

# **Flashback™ Speaker Window**

## **Business Plan**

## TABLE OF CONTENTS

I.	.....	Introduction
II.	.....	Market for Speaker Windows
III.	.....	<b>Flashback™ Speaker</b> Window Products
IV.	.....	Projected Sales
V.	.....	Sales Distribution
VI.	.....	The Company
VII.	.....	Administration
VIII.	.....	Manufacturing
IX.	.....	Capital Investment
X.	.....	Financial Projections

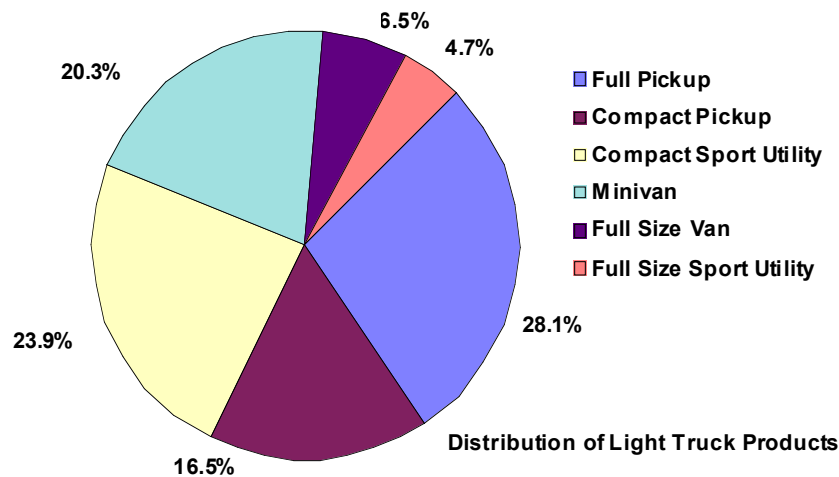
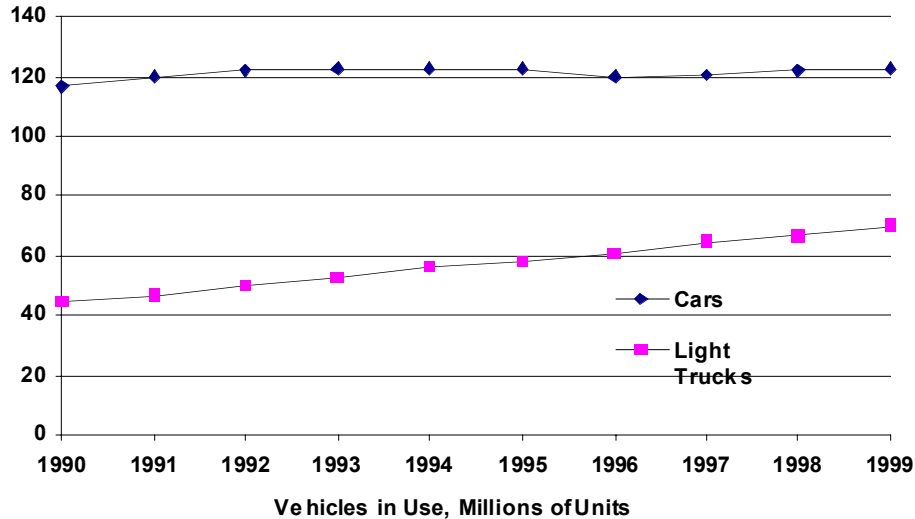
## Introduction

We will design, manufacture and market the patented **Flashback™ Speaker Window**, a unique line of audio sound accessories directed toward the light truck market. It will design and market its own products and will rely upon outsource manufacturers for the production of its products. VIGOR will market its products by way of customary marketing channels; stocking wholesale distributors, manufacturers' representatives, retail stores and directly to the end user. It will retail its products through specialty audio accessory and light truck accessory outlets, major consumer electronics retailers, and new and used vehicle dealerships. The Company will expand into other complementary vehicle sound products as well as expanding its product lines into other mediums of transportation.

The **Flashback™ Speaker Window** is a new concept in the audio stereo market. This unique patented product allows stereo speakers to be installed in the rear window of most compact and full sized pick-up trucks. The **Flashback™ Speaker Window** replaces the original flat factory rear glass window with a highly engineered Department of Transportation approved window made from a virtually unbreakable polycarbonate material...the same material used in aircraft windows and bullet proof glass. The **Flashback™ Speaker Window** is custom molded for a precise fit and will provide a sleek, smooth aerodynamic look that will add style and demand attention. In addition to being a stylish design enhancing feature for the vehicle the **Flashback™ Speaker Window** provides a highly efficient stereo speaker enclosure which provides high quality stereo unobstructed sound reproduction at ear level within the interior cab space of the truck. By utilizing the **Flashback™ Speaker Window** the need to allocate precious interior space for large speaker enclosures (i.e., "Boomboxes") within the cab is eliminated.

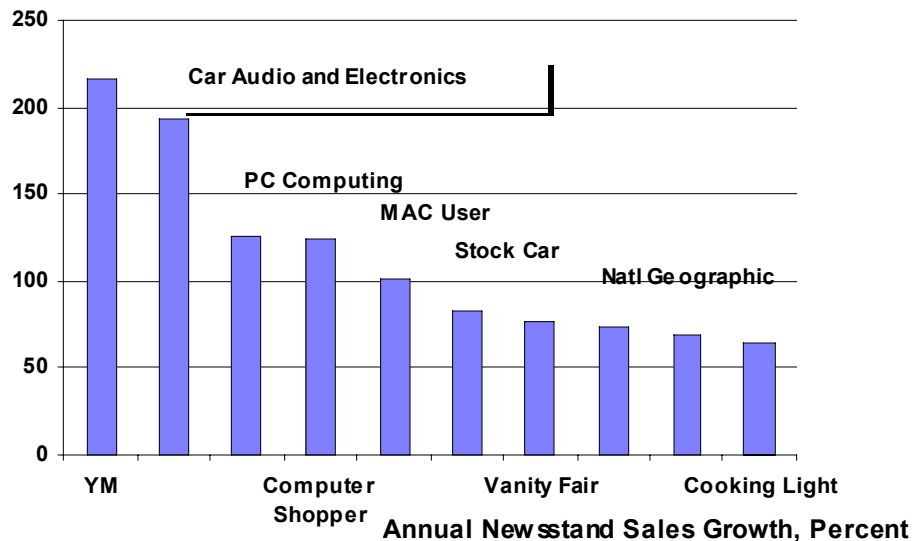
## Market for Speaker Windows

According to industry trade sources (Automotive News: 1996 Data Book, Crane Communications) "trucks are hotter than ever, muscling cars out of the top three sales spots in the United States last year. Since the early 1970's when cars outsold trucks four to one, America's love affair with cars has evolved into a love affair with light trucks."



According to the American Business Directory there are over 95 million 1988-1999 light trucks registered in the United States. This is significant because the 1988-1996 is considered to be within the useful life time period of light trucks. More than 12 million new trucks were sold in the US 1998. Light trucks have captured 41.5% of the US vehicle market. Pick-up trucks account for 35% of the light truck market with sport utility vehicles and vans accounting for the

remainder. Compact pick-ups represent about 30% of the pick-up market while full size pick-up trucks account for the remainder. According to Automotive News, about 1/3 of these pick-up trucks are used for business purposes and only 14% of buyers identify work as their primary use. Therefore, there are over 11.5 million vehicles in the non-work, light pick-up truck market. If 10% purchase custom sound systems, the target market would be 1.15 million potential vehicles.



The auto sound market has shown an equally substantial growth over the past years. This growth is evidenced by the interest in key auto sound magazine circulation figures. Car Audio and Electronics magazine is the second largest growing newsstand publication with an annual growth rate of 194%. In a recent survey, over 75% of their readers indicated that they purchased auto sound equipment over the last 12 months, and more than 50% indicated they listened to Rap, Rock, and Heavy Metal music. Another major auto sound magazine survey indicated that 25% of their readers drive compact and full sized pick up trucks, 92% are single males between the ages of 18 and 34 years of age, and have a median household income of over \$57,000 annually.

These trade source statistics confirm that the majority of truck owners and auto sound enthusiasts meet the demographic profile of the **Flashback™ Speaker Window** target market. Therefore, there is a potential market for over one million units to be sold.

## **Flashback™ Speaker Window Products**

The Company should devote substantial time, effort and expense toward furthering the trademarked name, **Flashback™ Speaker Window**. The Company must maintain the integrity of its trademark and name against unauthorized use. In addition, it will aggressively defend any infringement of the three patents licensed to Vigor Industries Incorporated.

At the present stage the **Flashback™ Speaker Window** has already been designed, prototype, has found enough demand to justify the investment in tooling for mass production. An assembly diagram of a typical **Flashback™ Speaker Window** configuration is provided at the end of this section.

The material used to manufacture the window must be strong, able to withstand the outside weather conditions, must meet DOT safety requirements and must be transparent or semi-transparent. The material selected is polycarbonate (Lexan), which, in its raw form, has already passed DOT approval. Lexan has built-in UV protection, is up to 100 times stronger than glass, has superior clarity even when molded, and has exceptional resistance to hazing and yellowing, a common problem with most plastic materials. Polycarbonate material is used in many applications such as aircraft windows, boat windows and just recently the front windshields of stock cars running in the Daytona 500. It is also used as bullet proof glass.

The material being used is also classified as a burglar resistant plastic. Breakage from outside the vehicle is highly unlikely due to the high impact resistance.

The Federal Government classifies pickup trucks the same as it does large semi-trucks, panel trucks and vans where the back window is obscured by a load or trailer, or does not exist at all have glass further exempting the Flashback Window from the Federal level. At the state level The Flashback Rear Window will allow 35% light to pass through the window.

The Federal Government is concerned a film is being applied to a Department of Transportation safety requirement standard glass. This means the DOT glass has to pass a safety strength test. Anything that is applied to a DOT safety product must pass the same strength test and window film will not. The state government concerns are about the different shades of darkness on the windows to protect the safety of law enforcement officers. The majority of the states require a legal limit of 35% tint on the side windows and 20% on the back windows. This means that 35% of light must penetrate the side glass and 20% must penetrate the back glass.

We have taken this issue a step further by applying for and receiving its own DOT number, 569, issued July 6, 1994. The Flashback is stronger than glass. Polycarbonate will not shatter like glass providing better protection and the Flashback design has double paned windows furthering the safety issue.

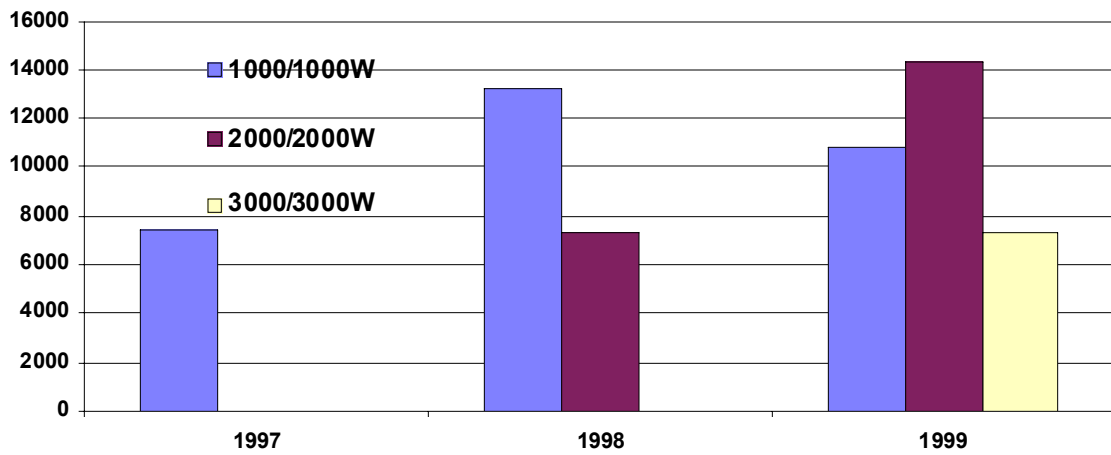
There will need to be three or four basic molds with about 15 different variations to fit most trucks built after 1980. Initially **Flashback™ Speaker** Window will be made for mini pickup trucks, either with or without 10" woofers installed. Later, different sizes and speaker configurations will be added to fill out the product line. The color initially will initially be a bronze tint color, with other color tints being introduced later.

We will utilize speakers of its own design for top-of-line performance. These speakers will be specially designed for the **Flashback™ Speaker** Window, and will be UV resistant and will use the exact air volume for maximum performance sound quality. The **Flashback™ Speaker** Window must also be designed to give good to excellent performance when using any one of the top ten speakers commercially available since it will be sold empty for the car audio market.

Product lines should be designed to ultimately cover the following applications:

94-99 Chevrolet S-10	94-99 Mazda Std. Cab
82-92 Chevrolet S-10, S-15	94-99 Mazda Cab Plus
84-99 Toyota Std. Cab	94-99 Mazda Endcap
95-99 Toyota "T" 100	86-92 Mazda Cab Plus
94-99 Toyota Tacoma	86-92 Mazda Reg.
83-99 Ford Ranger Std. Cab	94-99 Dodge Ram Std.
86-99 Ford Ranger Sup. Cab	94-99 Dodge Ram Endcap
88-94 Isuzu Std. Cab	75-93 Dodge Full Size
88-94 Isuzu Sup. Cab	88-99 Chevrolet Endcap
87-99 Dodge Dakota Ext. Endcap	88-92 Chevrolet Full Size
86-94 Nissan Std. Cab	73-95 Ford "F" Series
86-94 Nissan King. Cab	97 Ford Full Size

Initially, a tool to cover a large number of Mini Pickup Trucks will be built. Once into production, and after some production time has validated the tool's performance, a second tool will be built to cover the Full Size Pick Truck applications. The third tool will also cover full size vehicles. Tool design and fabrication can be seen in the financial data in a later section.



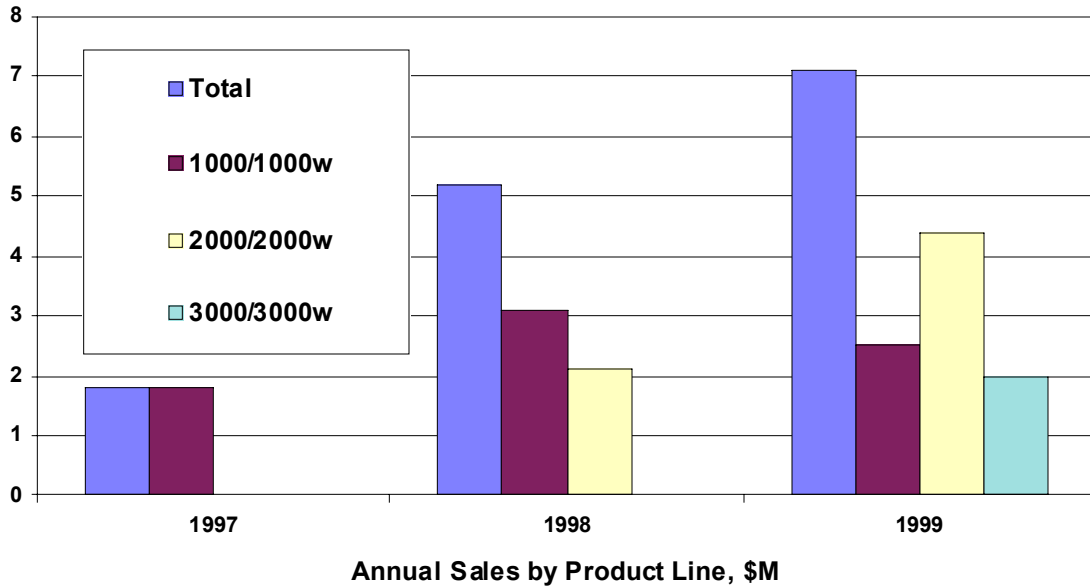
**Projected Units, First Three Product Lines**

The foregoing chart shows the progression of product manufacturing. During the first year, one tool is put into production. After verifying that the tool produces high quality products to company standards, a second and third tool will begin producing product in the second year.



## Projected Sales

The following chart shows the introduction and growth of each product for the first three years. Projections are conservative, but assume a full Wholesale Distributor network in place. Sales growth begins when the tool is put into production.



## Sales Distribution

The fastest way to distribute the **Flashback™ Speaker Window** is through a network of Wholesale Distributors and directly to the retail stores. We will initially hire a seasoned professional sales manager familiar with the auto sound market. This manager will have the necessary contacts within the industry to quickly establish proper distribution channels. At the same time, the Company will participate in numerous dealer trade shows to review and restructure the distribution network where necessary .

In parallel with the above strategy for the development of the Wholesale Distribution network, the Company will establish a direct sales desk to handle inquiries directly from retailers and consumers. The retailer and consumer market will be primarily driven by media advertising in the top light truck and auto sound magazines as well as participation in local sound off competitions and custom truck shows.

The third channel of distribution will be to promote the **Flashback™ Speaker Window** directly to the automobile manufacturers as an OEM product. It will also be promoted as an after market product to new and used car dealers, insurance companies, and auto glass installers.

Sales distribution expenses will depend upon the product, region and volume, but is expected to average about 20% of Sales.

## The Company

The Company designs, manufactures and markets the patented **Flashback™ Speaker Window**, a unique line of audio sound accessories directed toward the light truck market. The Company designs and markets its own products and relies upon independent contract manufacturers for the production of its products. The Company will be marketing its products by way of customary marketing channels; stocking wholesale distributors, manufacturers' representatives, retail stores and directly to the end user. The Company intends to retail its products through specialty audio accessory and light truck accessory outlets, major consumer electronics retailers, and new and used vehicle dealerships. The Company intends to expand into other complementary vehicle sound products as well as expanding its product lines into other mediums of transportation.

From 1990 to 1995, the founders developed, manufactured and test marketed the patented **Flashback™ Speaker Window**. In 1995 the Company was formed in Oklahoma as a limited liability corporation under the name CESD, LLC, to manufacture the product using the vacuum-forming process. Immediately, it became apparent that the vacuum-forming process could not keep up with the demand for the product that the early test marketing generated. To meet the demand, the Company found it necessary to re-direct its manufacturing process toward the higher volume, lower cost injection molding process.

## Administration

The directors and officers of VIGOR INDUSTRIES INCORPORATED are:

<u>Name</u>	<u>Position</u>
Craig Foster.....	Ower
Fulton Abadie.....	Vice-President and Director
Ethel Foster.....	Secretary
John White.....	Director
Rich Cessler.....	Director
Tom Kerr.....	Director

Mr. Craig Foster is the developer of the patented **Flashback™ Speaker Window**. As President and Chairman of the Board of Directors he brings five years of expertise in the design, development and manufacturing of this unique product. Prior to this, Mr. Foster was associated with the oil logging and the office equipment industries. His academic background includes a trade school degree in electronics. He is a graduate of the Business Management Program offered to entrepreneurs by the State of Oklahoma. Mr. Foster is currently active with the Small Business Development Center and the Oklahoma Forum of Business. His accomplishments are listed in Who's Who.

## Manufacturing

To produce units for test marketing, inexpensive tooling and the vacuum form manufacturing process was used. At one show where the initial product was demonstrated, over 2,000 requests for product were received. Due to the success of the test marketing, it was readily apparent that a high production manufacturing would be required to meet the demand for the product. The high precision injection molding process was chosen because it can provide large quantities at a relatively low unit cost. The size of the window requires that an extremely large and costly molding machine is required to make the parts. Also, the high quality optical finish desired in the final product requires that the tooling, material and molding techniques also be of the highest quality. This limits the

number of molding houses capable of manufacturing the **Flashback™ Speaker Window**.

To assure consistency and the best obtainable results, tooling and product manufacturing will be outsourced to an American manufacturer with over 35 years of experience in the injection molding industry. The company selected has over 80,000 square feet of manufacturing and warehouse space and routinely manufactures high quality parts for the automotive and aircraft industries. To further insure flow-through quality the molder will complete the assembly and packaging prior to warehousing the product for later shipment.

Tooling is expected to take 4 months before sample parts can be molded so no sales are anticipated for the first six months. However during the tooling production period, the Company will concentrate on obtaining contract and individual orders on a pre-sold basis so that once product is available, shipments can begin. It is anticipated that a single tool will produce product at a rate of 1,000 units per week which should meet the initial demand.

## Financial Projections

The following financial spreadsheets depict the planned growth and expenditures. Each spreadsheet covers a different segment of the company's financial future. They are organized as:

### LIST OF SCHEDULES, EACH YEAR

Schedule A.....	Product Price / Cost Detail	Page 1
Schedule B.....	Product Projection Detail	Page 2
Schedule C.....	Operating Expense Detail	Page 4
Schedule D.....	Adjustments to Income Detail	Page 6
Schedule E.....	Income and Expense Statement	Page 7
Schedule G.....	Generation and Use of Capital Detail	Page 9
Schedule F.....	Three Year Summary	Page 10

Each set of schedules are presented by year, starting with 1996, the formation year, and running through 1999. For each year, notes are given pointing out highlights of each schedule. Spreadsheet page numbering is different that the general page numbering of the business plan.

## 1999, THE FORMATION YEAR

Schedule "A", shown on page 1, was developed to show anticipated product price and cost relationships. This schedule is based on an anticipated Wholesale/Distributor margin of 20% and a Retailer margin of 40%. Each product is positioned to return a margin of 50% or more to the company.

Schedule "G", shown on page 9, shows the costs associated with the corporation formation, and the generation of capital. Also, a Cash Flow projection that will be carried throughout the financial presentation, begins. It assumes that all the Unit are sold during the first year, but the Warrant redemption does not take place during the first year.

## 1999, FIRST PRODUCTION

The second year, the first year of operation, is directed toward the acquiring the first production tool for producing Series 1000/1000W **Flashback™ Speaker Windows**. The development activity is expected to take approximately 6 months, with production commencing in mid summer.

Schedule "B", shown on pages 2 and 3, shows the expenditures for tooling and the generation of revenue, the cost of sales, and distribution expenses, all commencing in the 7th month. Once the first tool is proven, acquisition of the second tool is begun with about \$70,000 of cost being incurred during the last few months of the year.

Likewise, Schedule "C", shown on pages 4 and 5, shows the expenditures occurred during the setup and operation of the company. Expenses during the first half must be tightly controlled due to limited cash flow, and the need to invest heavily into the production tooling. Only a light management and office crew will be added during the first operating year.

Promotion and advertising will begin immediately, slowly at first, but increasing as the production date approaches.

Item A31102, Dept Reduction, shows the elimination of a \$140,000 personally co-signed loan made to CESD, LLC, to cover costs incurred during the prototyping and market development. An attempt to refinance the debt should be attempted to preserve cash flow.

Schedule "E", shown on pages 7 and 8, shows the Income and Expense Statement for FY 1997. It should be noted that to generate net income as soon as product becomes available. It is advised that every attempt should be made to accelerate the acquisition and placing the first tool into service, but not at the expense of cash flow.

Schedule "G", shown on page 9, shows that there are no further expenses during FY 1997. The Cash Flow projection shows a turn to positive in the 10th month, and will remain positive for the remaining period.

Schedule "F", shown on page 10, only occurs in the 1997 presentation, but covers all four years as a summary. It is a restatement of what occurs on other Schedule "C" statements.



## 2000, EXPANDING THE PRODUCT LINES

These are the expansion years. The second tool is completed and placed into service, greatly expanding revenue, and of course, expenses. The second product line, the Series 2000/200W **Flashback™ Speaker** Window, should begin production in the spring, sell for about 3/4ths of the year. This product will announce VIGOR'S entry into products for full sized pickup trucks.

Schedule "B", shown on pages 2 and 3, shows the expenditures for tooling and the generation of revenue, the cost of sales, and distribution expenses, all commencing in the 5th month. Six months after the second tool is put into service, acquisition of the third tool, also for full sized pickup trucks, is begun with about \$70,000 of cost being incurred during the last few months of the year.

Likewise, Schedule "C", shown on pages 4 and 5, shows the expenditures occurred during the expanded operation of the company. Expenses are more directed toward expanding management and office support to keep up with the growing business, with promotion and advertising staying constant.

Schedule "E", shown on pages 7 and 8, shows the Income and Expense Statement for FY 1998.

Schedule "G", shown on page 9, shows that there are no further IPO expenses during FY 1997. The Cash Flow projection shows continued positive growth.

## 1999, EXPANDING THE COMPANY TO MEET INCREASING SALES

The expansion years continue. The third tool is completed and placed into service, greatly expanding revenue, and of course, expenses. The third product line, the Series 3000/300W **Flashback™ Speaker** Window, should begin production in the spring, sell for about 3/4ths of the year.

Schedule "B", shown on pages 2 and 3, shows the expenditures for tooling and the generation of revenue, the cost of sales, and distribution expenses, all commencing in the 5th month. The third tool is put into service, also for full sized pickup trucks, with about \$130,000 of cost being incurred during the first few months of the year.

Likewise, Schedule "C", shown on pages 4 and 5, shows the expenditures occurred during the continuing operation of the company. Expenses are about even with FY 1998.

Schedule "E", shown on pages 7 and 8, shows the Income and Expense Statement for FY 1999. It should be noted that VIGOR continues to generate strong net income numbers.

Schedule "G", shown on page 9, shows that there are no further IPO expenses during FY 1997. The Cash Flow projection shows continued positive growth, and ends 1999 with over \$3,000,000 in the bank.