# **Business Plan**

### for

## **Bugg Off Mulch**



### <u>Address</u>

13413 Beverly Ford Road

Elkwood, VA 22718

### **TEAM 16**

**Travis Jolly** 

**Emily Ray** 

**Tyler Yates** 

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### **Executive Summary**

Bugg Off Mulch is a company that buys double-shredded hardwood mulch from a wholesale mulch supplier. What makes our mulch different from other mulches? We have our supplier add one cup of chopped mint to each bag of mulch they produce for us. The chopped mint is a natural repellant of ants, and will keep ants away from areas where the mulch is used. This value-added element will allow Bugg Off Mulch to become a house-hold name in the mulch industry; an industry that currently has no name recognition for any mulch that is sold retail.

While the sales projections in our Business Plan only reflect sales in a 3-state area (VA/MD/PA), we feel strongly that Lowe's and Home Depot will want to sell our product throughout all of their locations nationwide; perhaps in the first year. We did not want to be overly aggressive with that assumption, however, thinking that the sales numbers may look unrealistic to an investor. We have received votes of confidence from local landscape designers who have told us they believe our product would "fly off the shelves" if it were in the stores now (*Dave Marciniak, Owner, Revolutionary Gardens*).

Investing in Bugg Off Mulch is also a very low-risk endeavor. If a worst-case-scenario were to occur and the product did not sell well in the stores, our company would still be able to sell the mulch to landscaping companies at cost or at a low margin, and would therefore be able to recover the funds invested in the product.

To get this company on the road to making money, we are asking for \$500,000 from the venture capitalists. In return, we will offer 20% of the stock to the investors. Using the conservative numbers in our Business Plan, the venture capitalists will receive all of their investment back within 2 years, and by the end of year 5 they will recognize just short of a 300% return. Our hope is that the investors will see the enormous potential to make an even greater return in the first couple years of doing business.

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### **General Company Description**

- Bugg Off Mulch is a home landscaping business specializing in selling mulch. This company will buy mulch at wholesale prices, add chopped mint to the mulch in order to make it ant resistant, and then provide it to retail outlets.
- Our mission as a business is to sell quality mulch to our customers that will keep ants away from their homes, while also being safe for the environment. Another benefit of adding mint to our mulch is that it will provide a pleasant odor around the outside of the house or wherever the mulch is used.
- Our goal is to begin our business locally and sell to retailers (Lowes, Home Depot) in the states of VA/MD/PA, but then later expand and sell our mulch nationwide after realizing a significant profit. Since we anticipate that our product will realize strong sales, Lowe's and Home Depot will want to sell our product in all of their stores throughout the country.
- Bugg Off Mulch will be known as a company that provides a quality product that is effective.
- Our employees will be polite and courteous to our suppliers and customers.
- Our primary market will be home owners who use mulch to beautify their yards each year. We will access these customers through Lowe's and Home Depot. Our secondary market will be private landscaping companies.
- Bugg Off Mulch is a part of the mulch industry. As long as there are home owners who want to beautify their lawns each spring we will have a steady flow of customers. While there are many types of mulch on the market, none currently have any name recognition.
   Consumers will identify Bugg Off Mulch as a product that will keep ants away from their home.
- Bugg Off Mulch is a unique product that uses environmentally friendly components. And since there is no direct competitor with a product that is similar, Bugg Off Mulch will be successful in this market.
- Our company structure will be in the form of an LLC. We have chosen this form because of its flexibility.

### **Products and Services**

- Bugg Off Mulch is a double shredded hardwood mulch that has chopped mint mixed throughout the bag. The mint is scientifically proven to repel ants. When ants are around mint it is proven that the scent causes them to lose their ability to smell. This is a natural deterrent to ants and will keep them away from the mulch and areas where the mulch is spread. We are hoping that we can use name brand recognition in order to attract people to our mulch. Our only competitors are other mulch companies, but currently there are no mulch companies that are "known" for selling mulch by the everyday consumer. We plan to focus on advertising and getting our name out there so that when consumers go into a store such as Lowe's or Home Depot they will recognize our mulch and buy it.
- Our company's challenge is to overcome the common perception that all mulch is the same, and that the cheapest mulch is as good as any other.
- One cup of chopped mint will be added to each 3 cubic foot bag of mulch.
- Mint has the ability to keep the following types of ants out of your home:
  - Sugar Ants (commonly called "House Ants")
  - o Fire Ants
  - Pharaoh Ants (small black ants common in homes)
  - Carpenter Ants (also known as Flying Ants)
  - Mint has also shown to keep mice and rats away from areas where the mint is located.

#### • Mint has the ability to attract these insects:

#### Honey Bees

the most important insect that transfers pollen between flowers and between plants

(Source: <a href="http://www.aces.uiuc.edu/vista/html\_pubs/BEEKEEP/CHAPT8/chapt8.html">http://www.aces.uiuc.edu/vista/html\_pubs/BEEKEEP/CHAPT8/chapt8.html</a>)

#### Hoverflies

Many species of hoverfly larvae prey upon pest insects, including <u>aphids</u> and the <u>leafhoppers</u>, which spread some diseases such as <u>curly top</u>. Therefore, they are seen in biocontrol as a natural means of reducing the levels of pests.

(Source: <u>http://en.wikipedia.org/wiki/Hoverfly#Relationship\_with\_people</u>)

### **Marketing Plan**

### Economics

- On average, Lowe's and Home Depot locations sell between 20,000-25,000 bags of double-shredded hardwood mulch per year. This general information was provided to us by an employee at these retail stores on condition of anonymity (the corporate offices would not provide this information to us, so we had to use other resourceful tactics). Between Pennsylvania, Virginia, and Maryland there are 332 Lowe's and Home Depot locations, and they sell approximately 7,304,000 bags of mulch per year. We will capture 10% of this market in the first year and sell approximately 730,400 bags. Our market share will increase each year.
- In a survey conducted at Eastern View High school, not everyone surveyed had an ant problem at their home. 100% of those that did have an ant problem said they would pay \$5.99 (and as much as \$7.99 in most surveys) a bag for our mulch, 3-cubic-feet, as compared to \$4.00 for the average bag of mulch which is 2-cubic-feet. This proves that not only would people buy our mulch but they would also pay a "perceived" premium for it. Another significant advantage to Bugg Off Mulch is that it is sold in 3 cubic foot bags. The average bag of double-shredded hardwood mulch is sold in 2 cubic foot bags. So, on average, Bugg Off Mulch is sold at the same unit price (\$2 per cubic feet) as plain mulch.

### Product

- The most important feature of Bugg Off Mulch is the mint that is mixed in with the shredded mulch. The mint is the most important component of our product because it's what makes our product different from our competitors; the mint keeps the ants away.
- Our product is beneficial to consumers because it's safe to be around your home, children, pets, and the environment.

#### WHY IS MINT EFFECTIVE?

- Ants do not have the sense of sight, but they do have an acute sense of smell. They find their
  way around by the smell that they leave behind them. The scent of mint causes ants to lose
  their sense of smell, which in turn causes them to not know where they're going or where they
  have been. Ants will naturally leave areas where the mint is located.
- We found out from a chemist at Eastern View High School (*Mr. Craig Dennis*) that mint is an oil and isn't soluble in water. Therefore, when it rains, the effects of the mint will not go away as long as the chopped mint stays within the mulch. The chopped mint will not bio-degrade (go away) quickly. It will stay with the mulch for the entire season.

### Customers

- Our primary market is home owner's who use mulch to beautify their lawns. We will access
  these customers through stores such as Lowe's and Home Depot locations in Virginia,
  Maryland, and Pennsylvania. Our main focus as a company is to please individual home
  owners. Home owners with ant problems will be attracted to our product. As consumers
  become familiar with our product and realize that it is priced the same as a 2 cubic ft. bag
  of mulch, they will purchase Bugg Off mulch even if they do not necessarily have an ant
  problem.
- Our product is ideal for families because the repellant (mint) is 100% safe to have around children, pets, and the rest of the environment. It will also provide a pleasant smell around the home.
- In the future we plan to capture a percentage of our secondary market which is landscaping companies who would buy our mulch in bulk and then use it to sell to the public along with their landscaping services.

### Competition

- Any company that sells mulch would be competing with Bugg Off Mulch. Store-bought ant repellent that consumers apply to mulch would also be a competitor.
- Currently there isn't any type of hardwood mulch sold at retail stores that has any name recognition, so our main competitor is any mulch that is cheaper than ours.
- The average bag of mulch is sold in 2 cubic ft. bags at an average price of \$4 per bag (this information was obtained from a Lowe's employee on condition of anonymity). Bugg Off Mulch will be sold in 3 cubic ft. bags at a cost of \$5.99 per bag. While the cost of Bugg Off Mulch is seemingly higher, customers get more mulch (bigger bag) and it gets rid of ants. The per-unit cost of Bugg Off Mulch is actually the same as the average cost of mulch sold in 2 cubic ft. bags (\$2 per cubic ft.).

### Niche

Bugg Off Mulch is a unique product that contains mint for repelling ants and that's what makes it different from other products on the market. Through name recognition, Bugg Off Mulch will be able to create a niche for itself in a short period of time.

### **Promotional Strategy**

Bugg Off Mulch will get its name out to the public in two ways: through newspaper advertisements and through onsite promotional campaigns at Lowe's and Home Depot locations.

**NEWSPAPER ADVERTISEMENTS**: We will have a mass newspaper advertisement (3x5 inch ad size) campaign that will take place throughout Virginia, Maryland, and Pennsylvania. Since most people begin using mulch in the spring months (March/April/May), we will begin placing our newspaper ads in late February and early March. We will also have another newspaper ad campaign beginning in late August. Many homeowners re-apply mulch just before the fall months begin, so we want to make sure those homeowners are aware of our product.

**ONSITE PROMOTIONS**: We will be setting up promotions for Bugg Off Mulch in the parking lots of select Lowe's and Home Depot locations. We will have some large signs and balloons set up, displaying our logo, to draw customers' attention as they come into the stores. Representatives of Bugg Off Mulch will be onsite to explain the benefits of using our product. We will make sure that the inventory of Bugg Off Mulch is ramped up in these locations so that consumers will have no problem buying multiple bags of our product.

### **Promotional Budget**

During the first year, we will spend \$117,640 in advertising and promotions. Most of this money will go towards our newspaper ads. Lowe's and Home Depot will allow us to have promotional events at their locations at no cost. It will, however, require a cost to pay employees to run these onsite promotions (travel costs, labor, etc...).

### Pricing

Our product is made up of 3 parts: the mulch, the mint that is added to the mulch, and the bag that is used for packaging the mulch. We will be selling Bugg Off Mulch for \$5.99 per bag. Our research discovered that the average price of a 2 cubic ft. bag of mulch is \$4.00. Keeping our price at the same per unit price (\$2 per cubic ft) is a strategy that will make our product very competitive since it has value added (ant repellant).

Pricing is very important in the mulch business. As stated earlier, many people view all mulch as pretty much the same, so the cheaper the price, the more attractive it will be to the consumer. Our price will be very competitive with existing mulch products.

The total cost for us to produce our product is \$3.87. That includes our mulch, our mint, the bag, fixed and variable costs, including labor. We mark up our product to a selling price of \$5.99.

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The corporate offices at Lowe's and Home Depot would not tell us what their selling price would be for our product (they said they would not share that information with us). We did get a clue from some of the employees that work the floor at these retailers. We understand that for mulch products, the markup that Lowe's and Home Depot use is very low.....usually 5% or lower. They count on selling in mass-quantities nationwide to make their profits with this type of product. Therefore, the final consumer would pay in the neighborhood of \$6.30 per bag during our first year of sales.

### **Proposed Location**

#### 13413 Beverly Ford Road Elkwood VA , 22718

This location is 6,000 sq. ft. While it is more than enough space for us to start our business, we were able to lock in a 5-year lease at a fixed rate, \$30,000/year, that we couldn't pass up. It will be easy for us to store our bags (used for bagging the mulch) and the many hundreds of pounds of chopped mint that we will maintain in our inventory. It's also close to the company that will provide us with the wholesale mulch (JK Enterprises). In addition, if we have to store samples of our product to use for promotions, we will have plenty of space to do so. Since we will be purchasing a used box-truck for delivering mint/bags to our mulch supplier, we can also store our truck inside our building at night for safety purposes.

### **Distribution Channels**

Our product will be sold through *Lowe's* and *Home Depot* locations in the VA/MD/PA areas when our business starts. We will deliver our product to the Lowe's and Home Depot distribution centers. Our wholesale mulch supplier, JK Enterprises, *will deliver our mulch to these distribution centers at* 

<u>no additional cost</u> as long as we deliver at least 20-pallets of mulch at a time (these quantities are acceptable purchase quantities by our customers). Lowe's and Home Depot will then deliver our product to the individual store locations. The distribution centers that our product will be delivered to are:

Lowe's Distribution Center: 1202 Keystone Blvd. Highridge Business Park, Minersville PA 17954

Home Depot Distribution Center: 280 Maranto Manor Drive, Winchester VA 22602

#### **CONTINGENCY DISTRIBUTION CHANNELS**

While Lowe's and Home Depot are very stable and reliable companies, we have also made initial contacts with the companies listed below. We can sell through these companies (and we plan to do so as we expand) in a short period of time if necessary:

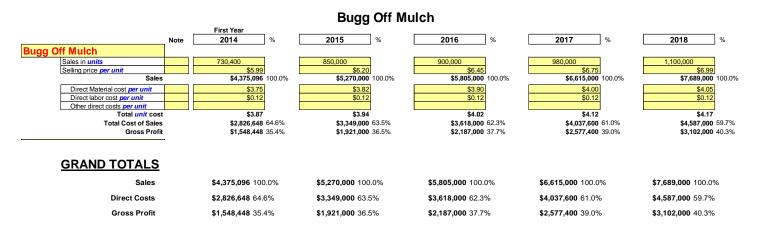
Wal-Mart Ace Hardware Meadows Farm Nurseries

#### **FUTURE EXPANSION**

Aside from selling through the Lowe's and Home Depot locations nationwide, supplying landscaping companies with bulk-mulch is an area that we will go into as our company becomes established. While these companies can buy bulk-mulch from a wholesaler just like we are doing, being able to tell their customers that they are using Bugg-Off Mulch would be a value-added product that they can promote to potential customers. We would of course be selling to the landscapers at a reduced price since bags would not be needed (they buy it by the truck-load) and they would be buying it in bulk quantities.

### **Sales Forecast**

#### Five-Year Projected Unit Sales and Costs for a Product



### **Operational Plan**

#### Management and Organization

The individuals who will run the day-to-day operations of the business are:

Emily Ray – Sales/Marketing (Salary = \$30,000 yr.) Travis Jolly – Sales/Marketing (Salary = \$30,000 yr.) Tyler Yates – Order Processing/QC (Salary = \$30,000 yr.)

Since this is a start-up business, we realize that everyone will have to perform tasks that may or may not be in their "job description". All three of the individuals above know that they will have to do what it takes on a daily basis to ensure the success of the company; everything from cleaning the office bathrooms to meeting with corporate executives. We have not listed jobs such as administrative assistant or secretary because the people starting this company know they will all be performing these "entry-level" jobs each day as a team.

#### Our Executive Management team will be made up of these successful businessmen:

Executive Vice President/Marketing – George Dasher Executive Vice President/Sales – Chris Williams Executive Vice President/Operations – Kevin Baker

These men have over 80-years of business experience and have agreed to provide guidance and advice at no charge. We do plan on extending bonuses to this management team at a future date.

### **Production**

Bugg Off Mulch is out-sourcing all of the production activities necessary to create, store, and deliver our product. This is a unique situation that many businesses do not enjoy. JK Enterprises is a large wholesale mulch company located in Culpeper VA. They have the ability to provide a virtually unlimited amount of double-shredded hardwood mulch and they will be able to add the mint to the mulch and bag it. They also have a large facility where they can accommodate hundreds of pallets of mulch. They will deliver our product to the

distribution sites at no additional cost, as long as we ship a minimum of 20-pallets of mulch at a time. This will not be a problem considering the amount of mulch that we will sell.

The location where we will conduct business will be very convenient for us to store the bags we will use for our mulch, and for storing a ready supply of chopped mint. Since JK Enterprises, the company that will be bagging our mulch, is located so close to our location, we will be able to easily deliver bags and mint to them at a moment's notice. We will deliver bags and mint to the mulch supplier as needed so that we can maintain better inventory control of these items.

### **Business Model**

Daily operations for our employees will be extremely busy, but will be a fairly routine process. Our Sales and Marketing personnel will be working directly with the Lowe's and Home Depot purchasing departments (as well as finding other distribution channels). We will be setting up promotional activities at select locations and processing orders for mulch. These orders will then be coordinated with our mulch supplier, JK Enterprises, so that deliveries can occur in a timely manner. We will supply JK Enterprises with the proper inventory of bags for the mulch and mint that will be added to the mulch.

**QUALITY CONTROL**: Before a delivery is shipped to the distribution centers, one of our employees will go onsite to JK Enterprises to perform a Quality Control check on the product. Since the mulch is dark and the mint is green, it will be fairly easy to verify that the mint has been added to the mulch. A spot-check will be performed on several pallets of mulch to verify that the bags are correct (logo, info on bags), and that the mint has been sufficiently added to the mulch.

### Legal Environment

Our attorney will be Bruce Clark of Fray, Hudson, Clark, & Walker LLP in Culpeper VA. Mr. Clarke will advise us in all aspects of our legal obligations including permits/licenses needed, and any additional insurance coverage we may need in our business environment. Mr. Clark is also helping us regarding the patent/trademark forms and procedures.

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### Personnel

We will begin with 3 employees performing the day-to-day activities. Our Executive Management Team will be advising these 3 employees on a regular basis. Since we are out-sourcing the main production activities necessary to produce our product, the 3 employees will be mostly dealing with sales and marketing activities as they relate to Lowe's and Home Depot.

These 3 employees will be paid \$30,000/year. We plan on paying a bonus to these employees at a future date.

As is the case with most start-up businesses, all 3 of these employees will be performing a multitude of tasks. They will, however, focus on certain jobs:

- **Emily Ray** will focus on developing a relationship with Lowe's (Sales/Marketing) Emily will also be the direct contact with our mint and bag supplier.
- **Travis Jolly** will focus on developing a relationship with Home Depot (Sales/Marketing) Travis will also be the direct contact with JK Enterprises (our mulch supplier)
- Tyler Yates will focus on processing orders from Lowe's/Home Depot and verifying that the orders are shipped from JK Enterprises to the distribution centers. Tyler will also be the primary Quality Control person.

Again, these 3-employees will be advised by our Executive Management Team that is comprised of George Dasher, Chris Williams, and Kevin Baker. These gentlemen have over 80 years of combined experience in sales/marketing/production activities in various businesses.

### Inventory

 Our business is unique in the sense that we do not have to keep or maintain an inventory of mulch at our place of business. Our mulch supplier, JK Enterprises, has a virtually unlimited supply of mulch at their location. Since JK is also delivering our mulch to the distribution centers of our customers (Lowe's & Home Depot), we simply will receive orders from our customer, place the order with JK and schedule the delivery.

- The two items we do need to keep in inventory are bags for our mulch and the chopped mint that is added to our mulch. These two items have very short lead times. We can order mass quantities of these items and receive them within 3weeks.
- Our business is going to keep several hundred pounds of chopped mint at a time in our warehouse. The price of the chopped mint per hundred pounds is \$340, not counting any discounts we may receive for bulk purchases. The only other part of our inventory investment is our bags for the mulch itself. The bags are .43 cents per bag (including our logo), and if you purchase bags in bulk, there is a potential discount.
- Our company will have to deal with seasonal buildups; a large one in February of each year. Most mulch is sold between the months of April-June. Consumers also mulch their yards in the fall, so our company will produce higher sales in the late summer and early fall.
- The lead times for the products in our inventory are:
  - > Mint: 48 Hours (This product is stored in our warehouse)
  - > Bags: 3 Weeks (This product is stored at our warehouse)
  - > Mulch: 7 days (per 5,000 bags; JK Enterprise)

### **Suppliers**

Wholesale *mulch* will be supplied to us by

JK Enterprise Landscape Supply in Culpeper VA

Wholesale chopped *mint* will be supplied to us by

#### Monterey Bay Spice Company in CA

The *bags* for packing our mulch will be supplied to us by

#### Diversified Plastics & Packaging in SC

There is some more basic information listed on our suppliers in the Exhibit section of our Business Plan.

#### **CONTINGENCY SUPPLIERS**

While our suppliers above have been in business for many years and are very stable, we do have a list of "back-up" suppliers so that our product can remain easy to produce in case one of our primary suppliers has an issue:

MULCH:	Saunders Landscape Supply
MINT:	Spices Inc.
BAGS:	ULINE Shipping Supply Specialists

#### PROFESSIONAL AND ADVISORY SUPPORT

#### **Executive Management Team**

George Dasher

Chris Williams

Kevin Baker

#### Attorney

Bruce Clark – Fray, Hudson, Clark, and Walker LLP, 115 S. West St, Culpeper VA

#### Accountant

Chris Pearson - Yount, Hyde, and Barbour, 1100 Sunset Lane, Culpeper VA

#### **Insurance Agent**

Maloney and Ward - 202 W. Evans St, Culpeper VA

#### Banker

Tripp Butler – VA Community Bank, 701 S. Main St, Culpeper VA

### **Startup Expenses and Capitalization**

	Startup Expense	<u>s</u>			
	Bugg Off Mulch				
	Company begins opera	tions in:	2014	Duildinge	Equipment Can
		Nerte		Buildings Depreciate	Depreciates generally be
	a plan to rent or lease an existing facility	Note		over 20 years	over 5 years Mortgaged
1	Deposit & rent expense prior to operation		\$7,500		
2	Remodeling expenses		\$10,000		
3	Enter item				
4	Enter item				
5	Other				
lf voi	u plan to buy an existing facility				
6	Purchase cost allocated to land				
7	Purchase cost allocated to buildings				
	Purchase cost allocated to equipment				
8					
9	Remodeling expenses				
10	Enter item				
11	Enter item				
12	Other				
lf you	plan to buy land and build a facility				
13	Purchase cost of the land				
14	Construction cost including parking, etc.				
15	Architectural & engineering fees				
16	Enter item				
17	Enter item				
18	Other				
			Total Facility	\$17,500	
Capi	tal Equipment List		·····,	*,	
19	Furniture & fixtures	Used	\$483		
20	Office Equipment		\$2,584		
20		Pallet	φ2,004		
21	Production Equipment	Jack	\$700		
21	Other	Truck	\$15,000		
22	othor		tal Capital Equipment	\$18,767	\$18,767
Pre-	opening Administrative Expenses	10	ar ouplar Equipment	\$10,101 <u></u>	<i>Q</i> 10,101
23	Utility deposits		\$1,500		
24	Legal and accounting fees		\$4,000		
25	Prepaid insurance		\$4,300		
26	Pre-opening salaries		\$22,500		
27	Other	Fuel	\$500		
21			ministrative Expenses	\$32,800	
Oper	ning Inventory	opening Au		<b>401,000</b>	
28	Enter item	mulch	\$231,563		
29	Enter item	mint	\$201,000		
30	Enter item	bags			
31	Enter item	Suge			
	Enter item				
32		То	tal Opening Inventory	\$231,563	
Pre-	opening Advertising and Promotional Expenses	10	tar opening inventory	φ <b>2</b> 31,303	
33	Advertising		\$17,940		
34	Signage		\$10,000		
35	Printing		<b>\$10,000</b>		
	Travel/entertainment		¢5,000		
36	Other		\$5,000		
37		dvertising/	Promotional Expenses	\$32,940	
Othe	r Expenses	averasing/r	remotional Expenses	ψ <b>0</b> 2,070	
38	Enter item				
39	Enter item				
33			Total Other Expenses		
			. cui cuiei cypenses		
40 <b>Rese</b>	rve for Contingencies		\$25,000	\$25,000	
		TOTAL S	TARTUP EXPENSES	\$358,570	

\$18,767

### **Five-Year Profit & Loss Projection**

Line

#### Five-Year Projected Profit and Loss (P&L)

			First Year								
			2014 %	2015 %		2016	%	2017	%	2018	%
1	Sales		\$4,375,096 100.0%	\$5,270,000 100.0%		\$5,805,000	100.0%	\$6,615,000	100.0%	\$7,689,000	100.0%
2	Direct Costs		\$2,826,648 64.6%	\$3,349,000 63.5%		\$3,618,000	62.3%	\$4,037,600	61.0%	\$4,587,000	59.7%
3	Gross Profit		<b>\$1,548,448</b> 35.4%	\$1,921,000 36.5%		\$2,187,000	37.7%	\$2,577,400	39.0%	\$3,102,000	40.3%
	Expenses	Note									
4	Salaries & wages		\$90,000 2.1%	<b>\$90,000</b> 1.7%		\$90,000	1.6%	\$90,000	1.4%	\$90,000	1.2%
5	Payroll expenses		\$27,000 0.6%	\$27,000 0.5%		\$27,100	0.5%	\$27,100	0.4%	\$27,200	0.4%
6	Supplies (office & operating)		\$5,000 0.1%	\$5,100 0.1%		\$5,200	0.1%	\$5,300	0.1%	\$5,400	0.1%
7	Repairs and maintenance		0.0% \$1,000	<b>\$1,100</b> 0.0%		\$1,200	0.0%	\$2,500	0.0%	\$1,500	0.0%
8	Marketing / Advertising		\$117,640 2.7%	\$129,640 2.5%		\$143,640	2.5%	\$157,640	2.4%	\$173,640	2.3%
9	Accounting and legal		\$16,000 0.4%	\$17,000 0.3%		\$18,000	0.3%	\$19,000	0.3%	\$20,000	0.3%
10	Technology		\$3,000 0.1%	\$2,000 0.0%		\$2,000	0.0%	\$2,000	0.0%	\$2,000	0.0%
11	Telephone		\$4,000 0.1%	\$5,000 0.1%		\$6,000	0.1%	\$7,000	0.1%	\$8,000	0.1%
12	Utilities and vehicle fuel		<b>\$7,200</b> 0.2%	\$7,500 0.1%		\$7,800	0.1%	\$8,200	0.1%	\$8,500	0.1%
13	Insurance (property & liability)		\$5,200 0.1%	\$5,400 0.1%		\$5,600	0.1%	\$5,800	0.1%	\$6,000	0.1%
14	Rent		\$30,000 0.7%	\$30,000 0.6%		\$30,000	0.5%	\$30,000	0.5%	\$30,000	0.4%
15	Miscellaneous		\$10,000 0.2%	\$10,000 0.2%		\$10,000	0.2%	\$10,000	0.2%	\$10,000	0.1%
16	Total Expenses		\$316,040 7.2%	\$329,740 6.3%		\$346,540	6.0%	\$364,540	5.5%	\$382,240	5.0%
17	EBITD - Earnings Before Interest, Taxes, & Depreciation		\$1,232,408 28.2%	\$1,591,260 30.2%		\$1,840,460	31.7%	\$2,212,860	33.5%	\$2,719,760	35.4%
18	Mortgage Interest				Γ				1		
19	Depreciation on Buildings (20 years)										
20	Depreciation on Equipment (5 years)		\$3,753 0.1%	\$3,753 0.1%		\$3,753	0.1%	\$3,753	<b>3</b> 0.1%	\$3,753	0.0%
21	Profit Before Taxes		\$1,228,655 28.1%	<b>\$1,587,507</b> 30.1%		\$1,836,707	31.6%	\$2,209,107	33.4%	\$2,716,007	35.3%
22	Taxes @ 35%		\$430,029	\$555,627	0	\$642,847	0	\$773,187	0	\$950,602	0
23	Net profit after taxes		\$798,626 18.3%	<b>\$1,031,879</b> 19.6%		\$1,193,859	20.6%	\$1,435,919	21.7%	\$1,765,404	23.0%

#### **Bugg Off Mulch**

### **Projected Cash Flow**

	Five-Year Projected Cas	h Flow	Bugg Off Mulch					
<u>ine</u> 1		2014	2015	2016	2017	2018		
2	CASH ON HAND - Beginning of year		\$953,809	\$2,004,082	\$3,225,334	\$4,697,647		
3	Cash from venture capitalists	\$500,000						
4	Less startup expenses	\$358,570						
5	Cash on hand after startup expenses	\$141,430						
	CASH RECEIPTS							
6	Sales	\$4,375,096	\$5,270,000	\$5,805,000	\$6,615,000	\$7,689,000		
7	Total Cash Available	\$4,516,526	\$6,223,809	\$7,809,082	\$9,840,334	\$12,386,647		
	CASH PAID OUT							
8	Direct costs (Material, Labor, & Other)	\$2,826,648	\$3,349,000	\$3,618,000	\$4,037,600	\$4,587,000		
9	Salaries & wages	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000		
10	Payroll expenses	\$27,000	\$27,000	\$27,100	\$27,100	\$27,200		
11	Supplies (office & operating)	\$5,000	\$5,100	\$5,200	\$5,300	\$5,400		
12	Repairs and maintenance	\$1,000	\$1,100	\$1,200	\$2,500	\$1,500		
13	Marketing / Advertising	\$107,640	\$115,000	\$120,000	\$125,000	\$130,000		
14	Accounting and legal	\$16,000	\$17,000	\$18,000	\$19,000	\$20,000		
15	Technology	\$3,000	\$2,000	\$2,000	\$2,000	\$2,000		
16	Telephone	\$4,000	\$5,000	\$6,000	\$7,000	\$8,000		
17	Utilities and vehicle fuel	\$7,200	\$7,500	\$7,800	\$8,200	\$8,500		
18	Insurance (property & liability)	\$5,200	\$5,400	\$5,600	\$5,800	\$6,000		
19	Rent	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000		
20	Miscellaneous	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000		
	Mortgage Interest							
	Mortgage Principal repayment							
	Taxes	\$430,029	\$555,627	\$642,847	\$773,187	\$950,602		
21	Total cash paid out	\$3,562,717	\$4,219,727	\$4,583,747	\$5,142,687	\$5,876,202		
22	Cash remaining at end of year	\$953,809	\$2,004,082	\$3,225,334	\$4,697,647	\$6,510,445		

Breakeven Analy	<u>ysis</u>		
Bugg Off Mulch			
Selling price per unit	\$5.99		
Variable costs per unit			
Materials	\$3.75		
Labor	\$0.12		
Other			 
Total Variable Costs	\$3.87		
Gross Margin per unit	\$2.12		
Total annual fixed costs	\$179,200		
Annual breakeven in units	84,528		
Annual breakeven in dollars	\$506,325		

ted Retu	<u>ırn on In</u>	vestmer	nt (ROI)			
Bu	gg Off Mu	lch				
2014	2015	2016	2017	2018		
\$1,232,408	\$1,591,260	\$1,840,460	\$2,212,860	\$2,719,760		
\$500,000						
	20%					
49.3%	63.7%	73.6%	88.5%	108.8%		
	Bu 2014 \$1,232,408	Bugg Off Mu           2014         2015           \$1,232,408         \$1,591,260	Bugg Off Mulch         2014       2015       2016         \$1,232,408       \$1,591,260       \$1,840,460         \$500,000       \$20%	2014         2015         2016         2017           \$1,232,408         \$1,591,260         \$1,840,460         \$2,212,860           \$500,000         \$2,212,860         \$2,212,860         \$2,212,860		

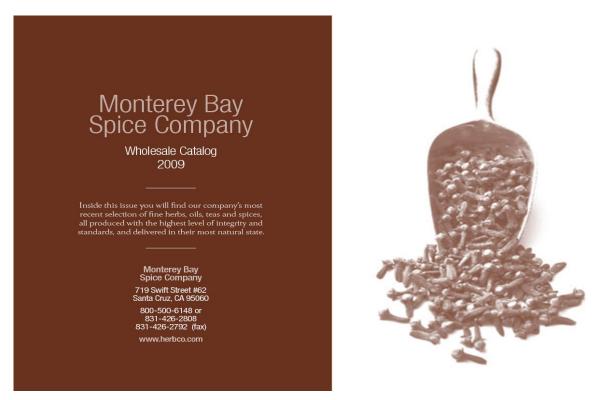
### **Exhibits**

#### **SUPPLIERS**

Diversified Plastics and Packaging is the company supplying us with our mulch bags.



#### Monterey Bay Spice Company is who will supply the mint.



*JK Enterprise will be our wholesale mulch provider.* They will add the mint to our mulch, bag it, and then deliver it to the Lowe's and Home Depot distribution centers.



JK Enterprise Landscape Supply offers a broad range of Residential and Commercial Landscape products and services at discount wholesale prices.

#### **DISTRIBUTORS**

We will initially distribute our product through the following companies:





### **Patent Form**

This is a sample of the patent form used to create a patent for our product. Our lawyer, Bruce Clark, will be helping us through this procedure.

PROVISIONAL	APPLICATION I	ired to respond to a collection FOR PATENT COV	t and Trademark Office; U.S. n of information unless it disp	ugh 01/31/2007. OMB 0851-003/ DEPARTM ENT OF COMMERCE Ilays a valid OMB control number .53(c).
•		INVENTOR(S)		
Given Name (first and middle [if any])	Family Name or			Residence
	,		(City and eithe	er State or Foreign Country)
Additional inventors are being named on	the	conoratolv n	umbered sheets attached	l hereto
launional internora are being namea on		VENTION (500 chara		1101010
The address corresponding to Cust	omer Number:			
OR Firm or Individual Name Address		State	Zip	
Firm or Individual Name Address		State	Zip Email	
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Firm or Individual Name Address Tity Country Application Data Sheet. See 37 CF Drawing(s) Number of Sheets Specification (e.g. description of the Fees Due: Filing Fee of \$200 (\$100 for state) Specification (e.g. description of the Fees Due: Filing Fee of \$200 (\$100 for state) Specification (e.g. description of the Fees Due: Filing Fee of \$200 (\$100 for state) Specification (e.g. description of the Fees Due: Filing Fee of \$200 (\$100 for state) Applicant claims small entity status A check or money order is enclosed Payment by credit card. Form PTO The Director is hereby authorized to	R 1.76 e invention) <i>Number or</i> small entity). If the spe ntity) for each addition <b>3 FEE AND APPLICA</b> . See 37 CFR 1.27. d to cover the filing fee -2038 is attached o charge the filing fee	Telephone  ATION PARTS (check CD(s CD(s CD(s CD(s) CD(	Email k all that apply)  ), Number of CDs er (specify) exceed 100 sheets of pag- iereof. See 35 U.S.C. 411 IS PROVISIONAL APPL (if applicable).	per, an application size fee is (a)(1)(G) and 37 CFR 1.16(s ICATION FOR PATENT ICATION FOR PATENT TOTAL FEE AMOUNT (\$ y overpayment to Deposit

to process) an application. Confidentiality is governed by 35 0.5. (22 and 37 CFR 1.11 and 1.14. This collection is estimated to take 8 hours to complete, including gathering, preparing, and submitting the completed application form to the USPTO. Time will vary depending upon the individual case. Any comments on the amount of time you require to complete this form and/or suggestions for reducing this burden, should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, U.S. Department of Commerce, P.O. Box 1450, Alexandria, VA 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS. SEND TO: Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450. If you need assistance in completing the form, call 1-800-PTO-9199 and select option 2.