“About half of all smokers die from smoking-related diseases” (CDCP)

You do not have to be one.
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I. EXECUTIVE SUMMARY

PROBLEM
Cigarette smoking is the leading cause of preventable death in the United States, accounting for more than 480,000 deaths every year. This equates to being 1 out of every 5 preventable deaths, according to the CDC. We have identified three main problems with current tobacco tendencies in the United States:

- **ADDICTIONS TO NICOTINE**
  Most tobacco users become addicted to nicotine, a drug that is naturally found in tobacco.

- **INEFFECTIVENESS OF ALTERNATIVE ANTI-TOBACCO PRODUCTS**
  Anti-tobacco alternatives are very ineffective. The one-year success rates of nicotine patches & gum, nicotine inhalers, prescription medication, and nicotine replacement therapy are 15-20%, 14%, 30%, and 19% respectively.

- **SOCIAL PRESSURES ASSOCIATED WITH USERS WHO ARE ATTEMPTING TO QUIT SMOKING**
  Many tobacco users also have difficulty quitting because they are constantly in social settings where tobacco is present and users do not want their peers to know that they are struggling with their addictions.

CUSTOMER SEGMENTS
It is important that EZpump products reach a large portion of the smoking population, especially the smokers who have serious addictions and the smokers who are actively trying to quit buying other anti-tobacco alternatives. In order to do this, EZpump will be targeting three main customer segments of smokers who wish to quit: Early Adopters, Primary Market, and Secondary Market. In the first 3 years of operation, EZpump plans to target customers in areas of the United States where tobacco use is most prominent, such as the Midwest and South. This will drive rapid sales growth. As we expand operation in the following years, we will focus on the remaining areas of the United States so that we can provide pumps to as many tobacco users as possible and can execute a manageable scale-up of production capacity and other business processes.

SOLUTIONS

- **PERSONALIZED DOSAGE OF NICOTINE DELIVERED DIRECTLY TO THE BLOODSTREAM**
  Our technology allows for the delivery of nicotine into the bloodstream that is tailored to meet the needs of every customer’s unique prescription in order maximize the clinical health outcomes.

- **AUTOMATIC, HANDS-FREE OPERATION, ALLOWING UTILITY IN ANY SITUATION**
  Our pump is thinner and smaller than any infusion pump on the market which means that customers can have complete anonymity when they use the product so they do not have to worry about any social pressures.
UNIQUE VALUE PROPOSITION

EZpump offers tobacco users something that other anti-tobacco products cannot offer: A customized and personalized method of quitting for every user that is proven to be more effective than any other alternative.

We expect to reach a 95% success rate (defined as the number of people who have not returned to smoking after two years), based off of data generated during our clinical trials. This success rate surpasses the performance found in current state of the art nicotine therapies by a threefold factor.
Our product is a completely discreet, compact pump that continually delivers nicotine directly into the user’s bloodstream to eliminate the user’s dependencies on tobacco. We have designed our pumps to be part of a person’s two-year smoking-cessation program, and this extended time period with corresponding low titration of nicotine makes it extremely easy for the user to quit their addiction. The program utilizes a new technology that gradually reduces the concentration of nicotine that is pumped into the body so that the user does not experience the severe symptoms of withdrawal that typically accompany more substantial or total elimination of nicotine.

CHANNELS

We are going to distribute our product through three major channels. First, we are going to distribute our pumps through numerous hospitals, pharmacies, physician offices, and rehabilitation centers. This will enable us to access a sizable number of customers who have nicotine addictions. Second, we are going to utilize E-commerce in order to access customers who do not physically go to any of these institutions. Lastly, in later years of operation, we plan to get our product into retailers such as CVS and Walgreens so that EZpump can reach a much larger segment of customers across all regions of the United States.

HOW EZ PUMP WORKS (STEP-BY-STEP)

1. Tobacco users who are trying to quit their addictions can buy EZpump from any of our designated channels (local hospitals, pharmacies, physician offices, rehab centers, or online). The cost of $2290 covers the cost of the pump plus all of the necessary nicotine vials for the full two-year program. The customer should only have to pay a small portion of this price because insurance will offset most of the costs for the pump and nicotine vials.

2. After purchasing the product, the medical institutions from which the product was purchased will decide how strong of an initial nicotine dosage the customer needs. This dosage is found by analyzing the customer’s tobacco use history, and adhering to guidelines and recommendations created by EZpump. Online buyers will complete a detailed form which gathers all the necessary information to assess the initial nicotine dosage for the customer.
EZpump provides step-by-step instructions for how to set up the pump, how the programmed schedule works, how to replace the nicotine vials every two weeks, as well as any other questions the user may have about operation of the device. Once the user receives the pump and initial vial on the first day, they simply need to follow the step-by-step instructions which should take no longer than 15 minutes for complete system set-up.

After the initial setup, EZpump will send the customer a new nicotine vial every two weeks that replaces the old vial. The customer simply discards the empty vial and inserts the replacement vial into the pump. The nicotine concentration in every vial is tailored to each person’s unique prescription. If the customers have any questions or need troubleshooting, they can contact their local physicians or our online services and we will help to solve these problems.

Over the course of the two-year program, the EZpump program will reduce the concentration of nicotine that the customer is receiving until they are nicotine-free. From this point forward, customers’ nicotine addictions will be fully eliminated resulting in their experiencing a healthier and happier life in the future.

FINANCIALS

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<th>FIRST YEAR INCOME STATEMENT (CONDENSED)</th>
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<td>Total Revenue</td>
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<td>COGS</td>
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<td>Gross Profit</td>
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<td>Operating Expenses</td>
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<td><strong>Net Profit</strong></td>
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Revenue for the year of operations from EZpump is estimated to be approximately $9,503,500.00. Of this $9,503,500.00, approximately $5,183,350.00 will be gross profit, with $4,320,150.00 being attributed to the cost of goods sold. In EZpump’s case, this would be the production costs for manufacturing and producing the pumps and nicotine vials for every tobacco user. Our forecasted net profit margin is 54.54%.
II. PROBLEM

EZpump seeks to address three problems in the medical industry. These problems include smoking and nicotine addictions, the ineffectiveness of alternative anti-tobacco products, and the social pressures associated with users who are attempting to quit smoking.

Currently, there are an estimated 40 million adults in the United States that smoke cigarettes. Additionally, in 2014 there were over 8.2 million adults in the US who used smokeless tobacco. Cigarette smoking is the leading cause of preventable disease and death in the United States, accounting for more than 480,000 deaths every year, or 1 of every 5 preventable deaths. Because of the dangers that tobacco products impose on users, many people have tried to quit using it, however they are unable to do so because they are addicted to nicotine, a drug that is naturally found in tobacco. In 2012, 68.9% of cigarette smokers (28.2 million) wanted to stop smoking, and in 2015 42.7% of tobacco users tried at least one type of anti-tobacco product in an attempt to quit. The most common methods of breaking nicotine addictions include nicotine patches & gum, nicotine inhalers, prescription medication, and nicotine replacement therapy. However, the one-year success rates of these products are only 15-20%, 14%, 30% and 19% respectively. Additionally, many people report that they have trouble quitting smoking because they are constantly in social settings where tobacco is present. EZpump is a new, safer and more effective way for users to combat their addictions to nicotine.
III. CUSTOMER SEGMENTS

We divided our target markets into three separate groups: Early adopters, primary market, and secondary market. Early adopters will provide us with an initial, strong customer base; they will also act as a word-of-mouth marketing tool for our company. The primary market will represent a majority of our sales and become our company’s cardinal customers. Finally, our secondary market will have a very low customer acquisition cost but will still provide us with additional sales.

EARLY ADOPTERS

There are more than 16 million Americans who currently live with a smoking-related disease. This is a huge market pool of people who are trying to quit their addictions before their health deteriorates even further, or they experience premature death. This group of people will represent our market of early adopters because they will be amenable to trying new alternatives to quit their addiction. This group will also help to demonstrate the effectiveness of the pump as well as its utility and how the pump is operated. For our early adopters our initial area of focus is going be in Indianapolis, IN.

According to the Daily Beast, the Midwest and Southern states had the worst smoking problems in the US and Indianapolis has the 4th largest smoking problem out of all cities in the United States. Early adopters are likely to fall between the ages of 45-65, have health insurance, consume an average 3-4 packs of cigarettes worth of nicotine a day, and face a life-threatening disease.

PRIMARY MARKET

The primary market will be made up of people aged 30-90, have some form of health insurance, consume 1-3 packs of
cigarettes worth of nicotine a day, and have tried other quitting methods prior to using our product. 28 million people currently want to quit smoking, making this is our primary target market, made up of average nicotine users who face the deadly effects of nicotine use. Of this smoking population, a large majority of the smokers live in the Midwest and Southern regions of the United States. As a result, we plan to focus an extensive amount of our efforts on selling pumps to tobacco users in these areas to establish a strong primary market.

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SECONDARY MARKET

Finally, our secondary market will be people aged 18-35, work white collar jobs, consume 1-3 packs of cigarettes worth of nicotine a day. These will be people who were most likely nicotine users throughout college and are now employed. They most likely have realized how outdated smoking is and are weary of the harmful side effects that come along with it. Our secondary market is going to be the tobacco users who live in the remaining areas of the United States other than the Midwest and Southern states.

IV. UNIQUE VALUE PROPOSITION

The one thing that sets EZpump apart from any other products in the anti-tobacco market is that it provides an effective and personalized method of quitting. There is currently no product on the market that will continuously deliver nicotine to the user at a diminishing rate and require little to no customer involvement while also being perfectly fitted for the user. EZpump is a completely discrete, compact pump that provides the user with a regulated dose of our patented nicotine solution. As a result, the pump allows customers to still have full mobility and it does not interfere with daily life no matter how active the user may be.

Additionally, the temptation to use tobacco in any social setting is fully eliminated because EZpump
will constantly pump small doses of solution into the consumer’s body drawing zero attention from any peers. At the beginning of each month the user will insert a small, minimally-invasive needle that will deliver a declining amount of nicotine into the bloodstream for an entire month. The pump automatically gives smaller amounts of nicotine in set periods of time to ensure that users gradually lose their craving. Each of these features has led our pumps to have the highest success rate of any product targeting nicotine addiction. EZpump is the first of its kind offering the most effective and easy to use product in the market. Finally smokers have an effective route to stop their nicotine addictions, through eventual elimination of dependencies on nicotine. This is accomplished without the user feeling any effects of withdrawal.

V. SOLUTION
EZpump recognizes three major issues in the healthcare market. As mentioned previously, these issues include smoking and nicotine addictions, the ineffectiveness of alternative anti-tobacco products, and the social problems that users who are attempting to quit smoking often experience. EZpump offers a new and effective product that solves these problems that over 40 million tobacco users face every day.
**SOLUTION #1**

The first and most important feature of the EZpump, which makes it more effective than anti-tobacco alternatives, is that consumers will have a personalized dosage of nicotine. These nicotine dosages are curated for each individual consumer based on past behaviors and will provide the highest chances of quitting. The nicotine solution is delivered directly into the user's bloodstream allowing the body to absorb 100% of the nicotine solution (HealthWeekly). This allows us to use the smallest amounts of nicotine possible yet still be effective for the consumer.

**SOLUTION #2**

The second feature of the pump which helps to benefit the user is that it requires minimal involvement from the user to operate; therefore the pump can be used in virtually any situation. This will help to cease any nicotine cravings the user may have throughout the day, even if consumers are in a setting where tobacco is present. With dimensions of 1 inch by 4 inches by 3 inches EZpump is smaller and thinner than a typical insulin pump. The beauty of this feature is that no one has to know that you are using the product, giving the consumers complete anonymity.

**SOLUTION #3**

Finally, EZpump comes programmed with a periodic schedule that gradually reduces the concentration of nicotine. The initial level and slope of decline of the nicotine will be determined based on the user past nicotine habits. This process continues until the user is essentially metabolizing little to no nicotine. Additionally, our patented nicotine solution has no additives or other dangerous
chemicals, as most other nicotine products do. EZpump has the potential to be a successful new market entrant by helping hundreds of millions of people overcome their addictions to nicotine, thereby creating significant financial returns for future investors and other stakeholders for the business.

**VI. CHANNELS**

A distribution channel is used by a company as a route for them to reach the consumer. An efficient distribution channel is vital to most companies’ success and growth. Considering this, we have conducted strategic planning and analysis to determine which distribution channels will make the most contact with potential consumers and remained adequately stocked with our product. CUEGIS concepts such as change, culture, and innovation have been major factors impacting our multi-channel distribution strategy.

**HOSPITALS**

Hospitals will be one of our primary intermediaries and act as a business to business (B2B) form of distribution, making up 85% of our sales in the first year. A major advantage of B2B sales is the receiving company’s vast network of established customers. Additionally, this business will typically be a specialist in the market that our company is pursuing, offering invaluable insight and experience that our young company does not possess.

83% of adults have visited a medical professional in the past year—national (Center for health statistics). This means that getting our product into the hands of medical professionals will increase the number of customers that are exposed to our product.

**E-COMMERCE**

Online sales will make up 15% of our revenue for our first and second fiscal year. Since we equip our consumers with adequate information and instruction for use on our product we believe E-commerce can be a distribution channel.
easily taken advantage of. Our website will provide product information and payment instruction to entice customers from diverse geographical locations to buy our product, from the convenience of their own home. We plan to promote our website to our customers through a robust social media strategy, which includes blogging with embedded website links, Twitter testimonials and reviews (again with embedded links), YouTube videos, search-engine optimization, and prominently featuring our website address on all marketing collateral and letterhead. The growth in technology and use of credit cards has propelled many businesses into having an online presence, and we believe this is true for our company as well.

RETAILERS

Once we have successfully established our name in the market through hospital and online sales we will grow to broader distribution channels such as retailers. In our second year we predict that our brand will be established, so much so that we no longer rely on hospitals to ensure our products quality for our customers. Thus, we can easily reach these consumers through a less structured distribution channel. We believe that in our third year CVS/ Walgreens will make up 50% of our sales, hospitals 30%, and online sales 20%. One benefit of putting our product in CVS is that they will hold our full inventory of products. This will include spare parts, pumps, nicotine solutions and other commodity-based components of our company. This will decrease our market lead times due to the proper inventory ready to service the market. We will be able to ship large volumes of our product to these retailers and they will cover the sales costs to the market; customer consolidation at its finest.

PROMOTIONAL CHANNELS

To effectively promote our product to our target market, appropriate and impelling promotional channels must be utilized. We have four pillars that our promotional channels revolve around (Attention, Interest, Desire, and Action). By focusing on all of these pillars we have created a
promotional strategy that will establish our brand and drive sales. Inbound marketing uses the internet and other forms of content marketing to attract customers through different stages of the purchasing funnel. It is increasingly important for our company to use these channels in an environment that is heavily dependent on the internet. Additionally, it is important for us to understand the tendencies of healthcare administrators for us to effectively sell and market our products to them.

Research done by the University of Denver tells us a few important things about the trends of healthcare administrators. Ninety percent of healthcare admins rely on internet searches to research a product. Over 50% of these admins will have already made their decision before calling back.

Finally, 100% of healthcare admins say that they rely heavily on videos to make a purchasing decision, these videos may be:

- Product Procedures
- Demo Videos
- Product Comparisons

Overall, we have identified that creating a strong online presence is the most effective way for us to market our product to hospitals, our primary target market and simultaneously create a strong word of mouth presence, considering the growing importance of Steeple-factor, technology.

**ONLINE VIDEOS & INBOUND MARKETING**

We will be doing 90% of our inbound marketing through Twitter and our webpage. Twitter allows fully functional videos to be played straight from a user’s timeline which, compared to YouTube, requires less work by the user and is more direct. Our product requires its consumer to insert a small needle into their body; this will call heavily for instructional and demo videos. We plan to make a series of videos so in-depth that no possible questions could be left unanswered by either a
consumer or a hospital administrator. These videos will be uploaded to our twitter account, as well as our webpage, to make them easily accessible to all vendors and consumers. In addition to these videos we will also be utilizing other inbound marketing tactics described below.

**SEARCH ENGINE OPTIMIZATION**

We will be using search engine optimization to allow search engines to properly index, analyze, access, and crawl our site. This is heavily important for our potential hospital clients to be able to easily access our site and read more about our product. There are hundreds of different tactics a company can use to make their website pop out on top in the google search results. Our company being original in itself will give us an advantage when it comes to this, however we are still using some forms of SEO such as, keyword optimization, title tags, relevant URL’s, in depth content, and image alt text. We are also using tools from Term Target and MozBar to see how targeted our page is for specified keywords and other metrics.

**SOCIAL MEDIA Q&A**

Our product is going to intrigue people through its uniqueness, however there is no doubt it will confuse people. Thus, Internet Q&A’s will provide potential customers and consumers with a gateway to have their questions answered. These will be done through our Twitter account.

**GUEST BLOGGING**

Guest blogging is an ideal form of marketing for our company for a few reasons. If we can build a reputable source of our publishing brands we will create a huge sense prestige for potential customers and consumers. Guest blogging also is an easy way to build link backs to our website which will increase our website traffic and help SEO.
ABOVE-THE-LINE TV ADVERTISEMENTS

Many healthcare companies utilize TV advertising to reach their consumers. While these are a very “vanilla” form of marketing, they are still effective in promoting our product, especially if we can create a compelling and clever message. In 2016 it cost $112,000 on average to run a 30-second television ad during primetime television and with an average viewership of 102 million during a Friday evening, our product will reach a huge market. 102 million people is a huge audience for our product to be strewn in front of, but the most important thing to understand is what percentage of this 102 million actually accounts for our target market. Nielsen Analytics gives us some interesting information regarding the demographics of the average television viewership. People over the age of 25 watch 30% more TV than those under the age of 25. It has also been recorded that if a child is watching TV, there is an 89% chance that someone over the age of 25 will be watching with them. With these statistics we can assume that out of the initial 102 million people watching primetime television, at least 89% of them will be people over the age of 25. This statistic is derived from the facts above and also that 75% of the general population is over the age of 21. 16.8 percent of these adults will be smokers, meaning that out of the 102 million there will be 15,251,040 smokers watching our commercial. Nielsen also recorded that 84% of TV viewers have a second screen device opened up while watching TV and 31% of TV viewers visit a company’s website after seeing an ad. This is crucial to our company because it means a huge percentage of this fifteen million will be going online to peruse our company. Truthfully we believe a much higher percentage than 31% of our 15 million will go onto our websites and social media due to the direct relation of our product to the consumer.

TRUTH CAMPAIGN THROUGH TWITTER

We are teaming up with Truth, a company that focuses on diminishing tobacco use in the
millennial generation of America. Together we are creating the #itsthetruth campaign. The campaign will be launched on Twitter and its goal is to shine a light on the ugly truths of tobacco use. We are asking people to tweet out why they do not smoke cigarettes with the #itsthetruth. This could range from the medical problems that smoking causes all the way to the social stigma many smokers receive. We are very excited about this campaign as this form of marketing has proven to be very successful for other healthcare companies such as ours.

**VII. REVENUE STREAMS**

**WHAT IS THE REVENUE MODEL?**

In order to maximize the number of sales, market share, and revenue, EZpump plans to sell our products through various medical institutions such as rehabilitation centers, physician offices, and pharmacies. **We plan on offering two different models for revenue based on a two-year program consisting of an initial price of $1250 plus a second source of revenue from our bi-weekly nicotine vials which consumers will purchase for $20 every other week.**

The first source of revenue comes from the pumps upfront price of $1250, which includes the pump and the initial nicotine vial, which covers first two weeks of the program. This cost would be the same price for every customer. We understand that this is a relatively large cost for the consumer, however, according to Dr. Hirsch, Worldwide Vice President of Medical Affairs at BD Diabetes Care, most health insurance agencies will be more
than willing to step in and cover at least half of the initial costs of medical-related pumps for users who need them. Additionally, we are going to look to Anti-smoking groups (American Lung Association, American Heart Association, the Framework Convention Alliance, etc.) to request compensation for our efforts to provide tobacco users with a more effective anti-tobacco product.

The second source of revenue consists of the sales of the bi-weekly nicotine vials, which the consumers insert into the pump and provide a decreasing dosage of nicotine designed to eliminate users’ addictions over a two year time period. With this revenue source, customers will have to pay $20 every two weeks over the course of two years, or 52 vials.

**WHAT ARE THE LIFETIME VALUES?**

The customer lifetime value of EZpump are that of which fall into a two year program for every consumer. The product will require no assumptions to be made as there is an incrementally decreasing dosage to gradually ween the user off of the nicotine in two years’ time. Within the two years that the product is in use for the consumer it will provide us with a total of $2290 in revenue. This can be calculated by taking the price of the pump of $1250 that will last the consumer both years and then adding the price of the bi-weekly nicotine, vials. These vials will provide $20 of revenue and if you multiply that by 52 (bi-weekly vials for two years) the total selling price of a two year program EZpump will come to $2290.

On the other side of things, the consumer will actually save money by using this product. A study from Johns Hopkins University shows that an average smoker that smokes two packs a day spends on average $3650 per year. Doing the math by taking the total cost of the two year program at $2290 and subtracting it from $7300, our customers save roughly $5000 in the first two years and then $3650 per year after that, saving a consumer up to $70,000 over their lifetime. This can be estimated by taking the initial $5000 saved in the two years that the program lasts and then assuming the median target market age of 47.5 years old and multiplying that $3650 per year saved on cigarettes until the consumer is 65 years of age (17.5 years *$3650 + initial $5000 = $68,875 saved). This model can also be used to find the savings that a 21 year old, 50 year old,
etc. would have: 21 year old (44 years *$3650+ initial $5000=165,600), 50 year old (15 years *$3650+initial $5000=59,750). These numbers also do not even quantify the various health problems and the costs of nicotine, which could include surgeries, therapy, chemotherapy, and other physical problems such as wrinkles, shortness of breath, and hair loss.

WHAT IS THE REVENUE?
Since we plan to launch EZpump in the Indianapolis region, we need to find the population of Indianapolis smokers; which is 138,000. Then we took the percent of smokers in Indianapolis who have physically reported trying to quit with various methods and this is about 27,600 people. Assuming that we only sell pumps to 15% of Indianapolis smokers trying to quit, which we believe is a conservative number because of the utilization of our high quality sales representative and strategic marketing tactics, we predict that we will have roughly 4150 sales equaling a total first year revenue of $9,503,500.00.

WHAT IS THE GROSS MARGIN?
The gross profit for EZpump is the sales less the cost of goods sold. In this case, sales come from the pumps and nicotine affiliated with the pumps. The cost to manufacture and assemble the pumps and the costs of producing the nicotine make up the cost of goods sold. The raw cost of nicotine will be the cost of the nicotine vial and the cost of liquid nicotine itself. With a selling price of $1250 per pump and a cost of production of $625 the gross margin on the pump alone will total at 50% which is a healthy margin for the first year of operation. We will be selling nicotine vials at $19.99 a piece but due to the nature of production and the physical chemical going into it there will be two costs affiliated making our margin on this product lower than that of the pump. With a cost of $12, $8 from the vial and $4 from the liquid nicotine, the gross margin for
nicotine vials will total at 40%.

VIII. COST STRUCTURE

A. CUSTOMER ACQUISITION COSTS

If EZpump is going to be a successful business, it is important that our company uses market research and proper advertising to focus on what the customers are looking for, as well as find the most effective methods to do so. EZpump is targeting hospitals, pharmacies, physician offices, and rehabilitation centers; therefore it is important that we adopt a business-to-business (B2B) acquisition model. With a B2B model most of the customer acquisition costs occur through personal selling tactics from a team of sales employees. Costs incurred essentially would be payment of employees through salary and commission as well as any other resources that they would need to do their job.

For our first year of operation, we plan to focus our sales efforts solely on the city of Indianapolis because, according to The Daily Beast, “Indianapolis has the fourth largest smoking problem in the nation and there are an estimated 138,000 smokers currently living in Indianapolis and over 27,600 of these smokers have attempted to quit smoking with various methods”. With this number in mind, our goal for the first year of operation is to successfully sell to 15% of Indianapolis smokers who have tried to quit, approximately 4,150 people. In order to do this, we will hire a high-quality salesman who will focus solely on hospitals, pharmacies, physician offices, and rehabilitation centers in Indianapolis by providing a salary of $70,000. Additionally, we will provide our salesman with a commission of $14.82 on every pump that is sold as a result of his efforts to provide an incentive to meet our goal. Assuming that we sell 4,150 pumps, the total compensation for our sales representative would be $131,500.

B. DISTRIBUTION COSTS

Distribution costs consist of the expenses associated with getting the product into the hands of the consumers and customers. For EZpump, these distribution costs would be the costs
associated with distributing the pumps to hospitals, pharmacies, physician offices, and rehab centers, and ensuring that the products are intact and functional when they are delivered to the customer.

Additionally, a major part of the distribution costs of EZpump arise from the storage of the product in the United States. EZpump will most-likely outsource the production of the pumps and cartridges to an undiscovered foreign manufacturer to reduce production costs. Because of this, it is necessary that we establish a location in Indianapolis where we can hold our inventory and then distribute the inventory to the customers. For our first year we estimate that we will need a warehouse that is no larger than 5,000 square feet because our product is relatively small and does not take up a lot of space on the shelves. According to Buildingsguide.com, the average price for building a 5,000 square foot Pre-Engineered Steel I-Beam warehouse is $51,200. Additionally, Austin Tenant Advisors states that warehouse owners must also consider the estimated operating expenses of the property. According to Austin Tenant Advisors, the estimated operating expenses for a 5,000 square foot facility are about $3.00 per square foot per year. So for us to operate a 5,000 square foot facility, it would cost us approximately $15,000 per year. This added to the initial cost to build the warehouse places a first-year cost of $66,200. In order to ensure that distribution processes is effective and efficient, we will hire a warehouse manager who will handle all of the shipping and distribution logistics. According to The Glass Door, the average salary for warehouse managers is $55,327. Since we predict that we will only distribute 4,150 pumps plus the bi-weekly nicotine cartridges across the first year, our warehouse should require no more than 5 workers who will help to physically move packages from the warehouse to the distribution trucks (i.e. UPS, FedEx). The Glass Door states that the average warehouse worker salary is 29,387 working the predicted number of hours for EZpump. Given these numbers, the annual compensation for all Indianapolis warehouse employees is $202,262.

Finally, the last costs that we must consider are the shipping costs from our warehouse to the
hospitals, pharmacies, physician offices, and rehabilitation centers in Indianapolis. For our first year, we can rely on UPS Ground services because we are only shipping our product locally throughout the city of Indianapolis, so there is no need for Air shipping services. Assuming twenty pumps in 12x12x6 inch boxes, UPS quotes the price to be $23.80 per order to ship our pumps from the warehouse to the specific customers. This means that the annual cost to ship all 4,150 pumps throughout Indianapolis will be $4,938.50. Additionally, according to UPS, it will cost us $19.90 to ship 20 orders of 52 corresponding nicotine cartridges to the customers in 12x12x2 inch boxes. This means for 4,150 customers EZpump will incur a cost of another $82,585, bringing the estimated total shipping costs for the first year to $87,523.50.

C. COST OF GOOD SOLD

We predict that the cost to produce one nicotine infusion pump will be about $625.00 (this includes the costs of raw materials, the local factory worker wages, and shipping price from foreign manufacturers to the distribution center in Indianapolis). Additionally, based upon various market research on the price of the pure nicotine chemical and the custom designed cartridges that will hold nicotine, an average strength, 20 mg nicotine cartridge will cost about $8.00 to make. Assuming that users are on a two year program to quit their nicotine addictions, the total production cost per customer will be roughly $1,041. The total cost for the first year, assuming we sell to 4,150 customers would be $4,320,150

D. HUMAN RESOURCE COSTS

The human resource costs for EZpump come primarily from the costs associated with having employees (that are not direct wages or salaries). These costs are primarily payroll taxes and training costs.

Before beginning to reach out to local hospitals, physician offices, rehab centers, and pharmacies, and have our salesman do an effective job, we will need to train him on how to effectively sell to these locations and we will need to teach him how the product works. It is important that our salesman knows how our product benefits the users and why our product is better than any other
anti-tobacco product on the market. According to Forbes, a 2-3 day seminar for sales training is approximately $7,200 in total (all costs included, such as the cost of the program, travel expenses, accommodation, dining, etc).

Additional HR costs would be costs related to taxes needed to be paid on wages. Taxes can be broken down into two main sections, taxes needed to be paid by EZpump and taxes withheld by EZpump.

EZpump is responsible for paying FICA taxes (a total tax rate of 7.65% comprised of 1.45% of wages for Medicare and 6.2% for social security) and unemployment taxes. Being located in Indianapolis, EZpump will need to pay Indiana state and Federal unemployment taxes, which are 2.5% and .6% respectively. In total, combining FICA, SUTA, and FUTA taxes, EZpump will need to pay a total of 10.75% of total wages in payroll taxes. For the first year of operation, EZpump estimates total wages paid of $333,762. This means that for the first year the total taxes paid will be $35,879.42.

As the business expands, these numbers will continue to grow. After the first year, we expect that we will need more salesmen so that we can cover larger sections of the United States as well as more storage for our product, which will require more workers. Additionally, more costs may be associated as we try to market our product to big-name distributors and retailers.

E. ADDITIONAL COSTS

Additional costs that EZpump faces are costs related to researching and developing the product as well as ensuring that we get our certifications and making sure that the pump and cartridges pass FDA regulations. Additionally, we must manage the design of our pumps and listen to customer feedback so that we can alter our pumps and produce ensure that they are the most effective that they can be for the customer.

Another miscellaneous cost is the cost of legal fees for EZpump. Legal firms will be needed to create contracts and partnerships with publishers and employees. Additionally, legal firms will need to be contracted in order to protect any intellectual property or patents that may need to be filed.
We estimate that EZpump will need to contract approximately 100 hours’ worth of legal fees every year. At an average hourly billing rate of $536, according to the American Bar Association, this would total $53,600 in legal expenses yearly.

It is extremely important for EZpump to allocate money and resources for research and development of our product in the labs. According to Investopedia, Pharmaceutical companies spend, on average, about 18% of revenues on research and development. For EZpump, we want to place a strong emphasis on developing our product, especially for the first year, to ensure that we can provide the most effective product for our consumers. We want EZpump to be of the highest quality so that our brand will grow in the years following our startup. As a result, we plan on spending 23% of our revenue on research and development. Although this number is high compared to the industry averages, companies like Biogen and Eli Lilly spent 22 and 23 percent of their sales respectively last year on research and development and this strategy has proven to be very successful for both of these businesses. For EZpump, if we spend 23% of our revenue on research and development this would cost $2.185 million. These costs would be dedicated towards discovering new technology, testing products and processes, designing and testing prototypes, as well as producing pumps and cartridges for clinical trials.

**IX. DETAILED FINANCIALS**

**A. Projected income and expenses**

**PROJECTED INCOME STATEMENTS BY MONTH FOR THE FIRST YEARS’ OPERATION**

In the financial statements below, the months of June and July are designed as pre-revenue months. During these months, our team plans to figure out our final designs and production methods for our products. Additionally, all of our Research and Development will be done during these two months to ensure that our pumps will produce the successful results for our customers. Additionally, we will also focus a majority of our marketing emphasis during these two months so that we can set ourselves up for a successful start-up in the months to follow.
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**Net Income**

181586.91 201917.91 222644.91 247024.91 284960.91 320695.91
PROJECTED THREE YEAR PLAN

Our three year plan for growth relies mostly on our expanding customer base through increased point of sale locations. After the first year we will have profits over $1 million and this will be reinvested into the company to foster additional growth. We plan to start paying out dividends in the fourth year of sales. Below you can view our three-year-plan of sales and growth. Most importantly to note you can see how our cost of goods continues to make up a smaller portion of our total revenue, representing economies of scale in our company.

PLANNED GROWTH INCLUDING FINANCIAL RESOURCES AND NEEDS

Our planned growth relies mostly on expanding our company out from the epicenter. Starting in Indianapolis we will spread to the rest of Indiana and down into Nashville, Tennessee. Nashville, just like Indianapolis, is a conglomerate for smokers having over 640,000 in total.

In our first year we will be targeting just hospitals. It is in this second year we plan start working to get our product into CVS’s. There is a stark difference between putting our product in hospitals versus CVS’s. All CVS’s are a part of one common entity so once we are in one it will be easy to get our product into more and more as long as we have a quantity of product able to fill the shelves. Hospitals on the other hand are all separate from each other so we must individually sell to each one. This will require higher commissions to be paid to our sales team as well as more brute work for the employees i.e. travel. We plan to be in 10 hospitals by the end of our first year. The second year of sales we will expand into the Nashville area and have our product in 15 hospitals in this area as well as 20 rehabilitation centers.

Seeing as we are profitable in our first year the only financial resourcing we will require is the initial $8 million to cover startup costs. This will include creating our company’s infrastructure, promotional plans, and dealing with distribution and production costs.
B. Proposed plan to meet capital needs

Personal and Internal Sources

We are personally investing $750k each into this business to help our investors and the bank trust our commitment to the company. This total $2.25M will represent 28.1% of our total startup capital needed.

Equity

In order to have a productive startup year we do not want to be overwhelmed with debt from a massive loan from the bank. In order to do this we hope to seek investment from a venture capitalist or angel investor. We will be asking for a $2.25 million investment for a 15% stake in our company. We will still be the majority shareholders for our company helping us maintain total control of the company.

Short Term and Long Term Borrowing

The last 3.5 million that we require for our startup will be financed by a bank loan. This is largely in part to help maintain majority ownership of the company. We initially figured to have no bank loans in order avoid any debt but after recognizing our profits after the first and second years we see it more appropriate to take a bank loan instead of handing out huge chunks of our company’s ownership. This bank loan will be payed back in five years with yearly payments of seven-hundred-thousand dollars.

Repayment Plans

Our repayment plans consist of dividends and monthly interest payments on our banks loans. Neither of which will pose any risk to the success or growth of our company.
X. KEY METRICS

Businesses use a variety of metrics in order to track growth and progress. This is done to maintain healthy growth and stability of a company and to allow problems in the company’s development to be easily recognized and resolved.

Some of the key metrics that EZpump will use to track growth are the number of new customers who buy a pump each month after our first year of operation, the overall success rates of the pumps, and customer acquisition costs.

To analyze the growth of our company, it is important for us to track the number of pumps that we sell each month to new customers. It would be ideal for our company to see a constant growth in the number of pumps that we sell because this ensures that more people are hearing about our product. Additionally, this will help us to spread our product to other parts of the country besides Indianapolis. Our plan for expansion after the first year includes expanding operations to the greater Indiana area, as well as, expanding southward into Nashville and the surrounding area due to the prominent local tobacco use.

Secondly, we want to ensure that our customers are satisfied with our products. The entire goal of producing our pumps is to provide smokers who are trying to quit with a more effective anti-tobacco alternative. Because of this, it is important that we follow up with our customers and ask them about their satisfaction with our product, so that we can make necessary changes to improve the pump. Additionally, it is essential that we track the success rates of our pump so that we can market to future customers about how effective our product actually is. We hope to have at least 85% success rates after the user completes the two-year program. We also hope to have customer satisfaction rates of at least 95%.

The third key metric is customer acquisition costs. Tracking customer acquisition costs helps EZpump know if we are being efficient in our customer acquisition methods such as using personal selling through our sales representatives. If our customer acquisition costs increase drastically, we
can analyze how our customer acquisition techniques may be ineffective and take steps to mediate them in order to more effectively acquire customers.

**XI. COMPETITIVE ADVANTAGE**

In 1985 Michael Porter described a strategy to increase competitiveness in a company. At the heart of this theory was an idea he called differentiation. We have seen success in companies such as Nike, Apple Computers, HUL, and Mercedes-Benz Cars that have created their businesses solely on this principle of differentiation. Our company is focused heavily on these ideals which we believe are applicable for a variety of reasons.

**TARGET CUSTOMERS ARE NOT PRICE-SENSITIVE**

Our product is going to cost people $2290 over a 2-year span. People might think this is an unreasonable amount of money for an average person to pay, but we would be the first to argue against this point. First, we have already created an ICD-10 code which will allow our customers, who acquire our product through hospitals, so they do not personally have to incur the entire price. The ICD-10 code is what links our company, to the hospital, to the insurance companies. Our specific ICD-10 code is formatted so that 100% of our hospital based customers will receive compensation from insurance companies to help pay for the pump and even says that no patient will be required to pay for more than 30% of the initial price. This is all because insurance companies would much rather pay $2,290 up front for someone to quit smoking rather than pay the average $30,000 per month that cancer treatment will cost for a smoker with lung cancer.

What about the people that purchase our product through retailers or our website without the financial assistance of insurance companies? Nicorette gum costs people $60 for 170 pieces which will last someone who smokes 1-3 packs of cigarettes about six weeks. Each year they will be paying $520 which will equal out to $1,040 over two years. So you are saving $1,250 by chewing the gum and not using our pump. However, Nicorette gum has a success rate of only 30%, compared to our products 95% success rate. So it is highly unlikely it will take only two years for a smoker to quit smoking through the use of Nicorette gum. A more accurate timeline would be somewhere around
six years making the average cost $3,120 for someone who is chewing Nicorette gum. Additionally we believe that a smoker who realizes the financial, physical, and mental impacts that smoking causes will be willing to pay anything for a guaranteed method quit smoking. This is why we are so confident in our pricing strategy and the willingness of customers to purchase our product.

**TARGET CUSTOMERS NEEDS ARE UNDERSERVED**

There are companies currently in our industry that we will be competing with. However, the industry’s market is not adequately supplied with a quality and dependable product such as ours. Overall, Nicotine Replacement Therapy’s initial success rate was less than 23%, and only 15% after one year. This means that 77% of the market that is attempting to quit smoking is open for us to penetrate. Furthermore this number does not even include the people that continue to smoke because they believe there is no effective quitting method. Through extensive research and development we have finely tuned our product to be the most effective in its nature. Through the point of contact, regulated doses, gradually declining nicotine content, and content of the nicotine solution, our research has shown a 95% success rate for our product. Whether it is the power of big tobacco or the simple carelessness of companies, we are baffled by the ineffectiveness of all current products in the market. Our product is the first of its kind as well as the first of its effectiveness and will penetrate the current market and drive sales due to our company’s ethic responsibility and virtuous nature.

**UNIQUE RESOURCES AND CAPABILITIES**

Finally, to successfully employ differentiation our company must possess unique and valuable resources to help us along our product life cycle. Our product is dramatically different than any others currently offered in the market and it is imperative that we have a strong portfolio of resources to help us overcome the obvious drawbacks of such an innovative product i.e. inability to relate to product, fear of change, defined habits in consumers. Therefore we have identified different resources, capabilities, and factors that will enable our company to bridge this gap.
between our product and the consumer and grant us advantage to our competitors in the current market.

Scott Roethe is the former CEO of healthcare at IBM and has joined our company as a head board member. With over thirty-five years of experience working for one of the largest healthcare companies in the world, Mr. Roethe will provide an unmatched level of experience in the market. Compared to some of our main competitors, we are surely more equipped for this market with Mr. Roethe leading us in the ever changing industry of healthcare. Hopefully we can take advantage of this management shift and use Mr. Roethe’s distinguished experience in the industry to drive sales towards our company.

“If CEO’s want innovation, then CIO’s ought to want patents." This was said by a chief senior editor Kim S. Nash for CIO magazine, it exemplifies the importance that patents play in maintaining innovativeness in a company. Our company, being on the brink of innovative superiority, is heavily dependent on the unique and unparalleled innovation our products withhold. This is why we have created an extensive patent portfolio to keep our ideas internally stored in our company and create barriers of entry for other companies that will attempt to enter our market. You can view these patents in page 3 of the appendix.

**XII. CONCLUSION**

To properly get our company up on its feet before its first pre-revenue fiscal year we will need $8 million of startup capital. This $8 million will be broken down into three separate chunks, $3.5 million bank loan, $2.25 million of personal investment, and a $2.25 million investment for a 15% stake in the company.

Our initial personal investment of $750k each is to help our investors feel confident in our dedication to the company. It will be raised directly from the three owners, JJ Bogner, Grant Oehler, and Will Carlson. This $750k will also act as collateral to seal our loan with the bank. Secondly, we are asking for a $2.25 million loan for a 15% stake in our company which puts us at a post money valuation of $15 million. Considering our first, second, and third year profits, the
industry we are in, and our decreasing cost-of-sales, we believe this number is far from generous. It is in the fourth year that we plan to start paying back dividends to our investors to help them feel comfortable in the security of their investment. Finally, our third source of financing will be brought upon by a bank loan. Using our $4.5 million from personal finances and investments as collateral, it should be anything but difficult to secure a bank loan. This bank loan will be extremely beneficial to our company because it will require no further loss of ownership, only hurting the company in terms of expenses. However, considering our vast profits we will have no problem paying it off less than six years and also dealing with the interest expenses we will incur during these years. While $8 million might seem like a gamble to some investors, it is important to understand the nature of the healthcare industries. Pfizer just spent $13 million on research in one year attempting to create a drug that would fight Cancer cells, they had no success. Heritage Group, a venture capital growth equity firm, just closed its second fund with around $220 million in investments to three separate healthcare companies. It is going to cost a heap of money to get our company up and running that we are sure of. But we are even more confident in the return on investment that our company will provide to its investors. Simply looking at our first year projections, a year in which we plan to incur the most expense for the foreseeable future, you can see we are still generating a profit for the company. Once this initial $8 million is raised to deal with first year expenses such as research, manufacturing, production, distribution, and promotion, our company will thrive in the industry and give our investors a return that will make them question why they were ever on the fence deciding to invest in our company.

XIII. BIBLIOGRAPHY


XIV. APPENDIX

APPENDIX A: PATENT OF THE EZPUMP

Figure 1: Orthographic Patent of EZpump

Figure 2: Published Patent Form