

# Concer**th**ands



*The Future of Piano Learning*

## Business Plan

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## **1. Executive Summary**

NAMM (National Association of Music Merchants) an International Music Products Association has identified a crisis in the piano industry. The traditional methods of learning to play the piano have been intimidating and discouraging for millions of people. Therefore it shouldn't be a surprise that only a small portion of the population in the United States play this musical instrument. Only recently and mostly in our western culture, music making has been relegated to include only those "with talent". According to research gathered as part of NAMM's "Wanna Play" campaign, 85% of those who don't play a musical instrument wish that they did. Through this campaign NAMM has generated more than 300 million media impressions for the cause and has enlisted the help of more than 85 celebrities. Yet too many people still sit on the sidelines, feeling unfulfilled and intimidated by an infrastructure that has kept them at bay. That is....until now.

On August 18, 2009 Rubato Productions, Inc., a Florida Corporation, released a music learning product like no other in the world, the Concert Hands System (CHS). Concert Hands™ is the first product to utilize robotics and haptic technology to teach piano playing in a new and non-traditional way, by physically moving the student's wrists and cueing the fingers.

The future of piano learning is here. With Concert Hands, man and machine are seamlessly joined to permit anyone, regardless of musical talent or experience, to play beautiful music in a matter of hours. Muscle memory is developed from the finger sleeve cues and wrist pilot movements, training students to play songs in a very short period of time. Within minutes a person can begin to playing songs that typically would have taken months or even years to learn.

A comparison could be made with the very popular "Guitar Hero" or "Rock Band" video games, which by its \$1.4 Billion in sales in 2008, demonstrated that people have an innate desire to play musical instruments when the learning is rapid and fun. This is the theory that the Concert Hands System has been based and developed on. Students learn to play a keyboard/piano quickly while having fun.

Since its initial announcement, CHS has been featured by hundreds of news organizations around the world. Its developers, Gus Caicedo and Rob McGregor, have been interviewed on radio and television shows and have been invited to demonstrate the Concert Hands System throughout the world.

Rubato Productions has full patent and trademark protection for the Concert Hands system. The current working models have been richly praised by both novice and experienced musicians. The Concert Hands System will not only be marketed to the \$1.38 Billion annual piano/organ/keyboard market, but it is also well suited to capture a portion of the 85% of the population that the 'Wanna Play' movement is aiming at; the ones who previously thought it would be too difficult to play a keyboard instrument.

Rubato Productions is currently seeking to raise \$5,000,000 in Equity Capital to launch a production version of the current prototype CHS. In addition, a nationwide advertising campaign will solidify the brand recognition of this revolutionary musical product, and scale up production to manufacture a starting inventory. As costs are reduced, with increased number of units produced and sold, Rubato Productions expects to be generating annual revenues of over \$15 million by 2013.

## **2. The Market**

The success of products like “Guitar Hero” and “Rock Band”, clearly show that even in tight economic times, people are willing to spend Billions of dollars on musical entertainment. It might even be etched into our DNA, since almost every race of people on earth create some form of music; sometimes for rituals but very often just for entertainment.

The piano has been a favorite instrument of musicians since Bartolomeo Cristofori modified the harpsichord in the early 1700’s. Since then there have been many adaptations of the instrument; from grand pipe organs in churches to the modern electric digital keyboards. The one similarity constant with all these instruments is that it does take a certain degree of practice, diligence and a considerable amount of time to become proficient with these musical devices. The Concert Hands System; with it’s robotic/haptic technology, is the first to shorten this learning curve and help more people achieve the enjoyment and satisfaction of creating music on a piano/keyboard.

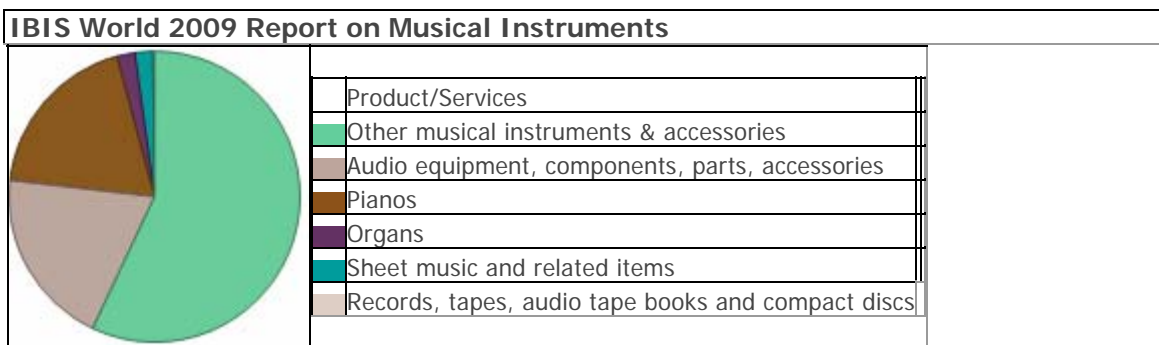
Playing music is scientifically proven to benefit people of all ages.

- Playing a musical instrument can reverse stress at the molecular level, according to studies conducted by Loma Linda University School of Medicine and Applied Biosystems (as published in Medical Science Monitor)
- Making music can help reduce job burnout and improve your mood, according to a study exposing 112 long-term care workers who took six recreational music-making sessions of group drumming and keyboard accompaniment. (As published in Advances in Mind-Body Medicine).
- Playing music increases human growth hormone (HGH production among active older Americans. A study following 130 people over two 10-week periods measured participants' levels of HGH. The findings revealed that the test group who took group keyboard lessons showed significantly higher levels of HGH than the control group people who did not make music. (University of Miami).
- Whether you're 5 or 95, you can benefit mentally, physically and socially from playing a musical instrument.
- Children and Teens -- Playing music positively affects the development of children's cognitive skills. It builds confidence, self-discipline and inspires creativity. Also playing music can increase productivity and help kids and teens connect socially with their peers.
- Adults and Seniors -- Playing music exercises the brain and helps fight memory loss. It helps reduce stress and lower blood pressure. And it can stave off depression and loneliness.

## 2. Target Market

The piano, a very popular instrument has approximately 62,500 units sold, in the USA, in 2007. This is down a little from the best piano sales years which, according to National Piano Manufacturers Association were in the late 1970's. This may be due to the popularity of other instruments like the electric guitar. Pianos however are usually a cherished part of a family's possessions and they are often passed down from one generation to the next.

IBIS world published a report for 2009 that stated the U.S. musical instruments and accessories industry generated \$6.35 Billion in revenue, with piano and organ sales accounting for about 18% of that revenue.



The Concert Hands System has been designed to capture a substantial portion of the Billion dollar piano/keyboard industry. It is not only a great tool for beginning musicians; it can also be appreciated by accomplished players who want to advance their skills. Piano instructors are enthusiastic about the potential increases in their business that Concert Hands can create. As students learn faster with this Haptic technology System, fewer pupils will be dropping out of their lessons do to frustration or time constraints.

Today's high integration of technology in musical instruments, computer hardware and software sets the stage for development in the area of haptic technology. The trend in learning to play music in the past twenty years, has involved the use of MIDI (Musical Instrument Digital Interface) software programs. People continue to demand more advanced technologies that deliver results that are easy to understand and are accomplished in the shortest period of time.

Programs such as Garageband, Cakewalk, Pro tools and Sebilus are just a few of the midi/audio software programs on the market. These programs are designed to give faster results and simplify the process of reading, writing, arranging, mixing and just about anything else you can do with music. All of this can be accomplished with very little knowledge of music. People love the empowerment of being able to change, mix, match and create their own musical masterpieces.

Ultimately it amounts to computer keyboard button pushing and mouse clicks. It still lacks the ability to physically move your hands and fingers to play a musical instrument. This is where Rubato Productions comes in to fill that one gap that remains. This haptic product will allow players to experience the reward of playing the music that they have made all those changes to. The possibilities when combining Rubato Productions products with other hardware products and software music programs is only limited by your imagination.

Yearly sales totals for keyboard musical instruments in 2008, as reported by The Music Trades: combining Grand Pianos, Vertical Pianos, Digital Pianos, Portable Keyboards, Electronic Pianos/Professional Organs, Keyboard Synthesizers, Controller Keyboards, Home Organs, Institutional (Church Organs) at \$1,382,882,000.

## **2. B0Competitive Advantages**

There is currently no technology or products that compete with the Concert Hands Haptic Technology. The system can be used in conjunction with traditional keyboard lessons to accelerate a player's ability to learn and perform on the piano.

A gallop poll was conducted for NAMM (National Association of Music Merchants), an international organization of music merchants whose members represent 800 music retail and manufacturing companies from 100+ countries.

The study showed that playing musical instruments:

- Helps a child develop creativity
- Helps develop teamwork skills
- Increases a child's intellectual development
- Relieves stress and causes relaxation
- Helps students to be innovative when they enter the workforce
- Nearly all (96 percent) of respondents in the survey believe musical skills can be learned at any age
- Most (87 percent) agree that music is a very important part of their life
- Eighty-five percent who do not play a musical instrument say they wish they had learned to play
- Seven in 10 (69 percent) report they would like to learn to play a musical instrument

“Everywhere you look, you see how the pastime of playing music is continuing to gain in popularity with people of all ages, as evidenced by our recent Gallup poll,” said Joe Lamond, president and CEO, NAMM. “More people are realizing the fun and many proven benefits of playing music and are taking that next step without worry that they might not be good or talented enough to enjoy playing.”

The only products on the market that help simplify the learning process for playing the piano are: keyboards with lighted keys and music software that has graphical keyboards, verbal and written instructions. While this is very informative; it does not move your

hands to the correct area of the keyboard and signal your fingers when to press the piano keys to play a song. This can only be achieved with the Concert Hands System.

## **2. C0Marketing Strategy**

Rubato Productions will initially focus on the bigger, recreational music market. During the January 2010 NAMM (National Association of Music Merchants) show in Anaheim California the Rubato Productions management team was invited to a private meeting with NAMM board members. The NAMM, "Wanna Play" campaign created a movement known as RMM (Recreational Music Making) specifically targeting the 85% of Americans that do not play a musical instrument but wished they did. This 85% of Americans believe they do not have the talent or time to play a musical instrument. CHS was specifically created to address all of NAMM's, Wanna Play and RMM concerns and goals

CHS has the potential to shift emphasis from market share to market creation, increasing current market size and creating expanded profit opportunities

Several NAMM members have pledged their channels to distribute CHS. These 800-plus distribution channels throughout the world currently sell everything from pianos, music, software and all types of traditional teaching aides for the music industry. CHS has the capability of integrating and augmenting all these product lines.

Management is also currently talking to television executives about a television show similar to American Idol. Using the Concert Hands, representatives would travel across the country creating and developing all types of piano playing competitions. The possibilities are endless when you have 85% of Americans that do not play a musical instrument and the Concert Hands that can teach anyone to play regardless of talent or experience.

### **1) Phase I Research & Analysis**

#### **A. Analyze the industry**

The international music industry is a vibrant growing market valued at over \$20 Billion. The keyboard instrument industry is a major part of that market and Concert Hands has virtually no current competition.

#### **B. Clearly define target markets**

The company will initially continue its association with NAMM to ensure smooth assimilation of their products into the music world. The target customer will be beginning students.

#### **C. Survey customers directly**

The recent Gallup poll, done by NAMM defines a clear customer base for Concert Hands. The company's management has also staged numerous Concert Hands demonstrations for private organizations and at music stores.

#### **D. Identify area of competitive advantage**

The introduction of MIDI (Musical Instrument Digital Interface) and other computer products, into the musical instrument market has paved the way for the rapid acceptance

of Concert Hands. The company also has 2 US Patents to protect its haptic and robotic technology.

## 2) Phase II Development

### A. Identify the timeline to market

The company is currently raising capital to launch an aggressive production version of the current prototype CHS. As the product becomes better recognized, the increase in unit sales will allow for faster, less expensive production of the product.

### B. Evaluate any innovative changes in the field

It is important for the company to aggressively launch its initial products in order to establish a brand name and to attract corporate partners from the music industry.

### C. Define a Strategic Plan of Action

The company will initially introduce its products in association with NAMM and through the web. They have already put testimony/demonstration videos on social networking sites like YouTube and the corporate website [www.concerthands.com](http://www.concerthands.com).

## 3) Phase III Implementation

- A. **Location** - The company offices are located in Southern Florida with all current engineering development work being conducted in California. Scaled-up production of the product may be moved offshore or south of the border to reduce costs.
- B. **Public Education** - TV, print ads and internet promotion will all be utilized in a synergistic fashion. The company is also looking to utilize state of the art video technology for enhanced graphical teaching. (Dartfish, etc.)
- C. **Distributors** - Rubato Productions has already established a working relationship with NAMM and expects to utilize the worldwide 800 plus pledged distribution sources. It has also established a relationship with one of the largest music copyright companies. This company has over 700,000 songs in their musical library. It will also seek to attract corporate partners in the musical instrument field.
- D. **Direct Sales Force** - A well trained and educated direct sales force will go to Music stores, schools and 'Big Box' stores such COSTCO.
- E. **Tradeshows** - The company will attend an aggressive list of Music Industry and Robotic tradeshows. These events will be key in creating brand recognition.

## Marketing Mix

- **Product** - The system comes with its own adjustable stand and is made to fit any type of piano/keyboard. The software that controls the system will run on all types of personal computers and Apple products.
- **Price** - Initially the production costs will be around \$500. The company's international contacts with suppliers and manufacturers will produce substantial price reductions as sales volumes increase.

- **Place** - Sales will be focused in the USA but there is already considerable interest overseas. Japanese TV and Spanish TV have already conducted a piece on CHS.
- **Promotion** - The company will sell direct to the public and also through distributors. Co-branding with large corporate partners like Steinway, Kawai, Yamaha and Hal-Leonard is being pursued. Internet availability and heavy tradeshow visibility is expected to produce a strong market presence.

### **3. SWOT Analysis**

#### **Strengths**

Rubato Productions has market strengths in the following areas:

- Rubato Productions is the first to develop this brand new market.
- The musical instrument market, which defines our market, is well established.
- Haptic piano technology represents a new industry by itself and the road has been paved for this technology with the tremendous success of products like “Guitar Hero” / “Rock Band”.
- Music software and hardware products on the market enhance our products with even more creative possibilities.

#### **Weakness**

- Lack of product awareness because of newness to the market.
- Limited resources to advertise products nationally and internationally.
- Limited resources to produce entire line of products.

#### **Opportunities**

- Being the first company to bring this product to the market.
- Developing a new market of customers that have never purchased a musical instrument
- Developing a market of customers that are existing musicians on one instrument and now are taking up an additional instrument.
- Creating a new market trend.
- Expanding the current market to customers with piano/keyboards that are looking for a fun and exciting reason to dust-off those instruments.

#### **Threats**

- Other companies may create similar products that will eventually compete with Concert Hands.
- A slump in the economy that could have a negative effect on people buying our products.
- Insufficient funds could slow the advertising and branding campaigns.

#### 4. Products and Services

### Concerthands



### *The Future of Piano Learning*

The **Concert Hands System** is a device that moves a player's hands and fingers along a track to the black and white keys of a piano or electronic keyboard. Finger sleeves then cue the fingers when to press each piano key at the proper time. The system can be run with any laptop or personal computer. The software allows for tempo or looping adjustments. This feature gives the student the ability to learn at slower tempos and focusing on smaller sections of a song at a time. Muscle memory is developed from the finger sleeve cues and wrist pilot movements, training students to play songs in a very short period of time. Within minutes a person can begin to playing songs that typically would have taken months or even years to learn.

The product will also be supported by an extensive library of songs. Some songs will come with the initial purchase of the CHS while others can be purchased by downloading from the internet.



CHS will accommodate any type or size of piano/keyboard instrument.

Marketing will be directed at the recreational music making market, acoustic piano and electronic keyboard industries. Initial sales goals will be achieved with direct and distributed national sales of the Concert Hands System. Additional sales will come from the extensive library of songs from our relationship with the music copyrights companies.

The company does foresee additional uses for the unique Haptic and Robotic technology. There is for example the possibility of using the system as a form of Physical Therapy for people who are recovering from an injury or a stroke. We have received inquiries into these possibilities from Japan and U.S. medical organizations. These avenues will be explored more fully as the product begins to gain traction in the market.

## **5. The Management**

### **Gus Caicedo – President/CEO**

Mr. Caicedo has over twenty years experience in the product development industry. His experience encompasses planning, finance and strategy development for new operations, innovative concepts and products in fields from the toy industry to medical industries. He has taken several products to market from concept to production using domestic and overseas manufacturing. Gus Caicedo Jr., BSME, international speaker, award-winning entrepreneur and inventor.

As CEO of Info-Tek Associates Inc., a Product Development Organization in Irvine, CA, he has researched, developed and produced products for the Medical, Automotive, Aerospace, Bio-Tech, Marine, Electronics, Consumer and Toy industry. Mr. Caicedo received his Bachelors of Engineering degree from California State University, Long Beach.

### **Rob McGregor – Co-Founder**

Mr. McGregor has over twenty years of experience in the music and entertainment industry, owning and operating several dance studios and health clubs. His experience also encompasses patent and trademark development, business operations, product management, finance and strategy development, new and innovative product concepts.

As a professional ballroom dancer, Rob has choreographed Formation & Exhibition Routines and Production Numbers for National and International Dance Competitions, Performing Arts Centers, Television Shows and Commercials. He was a featured dancer using Motion Capture Technology in the 2004 Motion Picture “The Last Dance” in 2004.

### **Jon Rose - Music Composer Hollywood, FL**

Jon's hallmark is his versatility in performance, style, and production capabilities. By playing solo piano jobs for many years, he has amassed a wealth of standard songs and show tunes in his vast repertoire. He also has performed in and assisted with several musical theater productions such as Rags, Hairspray and Chicago. Jon's credentials span from being a solid pit orchestra musician to writing arrangements for major shows. He also is a highly sought-after accompanist. Jon has played with many acclaimed recording artists such as Jon Secada, Tony Sandler, and Christian Castro in shows that have varied in size from intimate gatherings to major performance arenas. Jon has a Masters degree in Music from the University of Miami, FL.

## **6. Mission Statement**

The mission of Rubato Productions Inc. is to design, develop, and market patented piano haptic technology. This technology will create a brand new industry and method for learning to play the piano and or electronic keyboard. Piano Haptic technology will enable people with no talent or previous experience to play literally any type of music.

## **7. Corporate Structure**

Rubato Productions, Inc. is incorporated under the laws of the State of Florida. The company's main offices are currently at 6057 Southern Road South, West Palm Beach, Florida, 33415. The phone number is 561-807-0314.

Rob McGregor and Gus Caicedo are the sole equal shareholders in the company at this time.

## **8. Current Situation**

Rubato Productions has produced several working models of the Concert Hands system.

The system is protected by two US Utility Patents:

Concert Hands Patents

6,982,375      Musical teaching device and method

7,378,585      Musical teaching device and method using gloves and a virtual keyboard

Concert Hands is also protected as a Trademark.

Registration Number: 2632867

Rubato Productions is currently seeking to raise \$5,000,000 in Equity Capital to launch a production version of the current prototype CHS. In addition, a nationwide advertising campaign will solidify the brand recognition of this revolutionary musical product, and scale up production to manufacture a starting inventory. The company founders have already invested \$1.5 million in the development of the software, hardware, firmware and robotic portions of the device.

## **Founders' Invested Capital**

|  |             |                    |
|--|-------------|--------------------|
| Software Development   | 28.5%       | \$427,500          |
| Hardware Development   | 18.0%       | \$270,000          |
| Firmware Development   | 11.0%       | \$165,000          |
| Mechanical Engineering / Design  | 15.0%       | \$225,000          |
| Manufacturing  | 10.0%       | \$150,000          |
| Consultants (Engineering, Design, Composers, Music Teachers, Business Planning | 8.0%        | \$120,000          |
| Marketing  | 5.0%        | \$75,000           |
| Travel/Lodging   | 3.0%        | \$45,000           |
| Advertising  | 1.5%        | \$22,500           |
| <b>Total</b>   | <b>100%</b> | <b>\$1,500,000</b> |

The company's management is confident that with this additional capital, Concert Hands will revolutionize the piano/keyboard industry while creating a new era of musical appreciation. As costs are reduced, with an increase in the number of units produced and sold, Rubato Productions expects to be generating annual revenues of over \$15 million by 2013.

## 9. Financial Considerations

The following cost and sales projections are based on the Pro Forma assumption that the company will be successful in raising the \$5 million dollars it needs to market and produce its products.

### 9. A0Start- Up Costs

A 1,000 unit Production run will start just prior to the execution of a full commercial campaign. The cost base of the finished product is estimated to be \$500 per unit. Each will whole sale at \$650 and have a retail price of \$800.

There is a wide range of cost involved with the launch of the TV Commercials. Initially the company is projecting a cost of about \$40,000 per month for print and web ads and \$160,000 monthly for TV time. At certain times of the year, some areas of the country may require season adjustments to the running of these Ads.

### Pro Forma Start-Up Costs

|                            |  |                    |
|----------------------------|--|--------------------|
| <b>Marketing</b>           | 10 City Market Test                    | \$60,000           |
|                            | Two 60 Second Video Production         | \$80,000           |
|                            | Call Center for Beta Test              | \$5,000            |
|                            |  |                    |
| <b>Scale-Up Production</b> | Engineering, Design, Music Consultants | \$250,000          |
|                            | Software Development                   | \$400,000          |
|                            | Hardware Development                   | \$400,000          |
|                            | Tooling/Machining set-up               | \$350,000          |
|                            | Mechanical Engineering                 | \$350,000          |
|                            | Inventory 1000 Units                   | \$500,000          |
| <b>G&amp;A</b>             | Computers                              | \$5,000            |
|                            | E-commerce website                     | \$3,000            |
|                            | Fixtures                               | \$5,000            |
|                            | Lease                                  | \$3,000            |
|                            | Legal                                  | \$25,000           |
|                            | Office Supplies                        | \$2,500            |
|                            | Permits                                | \$1,000            |
| <b>Total</b>               |  | <b>\$2,439,500</b> |

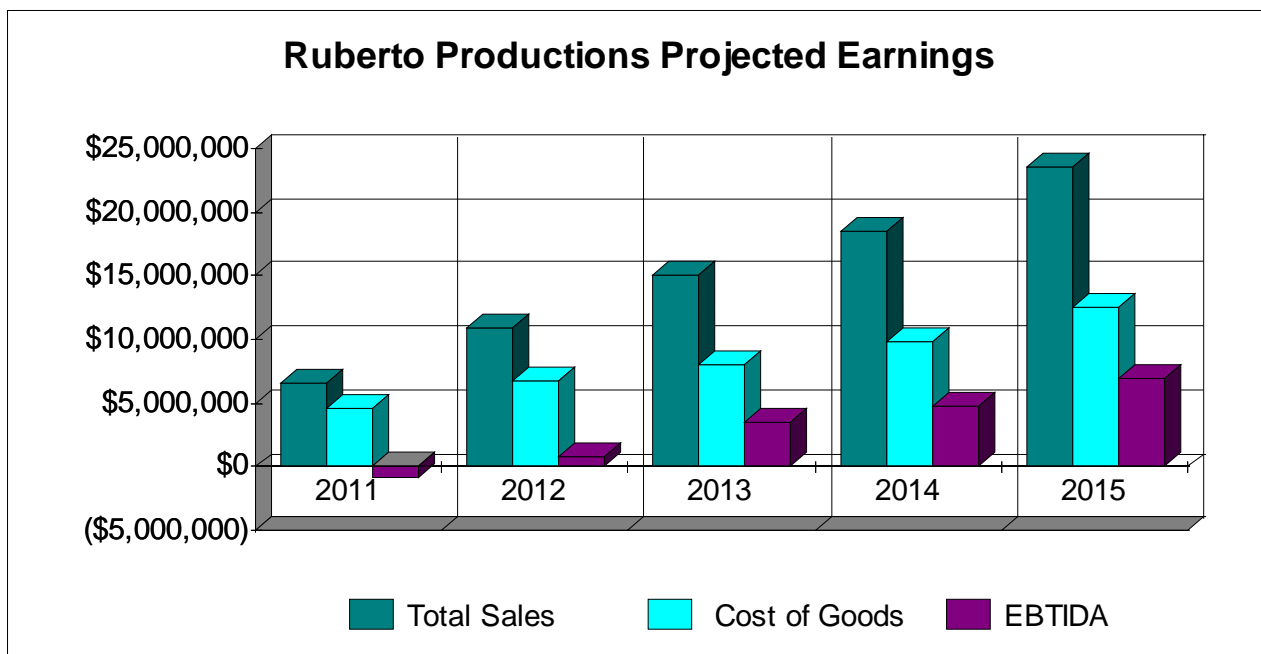
## 9. B0General Assumptions

1. In year 1 the units will cost \$500 to manufacture; they will retail for \$800 and whole sale for \$650
2. Approximately 40% of the sales will be retail, direct to the public
3. In year 2 cost to manufacture will drop to \$400; the retail price will be \$700 and the price to distributors will be \$600
4. In year 3 and thereafter the cost to produce the product will be \$300; the retail price will drop to \$650 and the whole sale price will go to \$500
5. Bulk shipping will cost about \$5.00 per unit
6. Credit Card fees will be 3% of the retail price
7. \$5,000,000 in Equity Capital will be used to cover Start-Up Production, initial inventory and advertising programs

## 9. C0Financial Summary

### Pro Forma Projected Sales Revenue

|                          | <u>2011</u>        | <u>2012</u>        | <u>2013</u>        | <u>2014</u>        | <u>2015</u>         |
|--------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Units Sold               | 9200               | 17000              | 27000              | 33000              | 42000               |
| Gross Sales              | \$6,532,000        | \$10,880,000       | \$15,120,000       | \$18,480,000       | \$23,520,000        |
| <u>Cost of Goods</u>     | <u>\$4,600,000</u> | <u>\$6,800,000</u> | <u>\$8,100,000</u> | <u>\$9,900,000</u> | <u>\$12,600,000</u> |
| <b>Gross Profit</b>      | <b>\$1,932,000</b> | <b>\$4,080,000</b> | <b>\$7,020,000</b> | <b>\$8,580,000</b> | <b>\$10,920,000</b> |
| Gross Margin %           | 30%                | 38%                | 46%                | 46%                | 46%                 |
| Total Operating Expenses | <b>\$2,803,090</b> | <b>\$3,253,100</b> | <b>\$3,530,300</b> | <b>\$3,738,200</b> | <b>\$3,935,000</b>  |
| <b>EBITDA</b>            | <b>(\$871,090)</b> | <b>\$826,900</b>   | <b>\$3,489,700</b> | <b>\$4,841,800</b> | <b>\$6,985,000</b>  |
| Net Profit/Sales %       | -13%               | 8%                 | 23%                | 26%                | 30%                 |



## 10. Financial Projections

### 10. Pro Forma Profit & Loss

|                                    | <u>2011</u>        | <u>2012</u>        | <u>2013</u>        | <u>2014</u>         | <u>2015</u>         |
|------------------------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| Paid in Capital                    | \$2,560,500        |                    |                    |                     |                     |
| Cash                               |                    | \$1,689,410        | \$2,987,010        | \$6,476,710         | \$11,318,510        |
| Units Sold                         | 9200               | 17000              | 27000              | 33000               | 42000               |
| Gross Sales or receipts            | \$6,532,000        | \$10,880,000       | \$15,120,000       | \$18,480,000        | \$23,520,000        |
| <u>Less: Cost of goods sold</u>    | <u>\$4,600,000</u> | <u>\$6,800,000</u> | <u>\$8,100,000</u> | <u>\$9,900,000</u>  | <u>\$12,600,000</u> |
| <b>Gross Profit</b>                | <b>\$1,932,000</b> | <b>\$4,080,000</b> | <b>\$7,020,000</b> | <b>\$8,580,000</b>  | <b>\$10,920,000</b> |
| <b>Less Expenses:</b>              | \$0                |                    |                    |                     |                     |
| Accounting/Legal                   | \$1,800            | \$3,350            | \$6,000            | \$6,000             | \$7,000             |
| Advertising                        | \$2,100,000        | \$2,400,000        | \$2,400,000        | \$2,400,000         | \$2,400,000         |
| Consultants                        | \$240,000          | \$180,000          | \$250,000          | \$300,000           | \$300,000           |
| Insurance                          | \$2,400            | \$3,750            | \$4,500            | \$4,500             | \$5,500             |
| Rents                              | \$18,000           | \$26,000           | \$30,000           | \$35,000            | \$40,000            |
| R&D                                | \$180,000          | \$120,000          | \$150,000          | \$180,000           | \$180,000           |
| Shipping & Storage                 | \$46,000           | \$85,000           | \$135,000          | \$165,000           | \$210,000           |
| Salaries/Wages                     | \$78,000           | \$197,500          | \$250,000          | \$290,000           | \$350,000           |
| Payroll Taxes                      | \$10,920           | \$27,650           | \$35,000           | \$40,600            | \$49,000            |
| Travel & Meals                     | \$29,000           | \$36,000           | \$45,000           | \$45,000            | \$50,000            |
| Office Supplies                    | \$2,400            | \$2,400            | \$3,200            | \$3,500             | \$3,800             |
| Credit Card Processing             | \$88,320           | \$163,200          | \$210,600          | \$257,400           | \$327,600           |
| Telephone                          | \$2,050            | \$2,950            | \$3,500            | \$3,500             | \$3,800             |
| Utilities                          | \$1,800            | \$2,350            | \$4,000            | \$4,200             | \$4,500             |
| Website                            | \$2,400            | \$2,950            | \$3,500            | \$3,500             | \$3,800             |
| <b>Total Operating Expenses</b>    | <b>\$2,803,090</b> | <b>\$3,253,100</b> | <b>\$3,530,300</b> | <b>\$3,738,200</b>  | <b>\$3,935,000</b>  |
| EBITDA                             | (\$871,090)        | \$826,900          | \$3,489,700        | \$4,841,800         | \$6,985,000         |
| <b>Cash at the end of the Year</b> | <b>\$1,689,410</b> | <b>\$2,696,310</b> | <b>\$6,476,710</b> | <b>\$11,318,510</b> | <b>\$18,303,510</b> |

## 10. B0Pro Forma Cash Flow Rubato Productions Year 1

|                                     | <u>1st Month</u>   | <u>2nd</u>         | <u>3rd</u>         | <u>4<sup>th</sup></u> | <u>5th</u>         | <u>6th</u>         |
|-------------------------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|
| Paid in Capital                     | \$2,560,500        |                    |                    |                       |                    |                    |
| Cash                                |                    | \$2,456,610        | \$2,372,260        | \$2,317,220           | \$2,178,870        | \$2,069,830        |
| Units Sold                          | 200                | 300                | 450                | 550                   | 700                | 800                |
| Gross Sales or receipts             | \$142,000          | \$213,000          | \$319,500          | \$390,500             | \$497,000          | \$568,000          |
| <u>Cost of goods sold</u>           | <u>\$100,000</u>   | <u>\$150,000</u>   | <u>\$225,000</u>   | <u>\$275,000</u>      | <u>\$350,000</u>   | <u>\$400,000</u>   |
| <b>Gross Profit</b>                 | <b>\$42,000</b>    | <b>\$63,000</b>    | <b>\$94,500</b>    | <b>\$115,500</b>      | <b>\$147,000</b>   | <b>\$168,000</b>   |
| <b>Less Expenses:</b>               |                    |                    |                    |                       |                    |                    |
| Accounting/Legal                    | \$150              | \$150              | \$150              | \$150                 | \$150              | \$150              |
| Advertising                         | \$100,000          | \$100,000          | \$100,000          | \$200,000             | \$200,000          | \$200,000          |
| Consultants                         | \$20,000           | \$20,000           | \$20,000           | \$20,000              | \$20,000           | \$20,000           |
| Insurance                           | \$200              | \$200              | \$200              | \$200                 | \$200              | \$200              |
| Rents                               | \$1,500            | \$1,500            | \$1,500            | \$1,500               | \$1,500            | \$1,500            |
| R&D                                 | \$15,000           | \$15,000           | \$15,000           | \$15,000              | \$15,000           | \$15,000           |
| Shipping & Storage                  | \$1,000            | \$1,500            | \$2,250            | \$2,750               | \$3,500            | \$4,000            |
| Salaries/Wages                      | \$3,000            | \$3,000            | \$3,000            | \$5,500               | \$5,500            | \$5,500            |
| Payroll Taxes                       | \$420              | \$420              | \$420              | \$770                 | \$770              | \$770              |
| Travel & Meals                      | \$2,000            | \$2,000            | \$2,000            | \$2,000               | \$2,000            | \$2,000            |
| Office Supplies                     | \$200              | \$200              | \$200              | \$200                 | \$200              | \$200              |
| Credit Card Processing              | \$1,920            | \$2,880            | \$4,320            | \$5,280               | \$6,720            | \$7,680            |
| Telephone                           | \$150              | \$150              | \$150              | \$150                 | \$150              | \$150              |
| Utilities                           | \$150              | \$150              | \$150              | \$150                 | \$150              | \$150              |
| Website                             | \$200              | \$200              | \$200              | \$200                 | \$200              | \$200              |
| <b>Total Operating Expenses</b>     | <b>\$145,890</b>   | <b>\$147,350</b>   | <b>\$149,540</b>   | <b>\$253,850</b>      | <b>\$256,040</b>   | <b>\$257,500</b>   |
| EBITDA                              | (\$103,890)        | (\$84,350)         | (\$55,040)         | (\$138,350)           | (\$109,040)        | (\$89,500)         |
| <b>Cash at the end of the Month</b> | <b>\$2,456,610</b> | <b>\$2,372,260</b> | <b>\$2,317,220</b> | <b>\$2,178,870</b>    | <b>\$2,069,830</b> | <b>\$1,980,330</b> |

|                                     | <u>7th</u>         | <u>8th</u>         | <u>9th</u>         | <u>10<sup>th</sup></u> | <u>11th</u>        | <u>12th</u>        |
|-------------------------------------|--------------------|--------------------|--------------------|------------------------|--------------------|--------------------|
| Paid in Capital                     |                    |                    |                    |                        |                    |                    |
| Cash                                | \$1,980,330        | \$1,900,600        | \$1,836,510        | \$1,791,960            | \$1,747,410        | \$1,708,640        |
| Units Sold                          | 850                | 950                | 1050               | 1050                   | 1100               | 1200               |
| Gross Sales or receipts             | \$603,500          | \$674,500          | \$745,500          | \$745,500              | \$781,000          | \$852,000          |
| <u>Cost of goods sold</u>           | <u>\$425,000</u>   | <u>\$475,000</u>   | <u>\$525,000</u>   | <u>\$525,000</u>       | <u>\$550,000</u>   | <u>\$600,000</u>   |
| <b>Gross Profit</b>                 | <b>\$178,500</b>   | <b>\$199,500</b>   | <b>\$220,500</b>   | <b>\$220,500</b>       | <b>\$231,000</b>   | <b>\$252,000</b>   |
| <b>Less Expenses:</b>               |                    |                    |                    |                        |                    |                    |
| Accounting/Legal                    | \$150              | \$150              | \$150              | \$150                  | \$150              | \$150              |
| Advertising                         | \$200,000          | \$200,000          | \$200,000          | \$200,000              | \$200,000          | \$200,000          |
| Consultants                         | \$20,000           | \$20,000           | \$20,000           | \$20,000               | \$20,000           | \$20,000           |
| Insurance                           | \$200              | \$200              | \$200              | \$200                  | \$200              | \$200              |
| Rents                               | \$1,500            | \$1,500            | \$1,500            | \$1,500                | \$1,500            | \$1,500            |
| R&D                                 | \$15,000           | \$15,000           | \$15,000           | \$15,000               | \$15,000           | \$15,000           |
| Shipping & Storage                  | \$4,250            | \$4,750            | \$5,250            | \$5,250                | \$5,500            | \$6,000            |
| Salaries/Wages                      | \$5,500            | \$8,000            | \$8,000            | \$8,000                | \$11,500           | \$11,500           |
| Payroll Taxes                       | \$770              | \$1,120            | \$1,120            | \$1,120                | \$1,610            | \$1,610            |
| Travel & Meals                      | \$2,000            | \$3,000            | \$3,000            | \$3,000                | \$3,000            | \$3,000            |
| Office Supplies                     | \$200              | \$200              | \$200              | \$200                  | \$200              | \$200              |
| Credit Card Processing              | \$8,160            | \$9,120            | \$10,080           | \$10,080               | \$10,560           | \$11,520           |
| Telephone                           | \$150              | \$200              | \$200              | \$200                  | \$200              | \$200              |
| Utilities                           | \$150              | \$150              | \$150              | \$150                  | \$150              | \$150              |
| Website                             | \$200              | \$200              | \$200              | \$200                  | \$200              | \$200              |
| <b>Total Operating Expenses</b>     | <b>\$258,230</b>   | <b>\$263,590</b>   | <b>\$265,050</b>   | <b>\$265,050</b>       | <b>\$269,770</b>   | <b>\$271,230</b>   |
| EBITDA                              | (\$79,730)         | (\$64,090)         | (\$44,550)         | (\$44,550)             | (\$38,770)         | (\$19,230)         |
| <b>Cash at the end of the Month</b> | <b>\$1,900,600</b> | <b>\$1,836,510</b> | <b>\$1,791,960</b> | <b>\$1,747,410</b>     | <b>\$1,708,640</b> | <b>\$1,689,410</b> |

## 100C.Pro Forma Cash Flow Rubato Productions Year 2

|   | <u>13th</u>        | <u>14th</u>        | <u>15th</u>        | <u>16th</u>        | <u>17th</u>        |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Paid in Capital                         |                    |                    |                    |                    |                    |
| Cash                                    | \$1,869,410        | \$1,896,180        | \$1,940,700        | \$1,996,390        | \$2,052,080        |
| Units Sold                              | 1200               | 1300               | 1350               | 1350               | 1400               |
| Gross Sales or receipts                 | \$768,000          | \$832,000          | \$864,000          | \$864,000          | \$896,000          |
| Less: Cost of goods sold                | <u>\$480,000</u>   | <u>\$520,000</u>   | <u>\$540,000</u>   | <u>\$540,000</u>   | <u>\$560,000</u>   |
| <b>Gross Profit</b>                     | <b>\$288,000</b>   | <b>\$312,000</b>   | <b>\$324,000</b>   | <b>\$324,000</b>   | <b>\$336,000</b>   |
| Less Expenses:                          |                    |                    |                    |                    |                    |
| Accounting/Legal                        | \$150              | \$200              | \$300              | \$300              | \$300              |
| Advertising                             | \$200,000          | \$200,000          | \$200,000          | \$200,000          | \$200,000          |
| Consultants                             | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           |
| Insurance                               | \$200              | \$300              | \$300              | \$300              | \$300              |
| Rents                                   | \$1,500            | \$2,000            | \$2,000            | \$2,000            | \$2,000            |
| R&D                                     | \$10,000           | \$10,000           | \$10,000           | \$10,000           | \$10,000           |
| Shipping & Storage                      | \$6,000            | \$6,500            | \$6,750            | \$6,750            | \$7,000            |
| Salaries/Wages                          | \$11,500           | \$15,000           | \$15,000           | \$15,000           | \$15,000           |
| Payroll Taxes                           | \$1,610            | \$2,100            | \$2,100            | \$2,100            | \$2,100            |
| Travel & Meals                          | \$3,000            | \$3,000            | \$3,000            | \$3,000            | \$3,000            |
| Office Supplies                         | \$200              | \$200              | \$200              | \$200              | \$200              |
| Credit Card Processing                  | \$11,520           | \$12,480           | \$12,960           | \$12,960           | \$13,440           |
| Telephone                               | \$200              | \$250              | \$250              | \$250              | \$250              |
| Utilities                               | \$150              | \$200              | \$200              | \$200              | \$200              |
| Website                                 | \$200              | \$250              | \$250              | \$250              | \$250              |
| <b>Total Operating Expenses</b>         | <b>\$261,230</b>   | <b>\$267,480</b>   | <b>\$268,310</b>   | <b>\$268,310</b>   | <b>\$269,040</b>   |
| EBITDA                                  | \$26,770           | \$44,520           | \$55,690           | \$55,690           | \$66,960           |
| <b>Cash at the end of the<br/>Month</b> | <b>\$1,896,180</b> | <b>\$1,940,700</b> | <b>\$1,996,390</b> | <b>\$2,052,080</b> | <b>\$2,119,040</b> |

|                                     | <u>19th</u>        | <u>20<sup>th</sup></u> | <u>21st</u>        | <u>22<sup>nd</sup></u> | <u>23rd</u>        | <u>24th</u>        |
|-------------------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|--------------------|
| Paid in Capital                     |                    |                        |                    |                        |                    |                    |
| Cash                                | \$2,182,580        | \$2,257,390            | \$2,331,650        | \$2,417,180            | \$2,502,710        | \$2,599,510        |
| Units Sold                          | 1450               | 1450                   | 1500               | 1500                   | 1550               | 1550               |
| Gross Sales or receipts             | \$928,000          | \$928,000              | \$960,000          | \$960,000              | \$992,000          | \$992,000          |
| Less: Cost of goods sold            | <u>\$580,000</u>   | <u>\$580,000</u>       | <u>\$600,000</u>   | <u>\$600,000</u>       | <u>\$620,000</u>   | <u>\$620,000</u>   |
| <b>Gross Profit</b>                 | <b>\$348,000</b>   | <b>\$348,000</b>       | <b>\$360,000</b>   | <b>\$360,000</b>       | <b>\$372,000</b>   | <b>\$372,000</b>   |
| Less Expenses:                      |                    |                        |                    |                        |                    |                    |
| Accounting/Legal                    | \$300              | \$300                  | \$300              | \$300                  | \$300              | \$300              |
| Advertising                         | \$200,000          | \$200,000              | \$200,000          | \$200,000              | \$200,000          | \$200,000          |
| Consultants                         | \$15,000           | \$15,000               | \$15,000           | \$15,000               | \$15,000           | \$15,000           |
| Insurance                           | \$300              | \$350                  | \$350              | \$350                  | \$350              | \$350              |
| Rents                               | \$2,000            | \$2,500                | \$2,500            | \$2,500                | \$2,500            | \$2,500            |
| R&D                                 | \$10,000           | \$10,000               | \$10,000           | \$10,000               | \$10,000           | \$10,000           |
| Shipping & Storage                  | \$7,250            | \$7,250                | \$7,500            | \$7,500                | \$7,750            | \$7,750            |
| Salaries/Wages                      | \$18,000           | \$18,000               | \$18,000           | \$18,000               | \$18,000           | \$18,000           |
| Payroll Taxes                       | \$2,520            | \$2,520                | \$2,520            | \$2,520                | \$2,520            | \$2,520            |
| Travel & Meals                      | \$3,000            | \$3,000                | \$3,000            | \$3,000                | \$3,000            | \$3,000            |
| Office Supplies                     | \$200              | \$200                  | \$200              | \$200                  | \$200              | \$200              |
| Credit Card Processing              | \$13,920           | \$13,920               | \$14,400           | \$14,400               | \$14,880           | \$14,880           |
| Telephone                           | \$250              | \$250                  | \$250              | \$250                  | \$250              | \$250              |
| Utilities                           | \$200              | \$200                  | \$200              | \$200                  | \$200              | \$200              |
| Website                             | \$250              | \$250                  | \$250              | \$250                  | \$250              | \$250              |
| <b>Total Operating Expenses</b>     | <b>\$273,190</b>   | <b>\$273,740</b>       | <b>\$274,470</b>   | <b>\$274,470</b>       | <b>\$275,200</b>   | <b>\$275,200</b>   |
| EBITDA                              | \$74,810           | \$74,260               | \$85,530           | \$85,530               | \$96,800           | \$96,800           |
| <b>Cash at the end of the Month</b> | <b>\$2,257,390</b> | <b>\$2,331,650</b>     | <b>\$2,417,180</b> | <b>\$2,502,710</b>     | <b>\$2,599,510</b> | <b>\$2,696,310</b> |

# 11. Break Even Analysis

