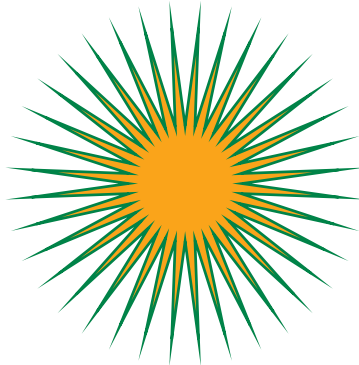


The Kit Company, Inc.



Prospectus for Investors

October 15, 2005



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- EXECUTIVE SUMMARY -

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 various closing and thank-you gifts (i.e., kits) for the real estate, moving, and apartment-management industries. We are presently offering our maiden product, **THE MOVERS SURVIVAL KIT™** (MSK), as a closing gift for real estate agents in the U.S.

The end-users of the Movers Survival Kit™ are the more than 7 million people in America who move into a new home each year and use the services of a real estate agent. Our sell-to customer base consists of the 1.1 million+ real estate agents and brokers registered with the National Association of Realtors® (NAR) who serve the home-moving population every year, and who purchase nearly \$320 million in closing gifts annually for their customers.

In the roughly nine months that the Movers Survival Kit™ was on the market, it met with unprecedented customer acceptance and enormous customer enthusiasm*. Several customers reordered the product (some of them three times); and we completely exhausted our initial inventory of Kits of 1,400 units). We continue to receive an average of 2 requests a day for product, which we cannot at the moment fulfill.

We now face a critical need for additional funds to both procure more merchandise for our kits, and (more importantly) to support the kind of national advertising and promotional effort that we now require to build on our initial success and turn the Company into a financially viable enterprise. We're seeking \$180,000 in additional loan funds for this purpose.

****See Customer Testimonials, Appendix 2 (pg. 20)!***

A. DESCRIPTION OF BUSINESS

1. PRODUCT LINE

The Kit Company, Inc., is in the business of developing, packaging, and marketing various closing and welcoming gifts (i.e., kits) for the real estate, moving, and apartment-management industries. Our maiden product is the **MOVERS SURVIVAL KIT™** (MSK), designed as a closing gift for real estate agents:

MOVERS SURVIVAL KIT

All the gear you need for the first 24 to 48 hours in your new digs!



The product and its specifications are shown in **Appendix 1** (“Product Illustrations & Specifications”). The contents of the Company’s kit products are purchased through merchandise brokers stateside, and come mainly from overseas suppliers (China, India, Korea). All kit boxes and shipping cartons (shippers) are produced stateside (in Ohio and Michigan, respectively). The kits are assembled at, and shipped out of, our Southfield (MI) fulfillment facility on a contracted basis (monthly overhead charge plus per-unit pick-pack charges).

At present, we offer only a generic version of the Movers Survival Kit™, as illustrated in this Prospectus (although the 2nd Edition Kit will likely have a different color-scheme). Future plans call for the (internally-funded) production of five or six private-label versions of the MSK for purchase by Realtors® affiliated with such nationally-recognized real estate firms as Century 21, Re/Max, Coldwell Banker, ERA, and Keller Williams. These special editions will be sold at a premium price.

The Company also has several other kit products at various stages of development and testing, and our new-product array is outlined in **Appendix 5**.

2. MARKET PROFILE

Our main target market for the Movers Survival Kit™ are the more than 1 million Realtors® who are members of the National Association of Realtors® (NAR), and who are involved in an estimated 7 million+ home-sale transactions* in the U.S. every year:

YEAR	HOMES SOLD
2002	5,631,000
2003	6,183,000
2004	6,784,000
2005 (Est.)	7,180,000

Our ultimate goal is to create a “lifetime customer” base of 40,000-50,000 Realtors® (that is, agents who’ll buy 10-14 Survival Kits from us each year), and to sell about 500,000 - 600,000 Kits annually. This would represent a penetration of about 4% of the total Realtor® population each year, and about 7% of all home sales.

NAR statistics indicate that nearly 80% of all Realtors® regularly use closing gifts (e.g., gift baskets, gift cards, personalized home accessories, cleaning supplies and other such “Welcome Wagon” items); that nearly 100% of Realtors® use closing gifts of some kind at least occasionally; and that Realtors® currently spend about \$55 per gift for these items, or about \$320 million annually.

*Not including refinancing and other such transactions that don’t involve a change of residency.

3. BUSINESS STRUCTURE

Ownership & Staff . The Kit Company, Inc., was established in July of 2004, with initial capitalization provided by the founders. The Company's ownership structure is as follows:

Edward Shaw, President & CEO =	(55% equity interest)
Melih Oztalay, COO & CIO =	(40% equity interest)
David Strickland, VP - East Coast =	(3% equity interest)
Keith Banks, Fulfillment Director =	(2% equity interest)

Facilities. While the Company maintains a business address for the receipt of mail and other deliveries, the enterprise is essentially a "virtual" one, with the bulk of its marketing efforts and all of its sales and ordering functions being performed via the Internet. The Company maintains no office space *per se*, and pays a flat monthly fee for warehouse and fulfillment facilities, keyed to production volumes.

Overhead Costs. The Company's monthly fixed costs include telephone charges, Internet fees, warehouse equipment rental costs, office supplies, postage, accounting fees, and so on; and these costs are projected to total about \$3,000 a month (including warehouse rental) during the first 3 months of operation, and eventually rise to \$35,000 a month (including salaries) in full-operational mode.

B. SALES & MARKETING

1. EFFORTS TO DATE

Our first nine months of operation have been, in all facets of the business, a period of experimentation, trial and error, false starts, and emerging opportunities. This is especially true in the area of product sales and marketing, where several different initiatives have proved unsuccessful, and one technique proved surprisingly effective.

Our One Success. Of the roughly 1,400 Movers Survival Kits™ we were able to procure with the Company's initial investment capital, we used about 370 as promotional units — free samples sent to prospective bulk-sale customers and as leave behinds at real estate agency presentations (see below). Of the 1,024 units sold to Realtors®, virtually 100% were sold via email.

We were able, with very limited technical resources, to gather the email addresses of roughly 100,000 Realtors® nationwide, and to send these agents a sequence of (now) seven sales messages over a 9-10 month period. Each campaign featured a different sales “pitch” or “hook” (discount coupons, Christmas sale, new pricing, etc.); and each resulted in a flurry of sales. Our single most successful campaign — a Christmas special that in effect gave buyers a near-40% discount — yielded 50 orders and a total of 428 Kits sold.

Thru this email outreach, we've garnered a total of 261 customers, of whom 38 (15%) have reordered the Movers Survival Kit™ at least once, and eight of whom (3%) have already 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.

In view of the notorious unreliability of email marketing — more and more of which is being automatically blocked by users' ISPs or by their own anti-spamming software — we believe that our initial success thru this medium has been nothing short of remarkable. It has allowed us to prove the market appeal of the Movers Survival Kit™ . . . to gather many wonderful (and useful!) testimonials from satisfied customers . . . and to work thru the inevitable bugs in our procurement, order-processing, shipping, and customer care procedures.

The “Michigan Strategy”. Before launching the Movers Survival Kit™, we market-tested the product in a series of focus-group meetings among Realtors® here in Michigan. It was largely based on their unanimous and hugely enthusiastic response to the product that we decided to form The Kit Company and bring the Survival Kit to market.

Many of the participants in these focus sessions recommended that we present the Kit to the larger real estate firms in the area, some of which have as many as 150 to 200 agents on their rosters. We were told that these agencies regularly sponsor vendor presentations as a way of fulfilling their CPE (Continuing Professional Education) responsibilities.

As it turned out, we were able to make 18 presentations and leave brochures at 61 of the 93 largest real estate agencies in Southeastern Michigan. But we soon discovered that the recommendations of our focus-group participants in this regard weren't entirely valid, for a number of reasons:

First, we discovered that vendor presentations at these in-office meetings often tend to get “shoe-horned” in around other agenda items or company business, and often just get lost in the shuffle. Second, these meetings often tend to be poorly attended, especially with regard to the more successful agents (i.e., because they're out busy doing business).

And third, the average shelf-life of sales materials in these agencies is measured in weeks, if not days, even in those locales where vendors pay for the right to have brochures on display (i.e., in lunchrooms, lounges, etc.). And there's certainly no one at these agencies whose duties include making sure that any particular vendor's supply of sales literature is kept full.

The "Michigan Strategy" was attractive because it was both low tech and low cost: We already had demonstration Kits to leave at each agency, and a few thousand full-color brochures were well within our existing budget. Unfortunately, the underlying assumptions of the strategy were fundamentally flawed. (And of course, even had this strategy worked, while it might have provided a sustaining revenue stream from Michigan Realtors®, it would've been a strategy virtually impossible to replicate elsewhere in the country.)

The "CCP Strategy". Of the largest, nationally-branded real estate companies, we discovered that Century 21 (120,000 agents), Re/Max (100,000 agents), Coldwell Banker (100,000 agents), and Keller Williams Real Estate (45,000 agents) are each major corporate sponsors of well-known charitable causes:

Century 21:	Easter Seals
Coldwell Banker:	Muscular Dystrophy
Re/Max:	Children's Miracle Network
Keller Williams:	KW Cares (various charities)

We're currently working both with Century 21 and with Keller Williams on a special-incentive sales program called the *Charitable Contributions Program* (CCP) in which we'd produce a private-label version of the Movers Survival Kit™ in their companies' respective colors; and they'd promote the sale of these private-label Kits to their companies' affiliated Realtors® nationwide. We'd then make a charitable contribution to the companies' designated charities for each branded Survival Kit we sell, in perpetuity.

Re/Max has declined our offer, and Coldwell Banker so far has not responded. And while discussions with Century 21 and Keller Williams are on-going, the Charitable Contributions Program strategy remains problematical, for two reasons:

First, these companies are almost wholly franchised, and (as is typical) their headquarters staffs have little control over the marketing practices of their franchisees. Their Franchise Agreements typically do not allow these companies to mandate whether their affiliates use closing gifts at all, or what closing gifts they can or should employ.

Second, while for charitable fund-raising purposes company management might be inclined to reach out to their agents at large, there appears to be some reluctance for Headquarters to “get behind” any one commercial product (i.e., the Movers Survival Kit™), for fear of some indefinable “conflict of interest”.

While the “CCP Strategy”, if successful, will result in smaller profit margins to the Company (about \$15-\$20 per Kit as against \$20-\$25 without the incentive), it remains attractive (again) because it’s virtually cost free (up front), and the potential for garnering large numbers of lifetime customers is real. But based on our experience to date, we would not rate the probability for success with this initiative to be very high at all.

The “Associations Strategy”. There are roughly 1,400 Realtor® Associations and Boards in the U.S., of which the largest 409 (those with 500 members or more) serve nearly 90% of all NAR members in the country. We discovered that many of these Associations sponsor various kinds of fund-raising events in support of a variety of local and national charities.

We developed a program similar to the large-firm CCP for these Associations, called the “Fund-Development Initiative”, in which (again) we’d donate a percentage of our gross profits to the charity, cause, or project of the Association’s choice.

We've found, however, that many of these Associations (even the very largest of them!) tend to be poorly organized and badly managed. Few seemed to have any time for, or interest in, nontraditional or "outside" fund-raising programs. They also tend to be understaffed, overworked, and (often) highly politicized. Their "corporate-like" decision-making protocols often make it almost impossible to get any kind of firm commitment for something like the FDI. And finally, many Associations (like the large national real estate firms) seemed reluctant to support a specific commercial project, even though it would be for a good and appropriate cause.

While we've lined up a few Realtor® Associations, tentatively, to undertake an FDI, we're still awaiting final "Yes" decisions from all of them. And for now, we've ceased our solicitations to Associations entirely, because we're no longer in position to fill any FDI orders, and won't be again for at least 4-6 weeks after new capitalization is acquired.

Again, the "Associations Strategy" was (and remains) attractive — even though profit margins would be at the low end — because of its low cost, and because of the efficiency of outreach (400 "targets" to reach more than 850,000 Realtors®). But any continued outreach to the Associations — once inventory is again available for sale — would remain labor intensive, and therefore not very cost-effective.

(Once the Movers Survival Kit™ has been established as a well-known and popular national brand, and [thus] when we have a reliable budget for advertising, we might reinvigorate the "Associations Strategy" through a continuing advertising presence in the NAR's specialty publication, *Association Executive*, a magazine geared specifically to the officers and staffs of Realtor® Associations and Boards.)

What We've Learned. We believe that these are the most important lessons that we learned from our initial forays into the Realtor® marketplace; and these conclusion 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.
2. There aren't any "intermediary" channels thru which we can practicably or cost-effectively reach our principal target audience, the 1 million+ Realtors® of America. They can't be reached thru their "brands" (i.e., their company affiliations), and they can't be reached thru their Associations. They can only be reached directly, singly, individually.
3. Even though it's "free", email is an unreliable (and often impossible) means for reaching Realtors®: They (like most people) tend to "Delete" unwanted (and especially solicitation) emails before they even open them; and mass emailing itself is becoming increasingly more difficult because of the proliferation of spam-blocking and email filtering technologies.
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, generally; 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 — businessmen and businesswomen, self-employed entrepreneurs who tend *not* to spend money unless and until they have to, but who nonetheless recognize and 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!

2. ON-GOING MARKETING PLAN

The “Realtor®-Direct Strategy. Our on-going marketing plan consists of a four-pronged strategy, focusing principally on a series of full-page, full-color ads run each month in **REALTOR® Magazine**, the National Association of Realtors®’ main member publication. These will be supported by a high-saturation program of banner advertising on NAR’s member website, **realtor.org**; by monthly ads placed in the dozen or so Realtor® Association newspapers around the country that accept outside advertising; and by a coupon-based “bird-dog” campaign that will involve all new customers (see below).



We’d need a marketing budget 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 each month thru **REALTOR® Magazine** and **realtor.org**.

General advertising wisdom suggests that *only* by sustaining a regular (i.e., monthly) and high-visibility (i.e., full-page) advertising presence in **REALTOR® Magazine**, augmented by a saturation campaign on **realtor.org** — over a long period of time (i.e., two years) — can we hope to be successful in establishing the credibility of The Kit Company, and publicizing the popularity of the Movers Survival Kit™ amongst Realtors®. (Future ads might actually feature — in addition to customer testimonials — some form of “counter” that each month shows **NUMBER OF KITS SOLD TO DATE**, like those McDonald’s restaurant signs.)

The customer-accretion rates that we anticipate (see **Appendix 4d**) range from 750 new customers per month (in the early months of the campaign) to a high of 2,000 per month (later in the campaign). These projections represent a new-customer-acquisition rate of between 0.07% to 0.18 % of the NAR’s total membership each month. We feel that these are quite modest and eminently achievable goals, especially in view of the intensity and focus of our projected advertising campaign.

However, in order to support (and accelerate) these projected new-customer acquisition rates, we intend to include with each 1- or 2-pack of Survival Kits we ship a set of six “bird-dog” coupons, as shown in **Appendix 6** (rear binder pocket).

Bird-dog marketing — incentivizing existing customer to bring in new customers — has proven hugely successful in many arenas (automotive, insurance, real estate, etc.). We’re confident that this strategy will work especially well in our market: Most Realtors® — though they’re independent entrepreneurs — tend work in real estate offices with lots of other Realtors®, desk-to-desk, elbow-to-elbow, cubicle-by-cubicle. Many of these agencies “employ” a dozen agents or more, some employ hundreds. Since (a) the Survival Kits are routinely sent to the Realtors®’ offices (not their homes), and since (b) Realtors® frequently tend to “talk shop” at work, our marketplace is *custom-designed* for bird-dog campaigns.

Finally, the National Association of Realtors® holds its annual convention in November; and clearly we hope that we’ll have realized sufficient sales, cash flow, and profits to be able to support a reasonably high-visibility presence at each year’s convention — again, to enhance the prestige and credibility of The Kit Company, and also to give those conventioners who haven’t actually seen a Movers Survival Kit™ a chance to lay their hands on one (and perhaps even place their first order).

C. CAPITALIZATION REQUIREMENTS

Use of Proceeds. We're seeking a total of \$180,000 in loans for the Company's second-phase capitalization. These funds will be used to acquire product for and assemble 2,500 new (2nd Edition) Movers Survival Kits™; and then to run the Company during the initial months of operation. This additional capital will be allocated as follows:

One-time start-up expenses:	\$ 21,000 (See Appendix 4b)
Product acquisition & assembly:	\$ 60,000 (See Appendix 4c)
Operating costs (3 mos.):	\$ 9,000 (See Appendix 4d)
Advertising campaign (3 mos.):	<u>\$ 90,000</u>
TOTAL:	\$180,000

Break-Even & Return-of-Capital Projection. As shown in **Appendix 4d**, we expect to see a positive cash flow by the middle of the second month of operation; and to fully repay our second-phase capitalization loans by the end of the eighth month of operation. Thereafter, the Company's Lenders will receive collectively the equivalent of 60% of the Company's profits until such time as they have realized a return of 10 times their initial loans — that is, a total payout of \$1.8 million — at an APR (Annual Percentage Rate) return equivalent to 500% per year for two years.

D. ANALYSIS OF RISK FACTORS

There are two primary risk factors that could adversely impact the success of the Kit Company in general, and the Movers Survival Kit™ in particular. The first relates to our supply chain — specifically the sourcing of merchandise for our kits from overseas; and the second is related to the efficacy of our chosen marketing strategy.

Product-Cost Uncertainties. Most of the content merchandise used in Kit Company kits is sourced from overseas, mostly from mainland China (but some, also, from Korea and from the Indian subcontinent). Our suppliers are the same ones used by the burgeoning number of “dollar stores” around the country. Like the dollar stores, we depend for our viability on the extremely low cost of product that we source from countries where wage scales are much lower than those in the U.S.

It appears likely that this situation will persist for at least the next 5-8 years. But the effects of globalization and the inevitable march of technology around the world will in time raise the living standards in these regions of the world, and in the process render it more and more difficult for us to continue to buy our merchandise at low enough prices to make our own pricing structure viable.

Cost uncertainties aside, the regions of the world from which we currently source our merchandise have been prone to political and economic instability, unrest and upheaval. Relationships between the PRC and Taiwan, for example, remain strained and tense, as do those between North and South Korea. The Indian subcontinent (India, Pakistan, Bangladesh) continues to experience frequent periods of unrest and cross-border conflict. All of this can at any time adversely impact America’s political relations with these countries, and as a consequence complicate our trade with them.

Limited Advertising Venues. The fact that there's but one primary communications channel thru which to reach America's Realtors® is obviously both a blessing and a potential curse.

This channel, as we've noted, consists of the National Association of Realtors® two principal member-communications media, **REALTOR® Magazine** and NAR's online **realtor.org** website. Our marketing strategy is focused almost wholly on placing display advertising on these two billboards, on a monthly basis — supported (perhaps) by much smaller regional media buys and whatever “free” advertising we can generate through our continuing PR efforts.

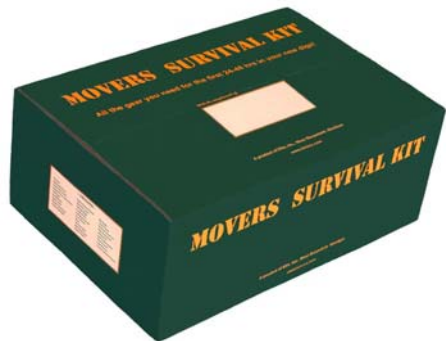
As it happens, readership statistics for printed media, and viewership or click-through statistics for websites, are notoriously unreliable as indicators of a particular billboard's actual sales-generating power. The fact that someone might see an ad or click on a link is no guarantee that he or she will actually buy the product. So despite the glowing and positive statistics published by the NAR, there's absolutely no way for us reliably to predict that *our* particular advertising campaign will be successful.

This being said, however, we believe that our secondary marketing campaign — our “bird-dog” rebate/discount program — will be particularly effective in both supporting and accelerating our projected new-customer-accretion rates, once the national advertising campaign kicks in and starts bringing us new customers who we can then turn into bird-dogs.

We feel confident that our combined ad and bird-dog campaigns will together be effective enough to reach our stated customer-accretion goals. But if these methods prove within three months to be ineffective, we'd be inclined — rather sooner than later — to close the Company down and cease operations: In view of our experiences in the field to date, it's pretty clear to us that — if the “Realtor®-Direct” Strategy doesn't pan out — there just wouldn't be any other practicable marketing alternatives for us to pursue.

Appendix 1:

Product Illustrations & Specifications



THE MOVERS SURVIVAL KIT™

All the gear you need for the first 24 to 48 hours in your new digs!



Thirty-one essential items:

Band-Aids®	Light Bulbs	Screwdriver, Phillips
Batteries	Masking Tape	Screwdriver, Regular
Bottle Opener	Nails Assortment	Shears
Dental Floss	Paper Towel	Styrofoam Cups
Extension Cord	Phone Jack & Cord	Tape Measure
Facial Tissue	Pens	Tooth Brushes
Flashlight	Toilet Paper	Tooth Paste
Garbage Bags	Sponges	Utility Knife
Hammer	Plastic Plates	Work Gloves
Hand Soap	Plastic Utensils	Writing Tablet
	Pliers/Cutters	

No. different items in Kit =	31
Size of Kit box =	18" x 13" x 7"
Size of 2-pack shipper =	18.5" x 13.5" x 14.5"
Shipping wt. of 1-pack =	12 lbs.
Shipping wt. of 2-pack =	24 lbs.
Private-label delivery =	6-8 weeks

Appendix 2:
Customer Testimonials

REALTOR® Terry McWilliams

Wixom, MI

“The Movers Survival Kit™ is absolutely and without question the greatest closing-gift idea to come down the pike in the last 50 years!”



REALTOR® Elaine Horton

Atlanta, GA

“We use the Movers Survival Kit™ for people who are literally moving at the time of the closing, and all of them have loved it! We’ve bought more to be sure we have them on hand when we need them! Thanks.”



REALTOR® B. J. Deal

Garner, NC

“I ordered the Survival Kit to see what I would be giving my closed clients. I was very impressed with the completeness of the Kit. Your prices are great and I can still personalize the Kit (children’s items) if needed. My clients are going to love these and you can count on more orders! Thanks.”



REALTOR® Mike Fagerlie

Commerce, MI

“This product would be valuable to any buyer, especially a first-time buyer. I certainly [plan to use] this product, as should any Realtor® who strives for return business. Check it out!”

REALTOR® Sandy Weaver

Milford, MI

“I myself just moved recently, and I sure could have used the Movers Survival Kit™, instead of running back and forth to the store every time I thought of something else that I needed. Great idea!”



REALTOR® Sharron Penasack

Nashua, NJ

“I recently gave the Movers Survival Kit™ to young clients who were purchasing their first home. This property was a mess, and they had to work on it for several days before they were able to move in. This is what my client had to say about the Kit: ‘The Survival Kit was great! Since we couldn’t move anything in right away, we didn’t have anything on hand — every time we needed something, we said, Check the Kit! It definitely was a survival kit!’ ”



REALTOR® Jeff Foster

Chaska, NM

“As a new Realtor®, I’m looking for all the tools I can find to expand my business and make my customers’ experience with me memorable. The Movers Survival Kit™ is a key tool I use to accomplish that!”

REALTOR® Sheila Batey

Upper Marlboro, MD

“I ordered 2 boxes of the Survival Kit for upcoming buyers and received my order promptly. This is the absolute BEST gift a buyer can receive. I like the Kit so much that I’m keeping one for myself! I will be telling my colleagues about your website!”



REALTOR® LuAnn Gilmore

Atlanta, GA

“My client is a bachelor and I knew he could really use this Kit — and he loved it. Said it had 75% of everything he needed upon moving in. He was very thankful and impressed!”



REALTOR® Renee Apflebeck

Dillon, CO

“I recently gave a Survival Kit to some folks who bought a second home and were planning to spend the night [there] with little to no furniture. They called the next day and said it was so useful. They used the hammer and nails to hang up a sheet as a curtain so they could have some privacy and toasted with the cups and used the bottle opener to do so (with the wine I gave them). They also said while sitting on the floor that they used the tablet to make a list of items needed for shopping the next day. It was a hit for these buyers for sure!”

REALTOR® Charles Traver

Seattle, WA

“Without exception, my clients have all chuckled at this closing gift, and yet none have made it through the first 24 hours in their new home without going to the Movers Survival Kit™ several times! Every client that I have given this item to . . . has called and told me how unique and useful the Kit is. They also tell me what a very thoughtful agent I am for anticipating their needs and supplying them with just the right items at just the right time. It is due to the consistent positive client response that I continue to make the Movers Survival Kit™ part of my closing gifts for all of my buyer clients.”



REALTOR® John Reece

Orchard Lake, MI

“Over the years, I’ve seen new closing gift ideas come and go, but none have made as much sense as the Movers Survival Kit™. What better gift than to provide my clients with so many necessities on moving day. Bravo!”



REALTOR® John McWilliams

Fort Myers, FL

“As one of the top agents in the country for the past 27 years, I think that the Movers Survival Kit™ is the best idea in closing gifts I’ve ever seen.”

REALTOR® Carla Steuck

Hinsdale, IL

“My clients were very pleased with their gift. I received high reviews and gratitude. Thank you for coming up with such a bright idea. I will most certainly give this gift again in the future. Please keep me on your email list in order to keep the order form handy!”



REALTOR® Carol Higgenbotham

Duncanville, TX

“I presented my first Movers Survival Kit™ last night, and the family just had a fit over it! They said, ‘We were just looking through all our boxes to find our hammer and screwdrivers. Great idea. Thanks!’ ”



REALTOR® Roberta Kayne

Dublin, OH

“I purchased my first Movers Survival Kit™ last month, and my buyer actually called me back after the closing to thank me for the Kit. She said, ‘This is Great!’ Thanks for an innovative gift to give to our clients!”

REALTOR® James Anderson

Jonesboro, AR

“I’ve always tried to find a closing gift that is useful. This Movers Survival Kit™ is not only clever, but it is also very useful. My customers have told me how I have saved them time in their move just by having the things in the Survival Kit that helped them to get settled. I expect to get many referrals from the word of mouth my customers keep spreading to others about the gift I gave them at closing. Thanks.”



Appendix 3:

(a) Sample REALTOR® Magazine Ad

(b) Sample Internet Banner Ads



The closing gift that truly shows you care.



Makes and models subject to change.

Everything your clients need for the first 24 to 48 hours in their new homes!

- | | | |
|--------------------|----------------------|---------------------|
| All-Purpose Shears | Hand Soap | Regular Screwdriver |
| Bandages | Kitchen Sponges | Work Gloves |
| Bottle Opener | Light Bulbs | Styrofoam Cups |
| D Batteries | Masking Tape | Tape Measure |
| Dental Floss | Nail Assortment | Toilet Paper |
| Eating Utensils | Paper Towel | Tooth Brushes |
| Extension Cords | Pens | Toothpaste |
| Facial Tissue | Phillips Screwdriver | Utility Knife |
| Flashlight | Phone Jack & Cord | Writing Tablet |
| Garbage Bags | Plastic Plates | |
| Hammer | Pliers/Cutters | |

"Every client that I have given this item to as a closing gift has called and told me how unique and useful your Movers Survival Kit™ is."
*REALTOR® Charles Traver
 Seattle, Washington*

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Appendix 4a:

KCI Financial Summary

July, 2004 – March, 2005

Initial Capitalization =	\$30,000
Revenue from sales =	\$36,130
Total =	\$66,130

Costs of Goods:

Cost of Kit contents =	\$20,350
Inbound shipping =	\$ 1,900
Fulfillment services =	\$ 5,350
Total =	\$27,600

Expenses:

General overhead =	\$ 5,200
Product development =	\$ 1,200
Advertising & marketing =	\$10,000 ¹
Shipping & postage charges =	\$ 7,500
Labor =	\$12,100 ²
Total =	\$36,000

Total Expenses = \$63,600

Profit (or loss) from operations = \$ 2,530

¹Includes listing in NAR's e-commerce directory; regional Realtor® Board advertising; printing of sales brochures and counter cards; display boards; art & graphic design, etc.

²Includes website design and webmastering; web-based data-gathering; sales commissions; order/shipping reconciliations clerk; and management salaries.

Appendix 4b:

Additional One-Time/Start-Up Costs

1. Kit box set-up charges =	\$ 4,000
2. Web servers & related equipment =	\$12,000
3. Web set-up charges =	<u>\$ 5,000</u>
TOTAL =	\$21,000

Appendix 4c:

Product Acquisition & Assembly Costs

(Initial 2,500 Kits)

1. Merch. Brokerage Fee =	\$ 5,000
2. Kit contents, bags, tape @ \$17.00/Kit =	\$ 42,500*
3. 2,500 Kit boxes, @ \$1.00/box =	\$ 2,500*
4. 2,500 2-pack overwraps @ \$1.00 ea =	\$ 2,500*
5. In-bound shipping @ \$1.00/Kit =	\$ 2,500
6. Pick-pack charges @ \$2.00/Kit =	\$ 5,000*
	<hr/>
TOTAL =	\$60,000

*These costs will be reduced by roughly 15% on all orders of 10,000 units or more, an order volume we anticipate achieving by the time we place our second or third order for merchandise, i.e., in the 5th month of operation. This will reduce our average cost of goods to an estimated \$19.85 per Kit.

Appendix 4d:
Cash-Flow Projections

The Kit Company, Inc.
24-Month Financial Projections

Assumptions

Customer Repurchase Cycle	10.5 Weeks
Average Kit Price	\$ 40.00
Kit Cost	\$ 19.85

Month	1	2	3	4	5	6	7	8
New Customers	-	750	1,000	1,250	1,500	2,000	2,000	2,000
Recurring Customers	-	-	-	-	500	670	838	1,505
Monthly Customers	-	750	1,000	1,250	2,000	2,670	2,838	3,505
Cummulative Customers	-	750	1,750	3,000	4,500	6,500	8,500	10,500
Kits Sold	-	1,500	2,000	2,500	4,000	5,340	5,675	7,010
Cummulative Kits Sold		1,500	3,500	6,000	10,000	15,340	21,015	28,025
Gross Revenues	\$ -	\$ 60,000.00	\$ 80,000.00	\$ 100,000.00	\$ 160,000.00	\$ 213,600.00	\$ 227,000.00	\$ 280,400.00
Cumulative Gross Revenues		\$ 60,000.00	\$ 140,000.00	\$ 240,000.00	\$ 400,000.00	\$ 613,600.00	\$ 840,600.00	\$ 1,121,000.00
Cost of Goods	\$ 80,000.00	\$ 29,775.00	\$ 39,700.00	\$ 49,625.00	\$ 79,400.00	\$ 105,999.00	\$ 112,648.75	\$ 139,148.50
Gross Profits	\$ (80,000.00)	\$ 30,225.00	\$ 40,300.00	\$ 50,375.00	\$ 80,600.00	\$ 107,601.00	\$ 114,351.25	\$ 141,251.50
Operating Costs	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 7,500.00
Warehousing	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 4,500.00
Salaries & Benefits	\$ -	\$ -	\$ -	\$ 10,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 25,000.00
Advertising & Marketing	\$ -		\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
Total Expenses	\$ 3,000.00	\$ 3,000.00	\$ 33,000.00	\$ 43,000.00	\$ 51,000.00	\$ 51,000.00	\$ 51,000.00	\$ 67,000.00
Net Profits	\$ (83,000.00)	\$ 27,225.00	\$ 7,300.00	\$ 7,375.00	\$ 29,600.00	\$ 56,601.00	\$ 63,351.25	\$ 74,251.50
Cumulative Net Profits		\$ (55,775.00)	\$ (48,475.00)	\$ (41,100.00)	\$ (11,500.00)	\$ 45,101.00	\$ 108,452.25	\$ 182,703.75

The Kit Company, Inc.
24-Month Financial Projections

9	10	11	12	13	14	15	16	17	18
2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
2,010	2,178	2,845	3,350	3,518	4,185	4,690	4,858	5,525	6,030
4,010	4,178	4,845	5,350	5,518	6,185	6,690	6,858	7,525	8,030
12,500	14,500	16,500	18,500	20,500	22,500	24,500	26,500	28,500	30,500
8,020	8,355	9,690	10,700	11,035	12,370	13,380	13,715	15,050	16,060
36,045	44,400	54,090	64,790	75,825	88,195	101,575	115,290	130,340	146,400
\$ 320,800.00	\$ 334,200.00	\$ 387,600.00	\$ 428,000.00	\$ 441,400.00	\$ 494,800.00	\$ 535,200.00	\$ 548,600.00	\$ 602,000.00	\$ 642,400.00
\$ 1,441,800.00	\$ 1,776,000.00	\$ 2,163,600.00	\$ 2,591,600.00	\$ 3,033,000.00	\$ 3,527,800.00	\$ 4,063,000.00	\$ 4,611,600.00	\$ 5,213,600.00	\$ 5,856,000.00
\$ 159,197.00	\$ 165,846.75	\$ 192,346.50	\$ 212,395.00	\$ 219,044.75	\$ 245,544.50	\$ 265,593.00	\$ 272,242.75	\$ 298,742.50	\$ 318,791.00
\$ 161,603.00	\$ 168,353.25	\$ 195,253.50	\$ 215,605.00	\$ 222,355.25	\$ 249,255.50	\$ 269,607.00	\$ 276,357.25	\$ 303,257.50	\$ 323,609.00
\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
\$ 4,500.00	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00
\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
\$ 67,000.00	\$ 67,000.00	\$ 67,000.00	\$ 67,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00
\$ 94,603.00	\$ 101,353.25	\$ 128,253.50	\$ 148,605.00	\$ 132,355.25	\$ 159,255.50	\$ 179,607.00	\$ 186,357.25	\$ 213,257.50	\$ 233,609.00
\$ 277,306.75	\$ 378,660.00	\$ 506,913.50	\$ 655,518.50	\$ 787,873.75	\$ 947,129.25	\$ 1,126,736.25	\$ 1,313,093.50	\$ 1,526,351.00	\$ 1,759,960.00

The Kit Company, Inc.
24-Month Financial Projections

19	20	21	22	23	24
2,000	2,000	2,000	2,000	2,000	2,000
6,198	6,865	7,370	7,538	8,205	8,710
8,198	8,865	9,370	9,538	10,205	10,710
32,500	34,500	36,500	38,500	40,500	42,500
16,395	17,730	18,740	19,075	20,410	21,420
162,795	180,525	199,265	218,340	238,750	260,170
\$ 655,800.00	\$ 709,200.00	\$ 749,600.00	\$ 763,000.00	\$ 816,400.00	\$ 856,800.00
\$ 6,511,800.00	\$ 7,221,000.00	\$ 7,970,600.00	\$ 8,733,600.00	\$ 9,550,000.00	\$ 10,406,800.00
\$ 325,440.75	\$ 351,940.50	\$ 371,989.00	\$ 378,638.75	\$ 405,138.50	\$ 425,187.00
\$ 330,359.25	\$ 357,259.50	\$ 377,611.00	\$ 384,361.25	\$ 411,261.50	\$ 431,613.00
\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00
\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00
\$ 240,359.25	\$ 267,259.50	\$ 287,611.00	\$ 294,361.25	\$ 321,261.50	\$ 341,613.00
\$ 2,000,319.25	\$ 2,267,578.75	\$ 2,555,189.75	\$ 2,849,551.00	\$ 3,170,812.50	\$ 3,512,425.50

Appendix 5:

**The Kit Company
New-Product Array**

1. **FIRST-NITE STUFF™ Kit**

Description: A box (11" x 11" x 9"; 4.5 lbs) containing 12 items of essential value to people just moving into a new apartment; sold to apartment managers as welcoming gifts for new tenants.

Status: Prototype produced; marketplace defined; market test pending

Total Target Market: 10 million+ non-home movers/yr; 45,000 apt. mgrs.

Est'd Annual Sales: 500,000 – 1 million units

Projected Annual Revenues: \$10 - \$20 million

Projected Gross Profit/Unit: \$5.00

Projected Annual Net Profit: \$2.5 - \$5.0 million

2. **TRAVELERS CONVENIENCE CENTER™**

Description: An injection-molded, 3-compartment, 88-cubby-hole lockable cabi-net measuring about 3' high, 4' wide and 2.5' deep, containing a wide variety of toiletries, amenities, clothing, accessories, and emergency supplies (etc.) for travelers staying overnight at hotels and motels; sold to national hotel and motel chains.

Status: Successfully tested in 1985-86; final contents & box design pending

Target Market: 30,000 hotels/motels; 1.5 million guests nightly

Est'd Annual Sales: 25,000 – 45,000 individual items/day

Projected Gross Profit: \$0.50/item

Projected Annual Net Profit: \$3.5 - \$6 million

3. **THE OKASIONAL KIDS KONSOLE® (“A whole playground in a box!”)**

Description: A castored, multi-compartmented, “doored” console that contains a variety of toys, games, books, CDs, and playthings in different compartments for children of various ages (e.g., infants, toddlers, 1-2 years, 3-4 years, etc.), and that folds into an approximately 4' x 3' x 2.5' cabinet for convenient storage in a corner or closet.

Status: Concept stage; contents and Konsole design pending

Target Market: Grandparents; childless householders with kid visitors

Est'd Annual Sales: 50,000 – 100,000+ units?

Projected Annual Revenues: \$15 - \$30 million

Projected Gross Profit/Unit: \$50.00

Projected Annual Net Profit: \$2.5 - \$5 million

4. THE COMPLETE KAMPER™

Description: A handled box or “foot locker” containing a complete inventory of essential camper supplies, along with a set of decals, add-ons, slip-ins, and other devices by which the user can personalize the exterior of his or her kit.

Status: Concept stage; content inventory and “modular” kit design pending

Target Market: Appox. 10 million summer campers/yr

Est'd Annual Sales: 500,000 – 1 million+ units

Projected Annual Revenues: \$30 - \$60 million

Projected Gross Profit/Unit: \$10.00

Projected Annual Net Profit: \$5.0 - \$10 million

5. FAMILY READY KIT™ & Rotation Alert Service

Description: A direct and practical means for homeowners to meet the emergency preparedness guidelines issued by the American Red Cross; includes a collection of all the items listed by the ARC; a set of modular containers that latch or hook together to hold the supplies; and a subscription-based, automated email-reminder service to alert homeowners when it's time to change out those items in the FRK that are soon to reach their expiration dates.

Status: Idea stage; final content inventory and “modular” kit design pending

Target Market: “Disaster-sensitive” householders; actual no. unknown

Est’d Annual Sales: 100,000 – 1 million+ households

Projected Gross Profit: \$50/household/yr

Projected Annual Net Profit: \$5 - \$50 million

6. **Korporate Kits™**

Description: A fulfillment service for large companies providing one or more different collections of client-logoized and other merchandise, office and desk supplies, employee handbooks and directories (etc.), customized to each client’s specifications; sold to corporate HR departments as welcoming/orientation gifts for new hires.

Status: Idea stage; content inventory and “modular” kit design pending

Target Market: **Fortune 500** companies’ HR departments

Est’d Annual Sales: ?

Projected Gross Profit/Unit: ?

Projected Annual Net Profit: ?

Appendix 6:

Bird-Dog Coupon
(In pocket at rear of binder)