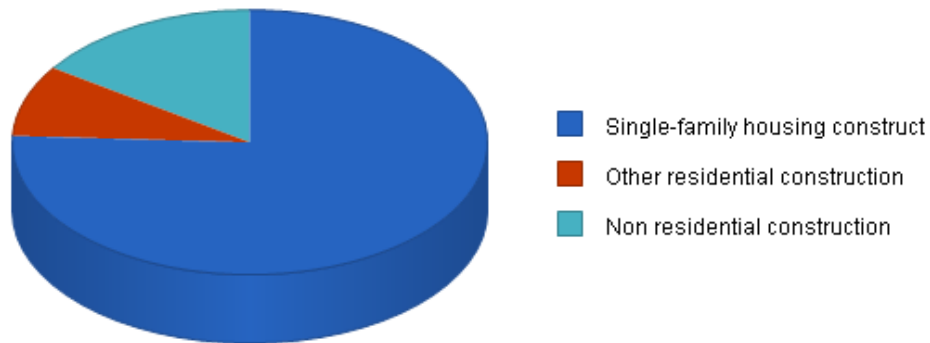
Market Analysis

Year 1 Year 2 Year 3 Year 4 Year 5



Potential Customers	Growth	CAGR
Single-family housing construction	4% 218,276 227,007 236,087 245,530 255,351	4.00%
Other residential construction	3% 25,201 25,957 26,736 27,538 28,364	3.00%
Non residential construction	2% 44,505 45,395 46,303 47,229 48,174	2.00%
<b>Total</b>	<b>3.61% 287,982 298,359 309,126 320,297 331,889</b>	<b>3.61%</b>

Market Analysis (Pie)



#### 5.4 Competitive Analysis

Competition in the market is difficult. There are many national level roofing tiles manufacturers, distributors, and wholesalers that provide similar products on a regular basis. The primary competitive advantage that Titan Roof Tiles, Inc. will have is the highly unique nature of the Company's roofing tiles products. As discussed in the third section of the business plan, a substantial amount of research and development has gone into the patent pending Titan Roof Tiles product line. Primary competitors that operate within the roofing tile manufacturing market include, but are not limited to:

- **Entegra Roof Tile** – This business specializes in the production of concrete roof tiles. However, there market is limited as concrete roofing tiles can only be used in specific climates whereas Titan Roof Tiles can be used in any type of construction and climate.
- **Eagle Roofing** – This competitor is most similar to Titan Roof Tiles in that they are strongly committed to using pre-consumer recycled content in their manufacturing process. The prices of their products are on par with the Titan Roof Tiles. However, they do not have nearly the same level of home protection offered by the business.
- **Ludowici** – This business specializes in the development of highly aesthetic roofing tiles that are primarily made out of clay. Much like Entegra Roof Tile,



these products can only be used in certain climates. Additionally, due to the fact that these tiles are made to order, the costs are extremely high. These products are typically used in houses and constructions that have a budget exceeding \$1,000,000. As such, their competitive threat to Titan Roof Tiles is moderate at best.

- **Boral Roofing** – This California based business manufactures a broad line of green friendly roofing tiles that are primarily made out of clay. They have received very strong ratings for the quality of their roofing tiles and the longevity of which the tiles last. They offer approximately 25 different roof tile products. They have an extensive distribution network and a recognized brand name. They will be a continued competitor to Titan Roof Tiles, Inc.
- **EcoStart, LLC** – This New York based competitor is considered to be one of the leading environmentally friendly roofing tile manufacturing companies. However, they have carved a specific niche for their product in that they only specialize in steep slope roofing products. They do offer an extensive 50 year warranty for their products. As this is a highly specialized manufacturer of roofing tile products – they will only be a modest competitor to that of the Company.
- **The Tapco Group (d/b/a Inspire Roofing Products)** – This is another competitor that operates within the roofing tile market. However, it should be noted that despite their well recognized name – their product line is considered somewhat mid-level. They do not offer a number of products that are environmentally friendly and their warranty is only limited as it relates to their roof tiling products.





## **Key Strategic Issues**

### **6.1 Sustainable Competitive Advantage**

The Company will be able to maintain successful business operations because of the following:

- Predictable streams of revenue from ongoing purchase orders from major construction companies, roofing contractors, general contractors, and green energy remodeling contractors.
- Incentives for sales staff to develop large networks of referring partners and contracting companies.
- Patent protection on the Titan Roof Tiles product line.
- A highly experience and motivated Senior Management Team led by Don Blalock.

### **6.2 Basis for Growth**

Titan Roof Tiles, Inc. will grow through three main avenues:

- The successful marketing and growth of the Titan Roof Tiles product line through an extensive marketing campaign.
- Acquisition of additional sales networks that will allow the Company to grow throughout the entire United States and abroad.
- Potentially source additional rounds of capital in order to further fuel the growth of the business.



## Marketing Plan

### 7.1 Marketing Objectives

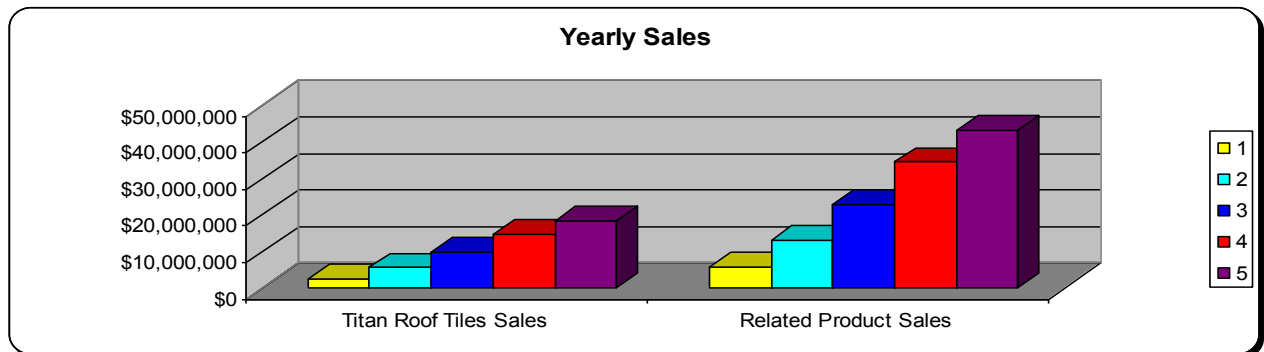
- Build a large referral network of clients that consist of roofing contractors, construction companies, construction management companies, general contractors, and green product distributors.
- Establish connections with nationwide distributors of roofing construction materials.
- Development of connections with overseas trade brokers as well as licensing agreements with overseas construction material manufacturers.

### 7.2 Sales Forecasts

Yearly Sales Forecast					
Year	1	2	3	4	5
Titan Roof Tiles Sales	\$2,460,000	\$5,658,000	\$9,901,500	\$14,852,250	\$18,565,313
Related Product Sales	\$5,731,800	\$13,183,140	\$23,070,495	\$34,605,743	\$43,257,178
<b>Totals</b>	<b>\$8,191,800</b>	<b>\$18,841,140</b>	<b>\$32,971,995</b>	<b>\$49,457,993</b>	<b>\$61,822,491</b>

Cost of Sales Forecast					
Year	1	2	3	4	5
Titan Roof Tiles Sales	\$787,200	\$1,810,560	\$3,168,480	\$4,752,720	\$5,940,900
Related Product Sales	\$1,834,176	\$4,218,605	\$7,382,558	\$11,073,838	\$13,842,297
<b>Totals</b>	<b>\$2,621,376</b>	<b>\$6,029,165</b>	<b>\$10,551,038</b>	<b>\$15,826,558</b>	<b>\$19,783,197</b>

Gross Profit					
Year	1	2	3	4	5
<b>Total</b>	<b>\$5,570,424</b>	<b>\$12,811,975</b>	<b>\$22,420,957</b>	<b>\$33,631,435</b>	<b>\$42,039,294</b>





### **7.3 Sales Assumptions**

#### Year 1

- Starting in 2013, the business will commence revenue generating operations.
- Sales are expected to reach \$8.1 million dollars of revenue in the first year of operations.
- Gross profits will reach \$5.57 million in the first full year of operations.

#### Year 2

- The business will have begun to develop relationships with roofing contractors, construction companies, and construction material distributors and Titan Roof Tiles' products will be distributed fully on a nationwide basis.
- Gross receipts will reach \$18.8 million dollars.
- Gross profits will reach approximately \$12.8 million dollars.

#### Years 3-5

- At the onset of the third year, the business will begin to aggressively develop licensing and distribution relationships with businesses that operate on an overseas basis.
- By the fifth year of operations gross sales will reach \$61.8 million dollars.
- Titan Roof Tile's gross margins will increase significant as the Company becomes more established and thus will be able to manage the Company's facilities more efficiently and have the ability to acquire input materials at a lower cost.

### **7.4 Marketing Strategies**

Management intends to use a qualified advertising and marketing firm to help Titan Roof Tiles, Inc. reach its intended audience of roofing contractors and construction based businesses. This campaign will include the use of traditional print and media advertising as well as the Internet. Direct advertising campaigns will be of significant importance to the Company as we are offering our programs to a broad spectrum of demographics.

Additionally, conventions, construction trade shows, online advertising activities, sales development and viral marketing campaigns will follow carefully orchestrated strategies by marketing personnel in conjunction with marketing experts.



Timely coverage of Titan Roof Tiles innovations will be further directed through ongoing press relations, news releases and feature stories targeted at key construction communities and other media outlets. Publicity activities will be designed to generate ongoing coverage about the Company in targeted media by providing writers and editors with newsworthy releases, features, stories, briefs, and visual material for their columns and stories.

Additionally, the business will maintain a broad network of sales agents to contact and develop purchase relationships with major construction companies and roofing contractors. The Company intends to develop an independent sales network that will operate on a commission basis. At this time, Management is developing a commission schedule that will provide agents with 5% (for large orders) to 15% (for small orders) commission for each sales order. Prior to launching operations, Management expects to have three to four sales agents that will operate within the Company's initial Southern United States and other US based markets. One of the keys to making the business a success is to provide as much of the Titan Roof Tiles product line through as many distribution channels as possible. One of the primary selling points that the Company will use is its price points.

On a regular basis, the Senior Management Team and Sales Agents will attend industry conventions with a focus on the construction and roofing contracting industry. In regards to conventions, the business will regularly rent booths at exhibitions targeted at these businesses. Sales packages and literature regarding the Company's website, the Titan Roof Tile products, and the costs associated with products will be featured.

## **7.5 Product Marketing**

Using the aforementioned marketing strategies, Titan Roof Tile will heavily focus on the low cost, environmentally friendly, and structurally secure nature of the Company's patent pending Titan Roof Tile product line. The business will showcase all of these points in all sales literature produced and distributed by the Company. One of the additional focuses will be the tax subsidies and tax credits associated with using environmentally friendly materials.

### **7.5.2 Price**

Management anticipates that the Company's gross margins will be 45%. The pricing for the Company's Titan Roof Tiles and Siding is being finalized.

### **7.5.3 Distribution**

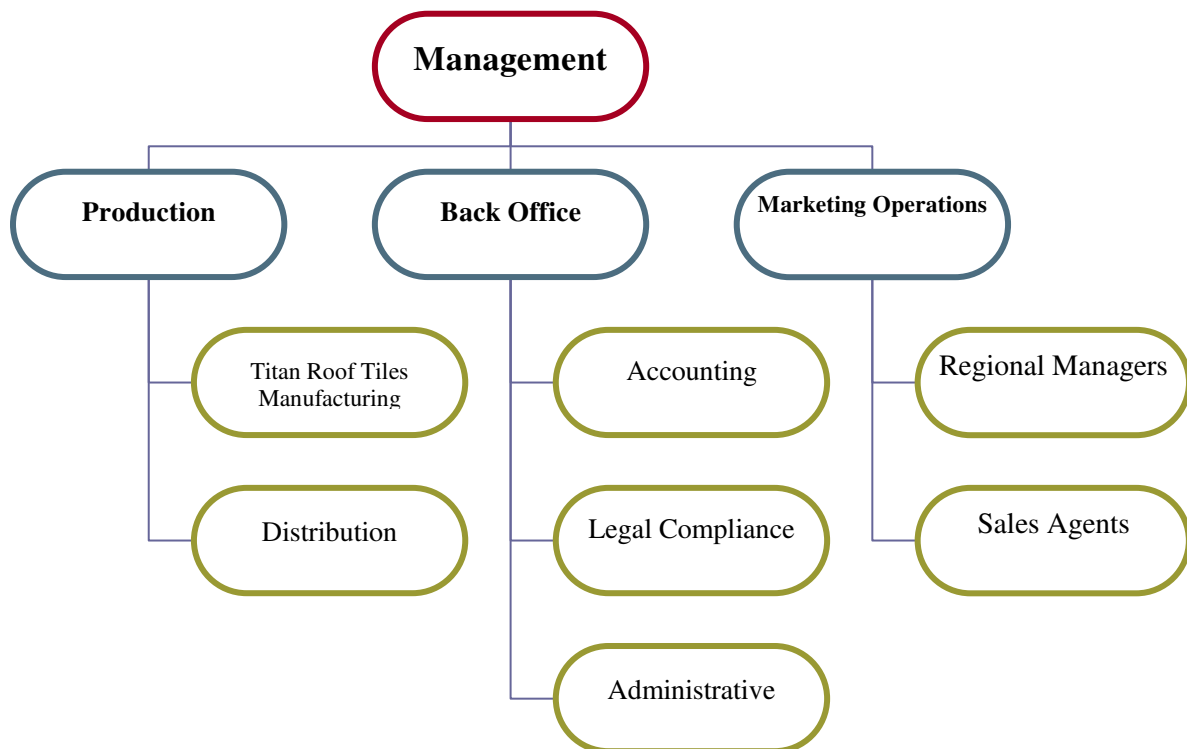
Shipping logistics will be outsourced to a third party vendor. After an extensive financial analysis, it was found that it is far less risky and far more cost efficient to contract a private carrier, such as UPS or FedEx, to handle all matters relating to shipping. Both of

these companies offer sophisticated and streamlined transportation management and delivery services for manufacturing businesses. All direct sales will be made through retail sales partners, which Management will secure prior to the onset of revenue generating business operations.

## Organizational Plan

### 8.1 Corporate Organization

The Company will be organized as follows:



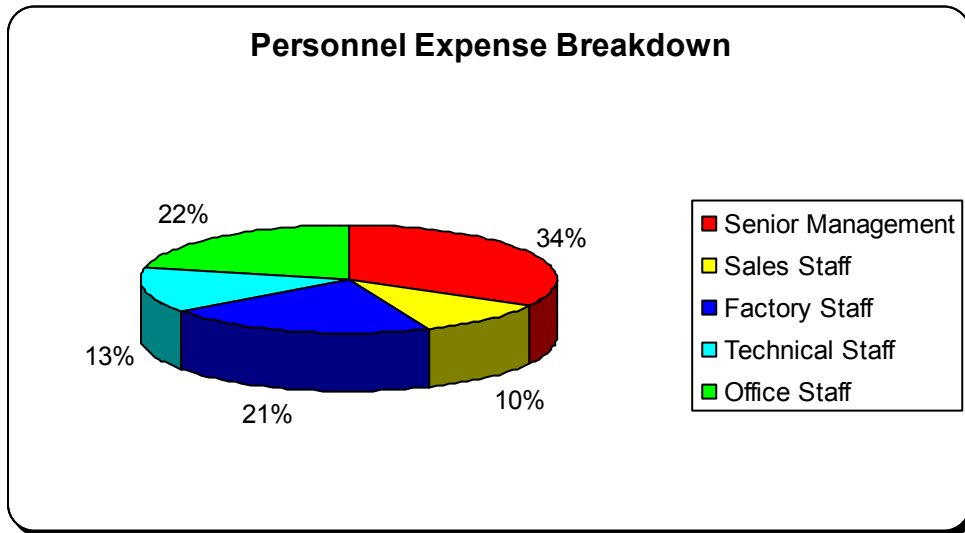
### 8.2 Organizational Budget

Personnel Plan - Yearly					
Year	1	2	3	4	5
Senior Management	\$250,000	\$257,500	\$265,225	\$273,182	\$281,377
Sales Staff	\$75,000	\$115,875	\$159,135	\$204,886	\$253,239
Factory Staff	\$160,000	\$288,400	\$424,360	\$568,218	\$720,326
Technical Staff	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551
Office Staff	\$162,500	\$234,325	\$310,313	\$390,650	\$475,527
<b>Total</b>	<b>\$747,500</b>	<b>\$999,100</b>	<b>\$1,265,123</b>	<b>\$1,546,209</b>	<b>\$1,843,021</b>

Numbers of Personnel					
Year	1	2	3	4	5
Senior Management	2	2	2	2	2
Sales Staff	2	3	4	5	6

Factory Staff	4	7	10	13	16
Technical Staff	2	2	2	2	2
Office Staff	5	7	9	11	13
<b>Totals</b>	<b>15</b>	<b>21</b>	<b>27</b>	<b>33</b>	<b>39</b>

## 8.2 Organizational Budget (Cont.)





## Financial Plan

### 9.1 Underlying Assumptions

The Company has based its proforma financial statements on the following:

- Titan Roof Tiles, Inc. will settle most short term payables at the end of the month.
- The Parent Company will inject \$847,000 of capital into the business to launch operations.
- The Company will have an average annual growth rate of 70% per year.

### 9.2 Financial Highlights

- Positive cash flow and profitability in each year of operation.
- Highly recurring streams of revenue from the purchase orders solicited for Titan Roof Tile products.
- Strong gross margins from the distribution of Titan Roof Tile to the demographics discussed in the fifth section of the business plan.

### 9.3 Economic Analysis

The Company's revenues are moderately sensitive to changes in the economy. Should the housing market not improve (especially for new home developments and home remodeling) then sales of Titan Roof Tile may wane. However, the business will be economically insulated on two fronts. First, the business will generate extremely high gross margins from the sales of its product line. Second, the replacement of roofing is required by homeowners and building owners from time to time, and as such the business will be able to remain profitable and cash flow positive at all times.

### 9.4 Source of Funds

<b>Financing</b>	
<b>Equity Financiers</b>	
Parent Company Capital Infusion	\$847,000.00
<b>Total Equity Financing</b>	\$847,000.00
<b>Banks and Lenders</b>	



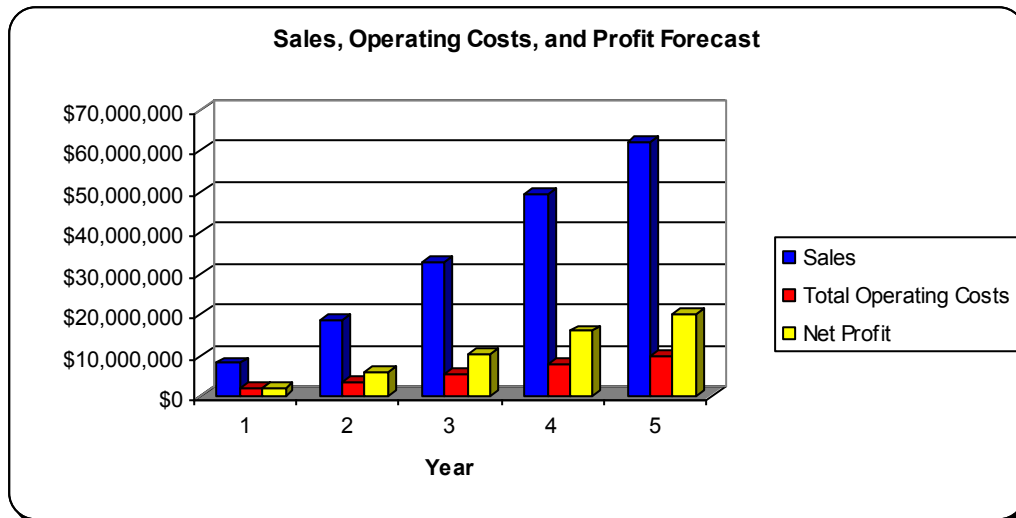
<b>Total Debt Financing</b>	\$0.00
<b>Total Financing</b>	<b>\$847,000.00</b>

## 9.5 Financial Proformas

### A) Profit and Loss Statement

Proforma Profit and Loss (Yearly)					
Year	1	2	3	4	5
<b>Sales</b>	\$8,191,800	\$18,841,140	\$32,971,995	\$49,457,993	\$61,822,491
Cost of Goods Sold	\$2,621,376	\$6,029,165	\$10,551,038	\$15,826,558	\$19,783,197
Gross Margin	68.00%	68.00%	68.00%	68.00%	68.00%
<b>Operating Income</b>	<b>\$5,570,424</b>	<b>\$12,811,975</b>	<b>\$22,420,957</b>	<b>\$33,631,435</b>	<b>\$42,039,294</b>
<b>Expenses</b>					
Payroll	\$747,500	\$999,100	\$1,265,123	\$1,546,209	\$1,843,021
General and Administrative Costs	\$180,220	\$414,505	\$725,384	\$1,088,076	\$1,360,095
Marketing Expenses	\$253,946	\$584,075	\$1,022,132	\$1,533,198	\$1,916,497
Equipment Maintenance Costs	\$41,778	\$96,090	\$168,157	\$252,236	\$315,295
Insurance Costs	\$122,877	\$282,617	\$494,580	\$741,870	\$927,337
Professional Fees and Licensure	\$50,000	\$57,500	\$66,125	\$76,044	\$87,450
Distribution Costs	\$360,439	\$829,010	\$1,450,768	\$2,176,152	\$2,720,190
Miscellaneous Costs	\$32,767	\$75,365	\$131,888	\$197,832	\$247,290
Payroll Taxes	\$112,125	\$149,865	\$189,768	\$231,931	\$276,453
<b>Total Operating Costs</b>	<b>\$1,901,652</b>	<b>\$3,488,127</b>	<b>\$5,513,925</b>	<b>\$7,843,547</b>	<b>\$9,693,628</b>
<b>EBITA</b>	<b>\$3,668,772</b>	<b>\$9,323,848</b>	<b>\$16,907,031</b>	<b>\$25,787,888</b>	<b>\$32,345,666</b>
Federal Income Tax	\$1,210,695	\$3,076,870	\$5,579,320	\$8,510,003	\$10,674,070
State Income Tax	\$183,439	\$466,192	\$845,352	\$1,289,394	\$1,617,283
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$2,274,639</b>	<b>\$5,780,786</b>	<b>\$10,482,359</b>	<b>\$15,988,491</b>	<b>\$20,054,313</b>
<b>Profit Margin</b>	<b>27.77%</b>	<b>30.68%</b>	<b>31.79%</b>	<b>32.33%</b>	<b>32.44%</b>





## B) Common Size Income Statement

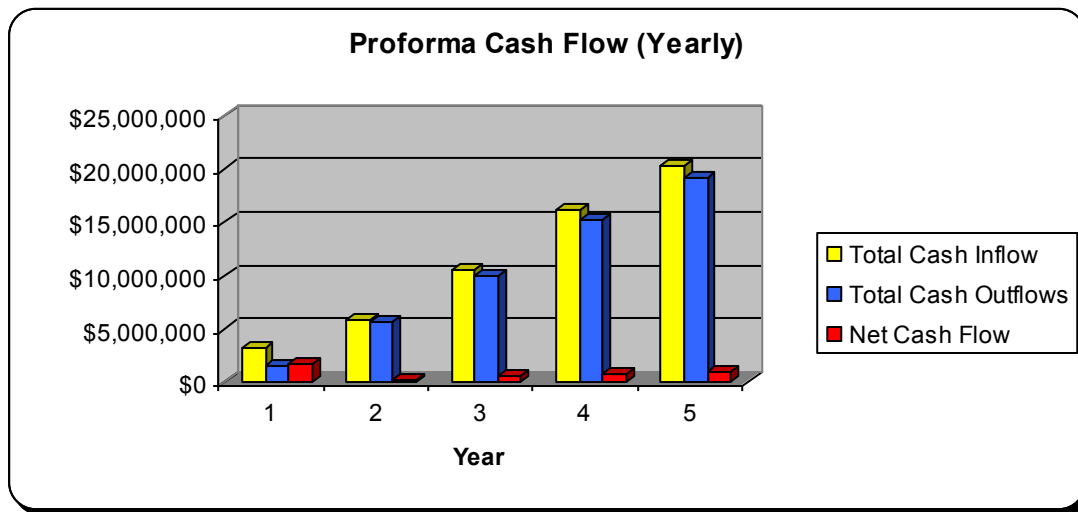
Proforma Profit and Loss (Common Size)					
Year	1	2	3	4	5
<b>Sales</b>	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	32.00%	32.00%	32.00%	32.00%	32.00%

<b>Operating Income</b>	68.00%	68.00%	68.00%	68.00%	68.00%
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Expenses					
Payroll	9.12%	5.30%	3.84%	3.13%	2.98%
General and Administrative Costs	2.20%	2.20%	2.20%	2.20%	2.20%
Marketing Expenses	3.10%	3.10%	3.10%	3.10%	3.10%
Equipment Maintenance Costs	0.51%	0.51%	0.51%	0.51%	0.51%
Insurance Costs	1.50%	1.50%	1.50%	1.50%	1.50%
Professional Fees and Licensure	0.61%	0.31%	0.20%	0.15%	0.14%
Distribution Costs	4.40%	4.40%	4.40%	4.40%	4.40%
Miscellaneous Costs	0.40%	0.40%	0.40%	0.40%	0.40%
Payroll Taxes	1.37%	0.80%	0.58%	0.47%	0.45%
<b>Total Operating Costs</b>	23.21%	18.51%	16.72%	15.86%	15.68%
<b>EBITA</b>	44.79%	49.49%	51.28%	52.14%	52.32%
Federal Income Tax	14.78%	16.33%	16.92%	17.21%	17.27%
State Income Tax	2.24%	2.47%	2.56%	2.61%	2.62%
Interest Expense	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Net Profit</b>	27.77%	30.68%	31.79%	32.33%	32.44%

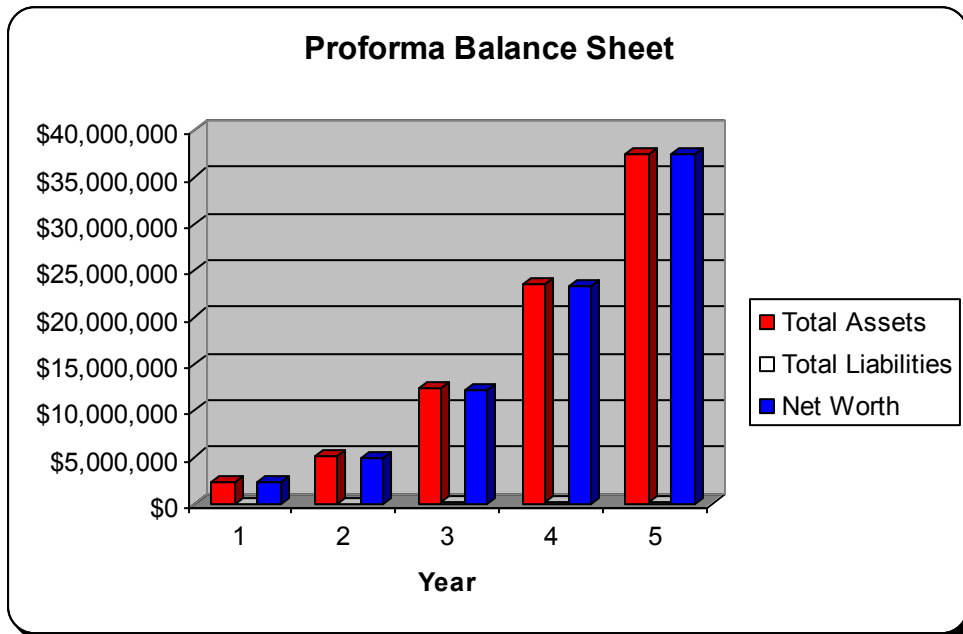
### C) Cash Flow Analysis

Proforma Cash Flow Analysis - Yearly					
Year	1	2	3	4	5
Cash From Operations	\$2,274,639	\$5,780,786	\$10,482,359	\$15,988,491	\$20,054,313
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$2,274,639</b>	<b>\$5,780,786</b>	<b>\$10,482,359</b>	<b>\$15,988,491</b>	<b>\$20,054,313</b>
<b>Other Cash Inflows</b>					
Equity Investment	\$847,000	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$100,000	\$115,000	\$132,250	\$152,088	\$174,901
<b>Total Other Cash Inflows</b>	<b>\$947,000</b>	<b>\$115,000</b>	<b>\$132,250</b>	<b>\$152,088</b>	<b>\$174,901</b>
<b>Total Cash Inflow</b>	<b>\$3,221,639</b>	<b>\$5,895,786</b>	<b>\$10,614,609</b>	<b>\$16,140,578</b>	<b>\$20,229,213</b>
<b>Cash Outflows</b>					
Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$80,000	\$88,000	\$96,800	\$106,480	\$117,128
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$712,000	\$3,757,511	\$6,813,534	\$10,392,519	\$13,035,303
Dividends	\$682,392	\$1,734,236	\$3,144,708	\$4,796,547	\$6,016,294
<b>Total Cash Outflows</b>	<b>\$1,474,392</b>	<b>\$5,579,747</b>	<b>\$10,055,041</b>	<b>\$15,295,546</b>	<b>\$19,168,725</b>
<b>Net Cash Flow</b>	<b>\$1,747,247</b>	<b>\$316,039</b>	<b>\$559,568</b>	<b>\$845,032</b>	<b>\$1,060,488</b>
<b>Cash Balance</b>	<b>\$1,747,247</b>	<b>\$2,063,286</b>	<b>\$2,622,854</b>	<b>\$3,467,886</b>	<b>\$4,528,375</b>



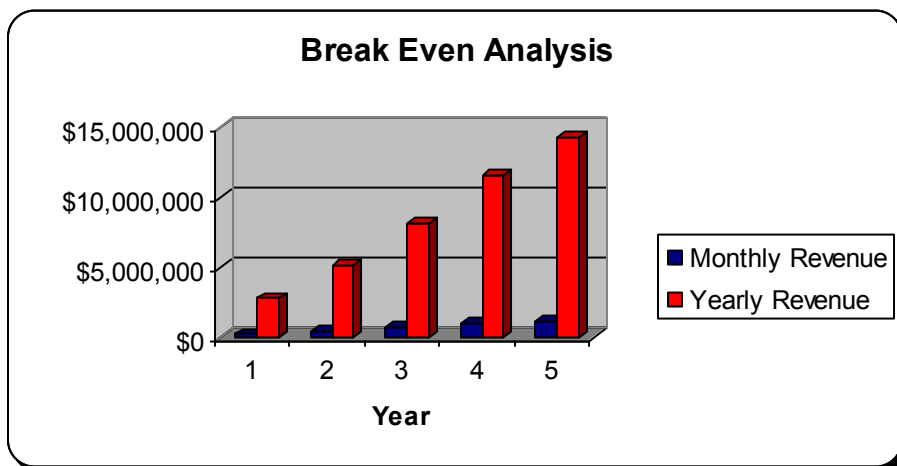
#### D) Balance Sheet

Proforma Balance Sheet - Yearly					
Year	1	2	3	4	5
<b>Assets</b>					
Cash	\$1,747,247	\$2,063,286	\$2,622,854	\$3,467,886	\$4,528,375
Amortized Startup and Expansion Costs	\$332,000	\$2,774,382	\$7,203,179	\$13,958,316	\$22,431,263
Inventory	\$80,000	\$455,751	\$1,137,104	\$2,176,356	\$3,479,887
FF&E	\$300,000	\$1,239,378	\$2,942,761	\$5,540,891	\$8,799,717
Accumulated Depreciation	(\$50,857)	(\$1,525,714)	(\$1,576,571)	(\$1,627,429)	(\$1,678,286)
<b>Total Assets</b>	<b>\$2,408,390</b>	<b>\$5,007,083</b>	<b>\$12,329,327</b>	<b>\$23,516,021</b>	<b>\$37,560,956</b>
<b>Liabilities and Equity</b>					
Accounts Payable	\$20,000	\$47,000	\$82,450	\$128,058	\$185,830
Long Term Liabilities	\$0	\$0	\$0	\$0	\$0
Other Liabilities	\$0	\$0	\$0	\$0	\$0
<b>Total Liabilities</b>	<b>\$20,000</b>	<b>\$47,000</b>	<b>\$82,450</b>	<b>\$128,058</b>	<b>\$185,830</b>
<b>Net Worth</b>	<b>\$2,388,390</b>	<b>\$4,960,083</b>	<b>\$12,246,877</b>	<b>\$23,387,964</b>	<b>\$37,375,126</b>
<b>Total Liabilities and Equity</b>	<b>\$2,408,390</b>	<b>\$5,007,083</b>	<b>\$12,329,327</b>	<b>\$23,516,021</b>	<b>\$37,560,956</b>



## 9.6 Breakeven Analysis

Monthly Break Even Analysis					
Year	1	2	3	4	5
Monthly Revenue	\$233,046	\$427,467	\$675,726	\$961,219	\$1,187,945
Yearly Revenue	\$2,796,547	\$5,129,599	\$8,108,714	\$11,534,627	\$14,255,335



## 9.7 Business Ratios

Business Ratios - Yearly					
Year	1	2	3	4	5
<b>Sales</b>					
Sales Growth	0.0%	130.0%	75.0%	50.0%	25.0%
Gross Margin	68.0%	68.0%	68.0%	68.0%	68.0%
<b>Financials</b>					
Profit Margin	27.77%	30.68%	31.79%	32.33%	32.44%
Assets to Liabilities	120.42	106.53	149.54	183.64	202.13
Equity to Liabilities	119.42	105.53	148.54	182.64	201.13
Assets to Equity	1.01	1.01	1.01	1.01	1.00
<b>Liquidity</b>					
Acid Test	87.36	43.90	31.81	27.08	24.37
Cash to Assets	0.73	0.41	0.21	0.15	0.12

## 9.8 General Assumptions

General Assumptions					
Year	1	2	3	4	5
Federal Tax Rate	33.0%	33.0%	33.0%	33.0%	33.0%
State Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%
Personnel Taxes	15.0%	15.0%	15.0%	15.0%	15.0%

### SWOT Analysis

#### Strengths

- The ability to create networks of referral agents through the United States and abroad that will aggressively solicit purchase orders on behalf of the business.
- Moderately immune to economic changes due to the fact that homes are always going to need repair despite the economy (via usage of Titan Roof Tiles).
- Qualified and experienced senior management led by Don Blalock and Corey Park.
- Titan Roof Tiles will have patent protection for its product line.

#### Weaknesses

- Business can fluctuate based on the demand for new home starts and roofing repair services.
- Moderate operating and distribution costs.



## **Opportunities**

- Develop patent licensing relationships with businesses operating internationally.
- Continue to develop ongoing purchase order relationships with roofing contractors, construction companies, and general contractors.

## **Threats**

- The number of regulatory issues regarding construction material businesses are increasing.
- Liabilities resulting from improper manufacturing practices.

## **Critical Risks and Problems**

### **Development Risk – Moderate**

Titan Roof Tiles, Inc. has already developed and tested the Titan Roof Tiles product line. It is fully ready for large scale manufacturing and distribution.

### **Marketing Risk – Moderate**

Management intends on using the marketing strategies outlined in the seventh section of the business plan coupled with an aggressive sales program. However, these marketing strategies are expensive and they may not yield the financial results anticipated in this business plan.

### **Management Risk – Low/Moderate**

The Company has a board of directors and management team that have extensive experience in the field of construction and construction materials. The business's management is educated, motivated, and experienced in all aspects of Titan Roof Tiles, Inc.'s operations.

### **Valuation Risk – Low**

The risk that an investor pays too much for the venture is offset by:



- Investor funds will be in a Company that generates predictable streams high margin revenue from the sale of Titan Roof Tiles.
- The Company's growth rate will create value and equity in the business very quickly.
- The business will have a large inventory of operating assets that can be divested within 24 months.

#### Exit Risk - Low

There is a great demand for established construction material businesses, and the Management of Titan Roof Tiles, Inc. feels that the full sale of all Company assets could occur within one year of marketing the Company for sale. The Company would most likely solicit the help of a major investment bank. However, the business would most likely be sold in conjunction with the Titan Brick, Inc. parent company.

#### **Reference Sources**

All statistics and market information was obtained through:

1. U.S. Government Bureau of Labor Statistics
2. U.S. Bureau of Economic Analysis – Construction Materials Wholesaling
3. U.S. Economic Census
  - Structural Tile Manufacturing – NAICS Report 327121
  - Roofing Material Manufacturers and Dealers – NAICS 444190



### Expanded Profit and Loss Statements

Profit and Loss Statement (First Year)							
Months	1	2	3	4	5	6	7
<b>Sales</b>	<b>\$499,500</b>	<b>\$532,800</b>	<b>\$566,100</b>	<b>\$599,400</b>	<b>\$632,700</b>	<b>\$666,000</b>	<b>\$699,300</b>
Cost of Goods Sold	\$159,840	\$170,496	\$181,152	\$191,808	\$202,464	\$213,120	\$223,776
Gross Margin	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%

<b>Operating Income</b>	<b>\$339,660</b>	<b>\$362,304</b>	<b>\$384,948</b>	<b>\$407,592</b>	<b>\$430,236</b>	<b>\$452,880</b>	<b>\$475,524</b>
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Expenses							
Payroll	\$62,292	\$62,292	\$62,292	\$62,292	\$62,292	\$62,292	\$62,292
General and Administrative Costs	\$15,018	\$15,018	\$15,018	\$15,018	\$15,018	\$15,018	\$15,018
Marketing Expenses	\$21,162	\$21,162	\$21,162	\$21,162	\$21,162	\$21,162	\$21,162
Equipment Maintenance Costs	\$3,482	\$3,482	\$3,482	\$3,482	\$3,482	\$3,482	\$3,482
Insurance Costs	\$10,240	\$10,240	\$10,240	\$10,240	\$10,240	\$10,240	\$10,240
Professional Fees and Licensure	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Distribution Costs	\$30,037	\$30,037	\$30,037	\$30,037	\$30,037	\$30,037	\$30,037
Miscellaneous Costs	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731
Payroll Taxes	\$9,344	\$9,344	\$9,344	\$9,344	\$9,344	\$9,344	\$9,344
<b>Total Operating Costs</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$158,471</b>





<b>EBITA</b>	\$181,189	\$203,833	\$226,477	\$249,121	\$271,765	\$294,409	\$317,053
Federal Income Tax	\$73,823	\$78,744	\$83,666	\$88,587	\$93,509	\$98,430	\$103,352
State Income Tax	\$11,185	\$11,931	\$12,677	\$13,422	\$14,168	\$14,914	\$15,659
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	\$96,181	\$113,158	\$130,134	\$147,111	\$164,088	\$181,065	\$198,042

<b>Profit and Loss Statement (First Year Cont.)</b>						
Month	8	9	10	11	12	1
<b>Sales</b>	<b>\$732,600</b>	<b>\$765,900</b>	<b>\$799,200</b>	<b>\$832,500</b>	<b>\$865,800</b>	<b>\$8,191,800</b>
Cost of Goods Sold	\$234,432	\$245,088	\$255,744	\$266,400	\$277,056	\$2,621,376
Gross Margin	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%
<b>Operating Income</b>	<b>\$498,168</b>	<b>\$520,812</b>	<b>\$543,456</b>	<b>\$566,100</b>	<b>\$588,744</b>	<b>\$5,570,424</b>

#### Expenses

Payroll	\$62,292	\$62,292	\$62,292	\$62,292	\$62,292	\$747,500
General and Administrative Costs	\$15,018	\$15,018	\$15,018	\$15,018	\$15,018	\$180,220
Marketing Expenses	\$21,162	\$21,162	\$21,162	\$21,162	\$21,162	\$253,946
Equipment Maintenance Costs	\$3,482	\$3,482	\$3,482	\$3,482	\$3,482	\$41,778
Insurance Costs	\$10,240	\$10,240	\$10,240	\$10,240	\$10,240	\$122,877
Professional Fees and Licensure	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$50,000
Distribution Costs	\$30,037	\$30,037	\$30,037	\$30,037	\$30,037	\$360,439
Miscellaneous Costs	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$32,767
Payroll Taxes	\$9,344	\$9,344	\$9,344	\$9,344	\$9,344	\$112,125
<b>Total Operating Costs</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$158,471</b>	<b>\$1,901,652</b>
<b>EBITA</b>	<b>\$339,697</b>	<b>\$362,341</b>	<b>\$384,985</b>	<b>\$407,629</b>	<b>\$430,273</b>	<b>\$3,668,772</b>
Federal Income Tax	\$108,274	\$113,195	\$118,117	\$123,038	\$127,960	\$1,210,695



State Income Tax	\$16,405	\$17,151	\$17,896	\$18,642	\$19,388	\$183,439
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$215,018</b>	<b>\$231,995</b>	<b>\$248,972</b>	<b>\$265,949</b>	<b>\$282,926</b>	<b>\$2,274,639</b>

**Profit and Loss Statement (Second Year)**

2					
Quarter	Q1	Q2	Q3	Q4	2
<b>Sales</b>	\$3,768,228	\$4,710,285	\$5,087,108	\$5,275,519	\$18,841,140
Cost of Goods Sold	\$1,205,833	\$1,507,291	\$1,627,874	\$1,688,166	\$6,029,165
Gross Margin	68.0%	68.0%	68.0%	68.0%	68.0%

<b>Operating Income</b>	<b>\$2,562,395</b>	<b>\$3,202,994</b>	<b>\$3,459,233</b>	<b>\$3,587,353</b>	<b>\$12,811,975</b>
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**Expenses**

Payroll	\$199,820	\$249,775	\$269,757	\$279,748	\$999,100
General and Administrative Costs	\$82,901	\$103,626	\$111,916	\$116,061	\$414,505
Marketing Expenses	\$116,815	\$146,019	\$157,700	\$163,541	\$584,075
Equipment Maintenance Costs	\$19,218	\$24,022	\$25,944	\$26,905	\$96,090
Insurance Costs	\$56,523	\$70,654	\$76,307	\$79,133	\$282,617
Professional Fees and Licensure	\$11,500	\$14,375	\$15,525	\$16,100	\$57,500
Distribution Costs	\$165,802	\$207,253	\$223,833	\$232,123	\$829,010
Miscellaneous Costs	\$15,073	\$18,841	\$20,348	\$21,102	\$75,365
Payroll Taxes	\$29,973	\$37,466	\$40,464	\$41,962	\$149,865
<b>Total Operating Costs</b>	<b>\$697,625</b>	<b>\$872,032</b>	<b>\$941,794</b>	<b>\$976,676</b>	<b>\$3,488,127</b>

<b>EBITA</b>	<b>\$1,864,770</b>	<b>\$2,330,962</b>	<b>\$2,517,439</b>	<b>\$2,610,677</b>	<b>\$9,323,848</b>
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Federal Income Tax	\$615,374	\$769,217	\$830,755	\$861,524	\$3,076,870
State Income Tax	\$93,238	\$116,548	\$125,872	\$130,534	\$466,192
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$1,156,157</b>	<b>\$1,445,196</b>	<b>\$1,560,812</b>	<b>\$1,618,620</b>	<b>\$5,780,786</b>

Profit and Loss Statement (Third Year)					
3					
Quarter	Q1	Q2	Q3	Q4	3
<b>Sales</b>	\$6,594,399	\$8,242,999	\$8,902,439	\$9,232,159	\$32,971,995
Cost of Goods Sold	\$2,110,208	\$2,637,760	\$2,848,780	\$2,954,291	\$10,551,038
Gross Margin	68.0%	68.0%	68.0%	68.0%	68.0%

<b>Operating Income</b>	<b>\$4,484,191</b>	<b>\$5,605,239</b>	<b>\$6,053,658</b>	<b>\$6,277,868</b>	<b>\$22,420,957</b>
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Expenses					
	Q1	Q2	Q3	Q4	3
Payroll	\$253,025	\$316,281	\$341,583	\$354,235	\$1,265,123
General and Administrative Costs	\$145,077	\$181,346	\$195,854	\$203,107	\$725,384
Marketing Expenses	\$204,426	\$255,533	\$275,976	\$286,197	\$1,022,132
Equipment Maintenance Costs	\$33,631	\$42,039	\$45,402	\$47,084	\$168,157
Insurance Costs	\$98,916	\$123,645	\$133,537	\$138,482	\$494,580
Professional Fees and Licensure	\$13,225	\$16,531	\$17,854	\$18,515	\$66,125
Distribution Costs	\$290,154	\$362,692	\$391,707	\$406,215	\$1,450,768
Miscellaneous Costs	\$26,378	\$32,972	\$35,610	\$36,929	\$131,888
Payroll Taxes	\$37,954	\$47,442	\$51,237	\$53,135	\$189,768
<b>Total Operating Costs</b>	<b>\$1,102,785</b>	<b>\$1,378,481</b>	<b>\$1,488,760</b>	<b>\$1,543,899</b>	<b>\$5,513,925</b>
<b>EBITA</b>	<b>\$3,381,406</b>	<b>\$4,226,758</b>	<b>\$4,564,898</b>	<b>\$4,733,969</b>	<b>\$16,907,031</b>



Federal Income Tax	\$1,115,864	\$1,394,830	\$1,506,416	\$1,562,210	\$5,579,320
State Income Tax	\$169,070	\$211,338	\$228,245	\$236,698	\$845,352
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$2,096,472</b>	<b>\$2,620,590</b>	<b>\$2,830,237</b>	<b>\$2,935,061</b>	<b>\$10,482,359</b>

Profit and Loss Statement (Fourth Year)					
4					
Quarter	Q1	Q2	Q3	Q4	4
<b>Sales</b>	\$9,891,599	\$12,364,498	\$13,353,658	\$13,848,238	\$49,457,993
Cost of Goods Sold	\$3,165,312	\$3,956,639	\$4,273,171	\$4,431,436	\$15,826,558
Gross Margin	68.0%	68.0%	68.0%	68.0%	68.0%

<b>Operating Income</b>	<b>\$6,726,287</b>	<b>\$8,407,859</b>	<b>\$9,080,487</b>	<b>\$9,416,802</b>	<b>\$33,631,435</b>
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Expenses					
Payroll	\$309,242	\$386,552	\$417,476	\$432,938	\$1,546,209
General and Administrative Costs	\$217,615	\$272,019	\$293,780	\$304,661	\$1,088,076
Marketing Expenses	\$306,640	\$383,299	\$413,963	\$429,295	\$1,533,198
Equipment Maintenance Costs	\$50,447	\$63,059	\$68,104	\$70,626	\$252,236
Insurance Costs	\$148,374	\$185,467	\$200,305	\$207,724	\$741,870
Professional Fees and Licensure	\$15,209	\$19,011	\$20,532	\$21,292	\$76,044
Distribution Costs	\$435,230	\$544,038	\$587,561	\$609,322	\$2,176,152
Miscellaneous Costs	\$39,566	\$49,458	\$53,415	\$55,393	\$197,832
Payroll Taxes	\$46,386	\$57,983	\$62,621	\$64,941	\$231,931
<b>Total Operating Costs</b>	<b>\$1,568,709</b>	<b>\$1,960,887</b>	<b>\$2,117,758</b>	<b>\$2,196,193</b>	<b>\$7,843,547</b>
<b>EBITA</b>	<b>\$5,157,578</b>	<b>\$6,446,972</b>	<b>\$6,962,730</b>	<b>\$7,220,609</b>	<b>\$25,787,888</b>



Federal Income Tax	\$1,702,001	\$2,127,501	\$2,297,701	\$2,382,801	\$8,510,003
State Income Tax	\$257,879	\$322,349	\$348,136	\$361,030	\$1,289,394
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$3,197,698</b>	<b>\$3,997,123</b>	<b>\$4,316,892</b>	<b>\$4,476,777</b>	<b>\$15,988,491</b>

**Profit and Loss Statement (Fifth Year)**

5					
Quarter	Q1	Q2	Q3	Q4	5
<b>Sales</b>	\$12,364,498	\$15,455,623	\$16,692,072	\$17,310,297	\$61,822,491
Cost of Goods Sold	\$3,956,639	\$4,945,799	\$5,341,463	\$5,539,295	\$19,783,197
Gross Margin	68.0%	68.0%	68.0%	68.0%	68.0%

<b>Operating Income</b>	<b>\$8,407,859</b>	<b>\$10,509,823</b>	<b>\$11,350,609</b>	<b>\$11,771,002</b>	<b>\$42,039,294</b>
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<b>Expenses</b>					
Payroll	\$368,604	\$460,755	\$497,616	\$516,046	\$1,843,021
General and Administrative Costs	\$272,019	\$340,024	\$367,226	\$380,827	\$1,360,095
Marketing Expenses	\$383,299	\$479,124	\$517,454	\$536,619	\$1,916,497
Equipment Maintenance Costs	\$63,059	\$78,824	\$85,130	\$88,283	\$315,295
Insurance Costs	\$185,467	\$231,834	\$250,381	\$259,654	\$927,337
Professional Fees and Licensure	\$17,490	\$21,863	\$23,612	\$24,486	\$87,450
Distribution Costs	\$544,038	\$680,047	\$734,451	\$761,653	\$2,720,190
Miscellaneous Costs	\$49,458	\$61,822	\$66,768	\$69,241	\$247,290
Payroll Taxes	\$55,291	\$69,113	\$74,642	\$77,407	\$276,453
<b>Total Operating Costs</b>	<b>\$1,938,726</b>	<b>\$2,423,407</b>	<b>\$2,617,279</b>	<b>\$2,714,216</b>	<b>\$9,693,628</b>



<b>EBITA</b>	<b>\$6,469,133</b>	<b>\$8,086,416</b>	<b>\$8,733,330</b>	<b>\$9,056,786</b>	<b>\$32,345,666</b>
Federal Income Tax	\$2,134,814	\$2,668,517	\$2,881,999	\$2,988,740	\$10,674,070
State Income Tax	\$323,457	\$404,321	\$436,666	\$452,839	\$1,617,283
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$4,010,863</b>	<b>\$5,013,578</b>	<b>\$5,414,664</b>	<b>\$5,615,208</b>	<b>\$20,054,313</b>

### Expanded Cash Flow Analysis

#### Cash Flow Analysis (First Year)

Month	1	2	3	4	5	6	7	8
Cash From Operations	\$96,181	\$113,158	\$130,134	\$147,111	\$164,088	\$181,065	\$198,042	\$215,018
Cash From Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$96,181</b>	<b>\$113,158</b>	<b>\$130,134</b>	<b>\$147,111</b>	<b>\$164,088</b>	<b>\$181,065</b>	<b>\$198,042</b>	<b>\$215,018</b>

#### Other Cash Inflows

Equity Investment	\$847,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333
<b>Total Other Cash Inflows</b>	<b>\$855,333</b>	<b>\$8,333</b>	<b>\$8,333</b>	<b>\$8,333</b>	<b>\$8,333</b>	<b>\$8,333</b>	<b>\$8,333</b>	<b>\$8,333</b>

<b>Total Cash Inflow</b>	<b>\$951,514</b>	<b>\$121,491</b>	<b>\$138,468</b>	<b>\$155,445</b>	<b>\$172,421</b>	<b>\$189,398</b>	<b>\$206,375</b>	<b>\$223,352</b>
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#### Cash Outflows

Repayment of Principal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$6,667	\$6,667	\$6,667	\$6,667	\$6,667	\$6,667	\$6,667	\$6,667
A/R Increases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Asset Purchases	\$712,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Cash Outflows</b>	<b>\$718,667</b>	<b>\$6,667</b>	<b>\$6,667</b>	<b>\$6,667</b>	<b>\$6,667</b>	<b>\$6,667</b>	<b>\$6,667</b>	<b>\$6,667</b>

<b>Net Cash Flow</b>	<b>\$232,848</b>	<b>\$114,824</b>	<b>\$131,801</b>	<b>\$148,778</b>	<b>\$165,755</b>	<b>\$182,731</b>	<b>\$199,708</b>	<b>\$216,685</b>
<b>Cash Balance</b>	<b>\$232,848</b>	<b>\$347,672</b>	<b>\$479,473</b>	<b>\$628,251</b>	<b>\$794,006</b>	<b>\$976,737</b>	<b>\$1,176,445</b>	<b>\$1,393,130</b>

<b>Cash Flow Analysis (First Year Cont.)</b>					
Month	9	10	11	12	1
Cash From Operations	\$231,995	\$248,972	\$265,949	\$282,926	\$2,274,639
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$231,995</b>	<b>\$248,972</b>	<b>\$265,949</b>	<b>\$282,926</b>	<b>\$2,274,639</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$847,000
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$8,333	\$8,333	\$8,333	\$8,333	\$100,000
<b>Total Other Cash Inflows</b>	<b>\$8,333</b>	<b>\$8,333</b>	<b>\$8,333</b>	<b>\$8,333</b>	<b>\$947,000</b>

<b>Total Cash Inflow</b>	<b>\$240,329</b>	<b>\$257,305</b>	<b>\$274,282</b>	<b>\$291,259</b>	<b>\$3,221,639</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$6,667	\$6,667	\$6,667	\$6,667	\$80,000
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$0	\$0	\$0	\$0	\$712,000
Dividends	\$0	\$0	\$0	\$682,392	\$682,392
<b>Total Cash Outflows</b>	<b>\$6,667</b>	<b>\$6,667</b>	<b>\$6,667</b>	<b>\$689,059</b>	<b>\$1,474,392</b>



<b>Net Cash Flow</b>	<b>\$233,662</b>	<b>\$250,639</b>	<b>\$267,615</b>	<b>-\$397,800</b>	<b>\$1,747,247</b>
<b>Cash Balance</b>	<b>\$1,626,792</b>	<b>\$1,877,431</b>	<b>\$2,145,046</b>	<b>\$1,747,247</b>	<b>\$1,747,247</b>

<b>Cash Flow Analysis (Second Year)</b>					
2					
Quarter	Q1	Q2	Q3	Q4	2
Cash From Operations	\$1,156,157	\$1,445,196	\$1,560,812	\$1,618,620	\$5,780,786
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$1,156,157</b>	<b>\$1,445,196</b>	<b>\$1,560,812</b>	<b>\$1,618,620</b>	<b>\$5,780,786</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$23,000	\$28,750	\$31,050	\$32,200	\$115,000
<b>Total Other Cash Inflows</b>	<b>\$23,000</b>	<b>\$28,750</b>	<b>\$31,050</b>	<b>\$32,200</b>	<b>\$115,000</b>

<b>Total Cash Inflow</b>	<b>\$1,179,157</b>	<b>\$1,473,946</b>	<b>\$1,591,862</b>	<b>\$1,650,820</b>	<b>\$5,895,786</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$17,600	\$22,000	\$23,760	\$24,640	\$88,000
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$751,502	\$939,378	\$1,014,528	\$1,052,103	\$3,757,511
Dividends	\$346,847	\$433,559	\$468,244	\$485,586	\$1,734,236





<b>Total Cash Outflows</b>	<b>\$1,115,949</b>	<b>\$1,394,937</b>	<b>\$1,506,532</b>	<b>\$1,562,329</b>	<b>\$5,579,747</b>
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<b>Net Cash Flow</b>	<b>\$63,208</b>	<b>\$79,010</b>	<b>\$85,331</b>	<b>\$88,491</b>	<b>\$316,039</b>
<b>Cash Balance</b>	<b>\$1,810,455</b>	<b>\$1,889,465</b>	<b>\$1,974,795</b>	<b>\$2,063,286</b>	<b>\$2,063,286</b>

<b>Cash Flow Analysis (Third Year)</b>					
3					
Quarter	Q1	Q2	Q3	Q4	3
Cash From Operations	\$2,096,472	\$2,620,590	\$2,830,237	\$2,935,061	\$10,482,359
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$2,096,472</b>	<b>\$2,620,590</b>	<b>\$2,830,237</b>	<b>\$2,935,061</b>	<b>\$10,482,359</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$26,450	\$33,063	\$35,708	\$37,030	\$132,250
<b>Total Other Cash Inflows</b>	<b>\$26,450</b>	<b>\$33,063</b>	<b>\$35,708</b>	<b>\$37,030</b>	<b>\$132,250</b>

<b>Total Cash Inflow</b>	<b>\$2,122,922</b>	<b>\$2,653,652</b>	<b>\$2,865,945</b>	<b>\$2,972,091</b>	<b>\$10,614,609</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$19,360	\$24,200	\$26,136	\$27,104	\$96,800
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$1,362,707	\$1,703,383	\$1,839,654	\$1,907,789	\$6,813,534
Dividends	\$628,942	\$786,177	\$849,071	\$880,518	\$3,144,708



<b>Total Cash Outflows</b>	<b>\$2,011,008</b>	<b>\$2,513,760</b>	<b>\$2,714,861</b>	<b>\$2,815,412</b>	<b>\$10,055,041</b>
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<b>Net Cash Flow</b>	<b>\$111,914</b>	<b>\$139,892</b>	<b>\$151,083</b>	<b>\$156,679</b>	<b>\$559,568</b>
<b>Cash Balance</b>	<b>\$2,175,200</b>	<b>\$2,315,092</b>	<b>\$2,466,175</b>	<b>\$2,622,854</b>	<b>\$2,622,854</b>

<b>Cash Flow Analysis (Fourth Year)</b>					
4					
Quarter	Q1	Q2	Q3	Q4	4
Cash From Operations	\$3,197,698	\$3,997,123	\$4,316,892	\$4,476,777	\$15,988,491
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$3,197,698</b>	<b>\$3,997,123</b>	<b>\$4,316,892</b>	<b>\$4,476,777</b>	<b>\$15,988,491</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$30,418	\$38,022	\$41,064	\$42,585	\$152,088
<b>Total Other Cash Inflows</b>	<b>\$30,418</b>	<b>\$38,022</b>	<b>\$41,064</b>	<b>\$42,585</b>	<b>\$152,088</b>

<b>Total Cash Inflow</b>	<b>\$3,228,116</b>	<b>\$4,035,145</b>	<b>\$4,357,956</b>	<b>\$4,519,362</b>	<b>\$16,140,578</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$21,296	\$26,620	\$28,750	\$29,814	\$106,480
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$2,078,504	\$2,598,130	\$2,805,980	\$2,909,905	\$10,392,519
Dividends	\$959,309	\$1,199,137	\$1,295,068	\$1,343,033	\$4,796,547



<b>Total Cash Outflows</b>	<b>\$3,059,109</b>	<b>\$3,823,887</b>	<b>\$4,129,797</b>	<b>\$4,282,753</b>	<b>\$15,295,546</b>
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<b>Net Cash Flow</b>	<b>\$169,006</b>	<b>\$211,258</b>	<b>\$228,159</b>	<b>\$236,609</b>	<b>\$845,032</b>
<b>Cash Balance</b>	<b>\$2,791,861</b>	<b>\$3,003,119</b>	<b>\$3,231,277</b>	<b>\$3,467,886</b>	<b>\$3,467,886</b>

<b>Cash Flow Analysis (Fifth Year)</b>					
5					
Quarter	Q1	Q2	Q3	Q4	5
Cash From Operations	\$4,010,863	\$5,013,578	\$5,414,664	\$5,615,208	\$20,054,313
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$4,010,863</b>	<b>\$5,013,578</b>	<b>\$5,414,664</b>	<b>\$5,615,208</b>	<b>\$20,054,313</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$34,980	\$43,725	\$47,223	\$48,972	\$174,901
<b>Total Other Cash Inflows</b>	<b>\$34,980</b>	<b>\$43,725</b>	<b>\$47,223</b>	<b>\$48,972</b>	<b>\$174,901</b>

<b>Total Cash Inflow</b>	<b>\$4,045,843</b>	<b>\$5,057,303</b>	<b>\$5,461,888</b>	<b>\$5,664,180</b>	<b>\$20,229,213</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$23,426	\$29,282	\$31,625	\$32,796	\$117,128
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$2,607,061	\$3,258,826	\$3,519,532	\$3,649,885	\$13,035,303
Dividends	\$1,203,259	\$1,504,073	\$1,624,399	\$1,684,562	\$6,016,294



<b>Total Cash Outflows</b>	<b>\$3,833,745</b>	<b>\$4,792,181</b>	<b>\$5,175,556</b>	<b>\$5,367,243</b>	<b>\$19,168,725</b>
<b>Net Cash Flow</b>	<b>\$212,098</b>	<b>\$265,122</b>	<b>\$286,332</b>	<b>\$296,937</b>	<b>\$1,060,488</b>
<b>Cash Balance</b>	<b>\$3,679,984</b>	<b>\$3,945,106</b>	<b>\$4,231,438</b>	<b>\$4,528,375</b>	<b>\$4,528,375</b>