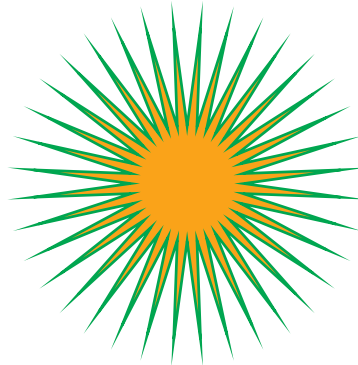


# The Kit Company, Inc.



## Expanded Executive Summary

October 15, 2005



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**The Company & Management Team.** The Kit Company, Inc., was established in July of 2004, with initial capitalization provided by the founders. The Company is in the business of developing, packaging, and marketing closing and thank-you gifts (i.e., kits) for the real estate, moving, and apartment-management industries. The Company is owned by its President and CEO, Edward Shaw (55% equity interest); its COO/CIO, Melih Oztalay (40%); David Strickland (5%); and Keith Banks (2%).

**The Product.** We're presently offering the Company's maiden product, **The Movers Survival Kit™** (MSK), a closing gift for real estate agents. This highly utilitarian kit — which measures 18" x 13" x 7" and ships out at 12 lbs — contains 31 essential items for any family moving into a new home: **"All the gear you need for the first 24 to 48 hours in your new digs!"** Except for the trademarked brand name ("Movers Survival Kit™") and copyrighted sales materials and messages, there are no protectable intellectual property rights associated with this product.

**The Market.** While the end-users of the **Movers Survival Kit™** are the nearly 6 million people in America who move into a home each year and use the services of a real estate agent, our sell-to customer base consists of the more than 1 million members of the National Association of Realtors® (NAR). Almost 80% of these Realtors® use closing gifts regularly, and virtually 100% use them at least occasionally. Until now, Realtors® have typically bought their closing gifts from local vendors and, to a lesser extent, from catalogs or on the Internet. According to NAR figures, Realtors® currently pay an average of \$54.22 for each closing gift they buy.

**The Competition.** The **Movers Survival Kit™** is the only nationally-branded Realtors® closing gift currently available on the market, and is very competitively priced at \$45 per Kit (in the 1-pack) and even more competitively priced at 2 for \$80. Its only competition in the marketplace is inertia: Overcoming our customers' current practice of sourcing their closing gifts "last-minute and local".

**Market Reception.** In the roughly 10 months since the **Movers Survival Kit™** has been on the market, it has met with unprecedented customer acceptance and enormous customer enthusiasm, as evidenced by the glowing testimonials we continue to receive (see [www.kitsinc.biz](http://www.kitsinc.biz)). We've garnered a total of 261 customers,

of whom 38 (15%) ordered the **Movers Survival Kit™** at least twice, and eight of whom (3%) placed three or more orders with us. Our average order size has been 3.25 Kits; and one real estate agency in Tallahassee has so far ordered 100 Kits.

**What We've Learned.** These are the important lessons we learned from our initial 10-month foray into the Realtor® marketplace; and these conclusions will guide the whole of our future sales and marketing strategy:

1. The **Movers Survival Kit™** is an unequivocal smash hit with the Realtors® of America, who are calling it *"The greatest closing gift idea in the last 50 years!"*.
2. There aren't any "intermediary" channels thru which we can practicably or cost-effectively reach America's Realtors®.
3. While we've had some early success in using email for marketing, this channel is fast becoming unreliable and difficult, mainly because of the rapid proliferation of spam-blocking and email-filtering technologies, anti-spamming regulation, etc.
4. Realtors® tend to be last-minute thinkers when it comes to closing gifts, often buying them within only days (or even hours!) of a closing. Partly this is because of the unpredictability of the real-estate closing cycle, and partly it's because Realtors® are used to buying their closing gifts locally, with almost immediate pick-up or delivery.
5. Realtors® are independent and independently-minded — self-employed entrepreneurs who tend *not* to spend money unless and until they need to, but who nonetheless are willing to take advantage of a bargain when they see one.
6. When it comes to advertising, Realtors® are like everybody else: Size matters, and so does repetition!

**At a Crossroads.** Having sold all of our initial Survival Kits, we now face a critical need for more funds to both procure additional Kit inventories and (more importantly) to launch the kind of intensive, high-visibility national advertising campaign that will be required to build on our initial success and turn the Company into a financially viable enterprise. We're seeking \$180,000 in loan financing for this purpose.

**Use of Proceeds.** The loan funding we seek will be used for three purposes, primarily: Additional inventory of 2,500 second-edition Kits (\$60,000); legal, filing, incorporation, and other preproduction expenses (\$21,000); and operating and advertising expenses for the first 3 months of activity (\$99,000).

**Marketing Strategy: “REALTOR-Direct”** Our marketing plan centers on a series of full-page, full-color ads that will be run each month in **REALTOR® Magazine**, the National Association of Realtors®’ main member publication. These ads will tell the MSK story in the most powerful advertising language of all: Pictures and customer testimonials. While there’s no better advertisement for any product than the product itself, the next best thing is the simple, honest testimony of people who’ve actually bought and used and liked the product.

We’d need a marketing fund of \$42 million to send a free Survival Kit to every Realtor® in America. But for an annual marketing budget of less than \$400,000 (or about 2% of projected annual revenues), we can reach *every* NAR member at least once a month thru **REALTOR® Magazine**, augmented by a series of banner ads on NAR’s member website, **realtor.org** — ads that Realtors® will see *virtually every* time they visit *virtually any* page on that website.

Experience suggests that *only* by sustaining a regular (i.e., monthly) and high-visibility (i.e., full-page) advertising presence in **REALTOR® Magazine** — supported over a long period of time (i.e., two years) and augmented by a high-level saturation placement of Internet banner ads — can we hope successfully to establish the credibility of The Kit Company, and publicize effectively the tremendous popularity of the **Movers Survival Kit™** among America’s Realtors®.

To support (and accelerate) our projected new-customer acquisition rates, we intend to include with each shipment of Survival Kits a set of “bird-dog” coupons. We believe that bird-dog marketing — incentivizing existing customer to bring in new customers — will work *especially* well in our marketplace because most Realtors® — though they’re independent entrepreneurs — tend to work in offices with lots of other Realtors®, desk-

to-desk, elbow-to-elbow. Many of these agencies “employ” a dozen or more Realtors<sup>®</sup>, some of them employ hundreds. Since our Survival Kits are routinely sent to the Realtors<sup>®</sup> offices (not their homes), and since Realtors<sup>®</sup> often “talk shop” with one another at work, our marketplace is virtually *custom-made* for bird-dog marketing.

**Financial Overview:** Our profitability projections (see Appendix 4d, page 33, of the *Prospectus*) are based on our achieving by the end of Year 3, and then sustaining for the next several years, a “lifetime customer” base of between 50,000 and 75,000 Realtors<sup>®</sup> (or 4-7% of the total Realtor<sup>®</sup> marketplace), and an annual production rate of 500,000 – 600,000 units (or about 7% of all movers); this will yield annual pre-tax net profits to the Company of \$10-12 million.

**Exit Strategy.** We expect that positive cash flow, and thus Lender payback — at an equivalent APR (Annual Percentage Rate) return of 500% per year for two years — will begin by the middle of Month 8; and that full Lender payback will be achieved by the end of Month 24.

**Company Assets.** As a cash business, the Company has no receivables or collections costs. It has no debt; but with no inventory currently on hand, the Company also has no appreciable assets or value, save for a few computers, the **Movers Survival Kit<sup>™</sup>** trademark, and the dedication, creativity, and industriousness of its owners.

<b>STATISTIC</b>	<b>DESCRIPTION</b>	<b><i>Prospectus</i> Page Ref.</b>
7,200,000	No. home sales in U.S. annually mediated by Realtors®	3; 5
1,100,000+	Membership of NAR & readership of REALTOR® Magazine	3; 5
80%	Percent of Realtors® who regularly use closing gifts	5
\$55	Average price Realtors® pay for closing gifts today	5
\$320,000,000	Est. size of total Realtor® closing-gift market in U.S. annually	3; 5
\$35,000	Projected ave. monthly advertising budget	13; Apdx 4d
2%	Annual advertising budget as percent of total projected revenues	(Calculated)
0.07%	Percent market penetration req'd to meet Month 2 sales goal (750 orders)	13; Apdx 4d
0.18%	Req'd penetration to meet Month 6 & following goals (2,000 orders/mo)	13; Apdx 4d
\$180,000	Recapitalization requirement	3; 15
28,000	No. Kit sales required for payback of recapitalization	Apdx 4d
1	No. of principal trade journals read/received by NAR members	13
1	No. of principal websites used by NAR members	13
400,000	No. of discrete visitors monthly to the NAR websites	(NAR data)