

BUSINESS PLAN

j1 Insoles

J1 Industries, LLC

1410 North Avenue Ste 1
Spearfish, South Dakota 57783

605-641-5794

Dr. Lorri Riley, DPM
Doctor of Podiatric Medicine

October 26, 2015



EXECUTIVE SUMMARY

J1 Industries, LLC is located in Spearfish, South Dakota. The business was developed by Lorri Riley, DPM, Doctor of Podiatric Medicine, and the product, *j1 Insoles*, a medical grade arch Over-the-Counter (OTC) support, was invented and manufactured in 2012 and issued a federal patent in June 2014. *j1 Insoles* received 2nd place in the South Dakota Governors Giant Vision Award in 2012. Dr. Riley also received a 2012 Dakota Rising Fellowship Award for rural development entrepreneurs.

Dr. Riley's company manufactures *j1 Insoles* for people with orthotic issues, and distributes these to the general public through professional clinics, stores and online. *j1 Insoles* are medical grade arch supports that provide an affordable solution to prescription orthotics and are proven to provide relief of pain from flat feet, high arches, plantar fasciitis, heel spurs, shin splints, knee and back pain.

Dr. Riley is a podiatrist in Spearfish, SD, and has been practicing for more than 20 years. As someone with flat feet, for years she has wanted to provide a generic arch support for people with flat feet that are affordable and actually work. Dr. Riley specializes in treating people with flat feet. In her practice, approximately 90% of her patients who need supports are able to use the *j1 Insoles* for total relief of their pain without needing to go to prescription orthotics. The remaining 20% are in need of greater correction and she does prescription orthotics for them.

Many medical studies have proven that flat feet are directly associated with knee pain and cartilage damage and is the leading cause of non-injury related knee surgeries. Most hospitals and medical clinics including podiatry, orthopedic, chiropractic, and physical therapy clinics carry over-the-counter arch supports for average arches to dispense to their patients, but do not have them for flat feet.

j1 Insoles is positioned to have a huge growth in the arch support market share through sales via Amazon, television commercials, You Tube videos, increased distribution and potential government contracts. With the patented design for flat feet, *j1 Insoles* is filling the need for a quality OTC arch support that works for the over 100 million people in the USA alone that have flat feet.

The last few years have been spent working out the glitches in design and manufacturing and now J1 Industries, LLC is prepared to market *j1 Insoles* nationwide and worldwide. At present *j1 Insoles* has trained staff, inventory and advertising in place to take *j1 Insoles* to the next level. Dr. Riley has been interviewed for a nationwide TV show that started airing in November 2015, and recently was asked by Amazon to sell *j1 Insoles* on their website. In addition, J1 Industries LLC is adding more distributors, athletic teams, and future plans anticipate seeking government contracts to increase our sales.

Since its beginning in 2012, sales and quantities sold of *j1 Insoles* have increased with minimal advertising. With the addition of Amazon and the national and regional TV show segments, increased distributors, along with a new website, *j1 Insoles* anticipates sales to be increased to approximately 1 million dollars by the end of the year 2017.

Dr. Riley would use funding received from the InnovateHER competition to initiate a University research study to provide research on the *j1 Insoles* product value as it compares to other currently used products. Monies would also be used to develop a Strategic Marketing Plan for the marketing of *j1 Insoles*.

Commitment/Background

Dr. Riley is a former college athlete and collegiate coach who easily relates with and uses contacts to reach high

school and collegiate sports teams.

While playing college basketball at the University of South Dakota, Dr. Riley injured her feet. She was born with flat feet, but the injury further collapsed her arches. She sought out over 20 doctors who mainly told her there was nothing that could be done with her flat feet, and that she just had to live with the pain. Several doctors prescribed her prescription orthotics that cost over \$300 (even back in the 1980's) which only made her feet hurt more. Dr. Riley did not want other people to go through the pain and discomfort she felt. She wanted to find a solution for flat feet that worked. Dr. Riley changed her major from being a math teacher to pre-med, went to podiatry school at Des Moines University and was involved in a surgical residency before starting her first solo practice in Spearfish, SD in 1992.

When Dr. Riley began practicing, insurance companies were supportive of paying for prescription orthotics. Currently very few companies do so and with the costs of prescription orthotics ranging from \$300 - \$800, many patients are not able to afford them. Prescription orthotics also require the person to go to the doctor or Orthotist to cast the foot for the orthotics. This costs the patient or parent of a child time in going to the appointment and money for the office visit along with the \$300-800 cost for the prescription orthotics if in the likely event, the insurance doesn't pay.

As someone with flat feet, Dr. Riley has tried all the various OTC insoles that claim to work for flat feet and she has not found any that relieve the pain besides her own patented design of *j1 Insoles*. She understands the pain that a person can suffer from having painful feet, shin splints, knee and back pain. She understands the impact of having this pain on your daily life which can destroy the dreams of playing college sports, or simply going for walks, playing with your children or being able to have a job that requires you to work on your feet. Having pain reduces your activity level which is detrimental to your overall health and leads to weight gain.

Dr. Riley understands from her own surgery and from her medical profession the costs associated with a family needing to have costly prescription orthotics and/or surgery and the downtime away from work if surgery is performed.

As a podiatrist she also has the background in what needs to be done to properly correct the problems with flat feet.

COMPANY DESCRIPTION

Mission Statement

J1 Industries, LLC mission is to provide families with an affordable solution to prescription orthotics so they can enjoy life pain free.

Principal Members

Dr. Lorri Riley has been a podiatrist for 24 years with her solo practice in Spearfish, South Dakota. In 2006 Dr. Riley started Rylo, Inc. Dr. Riley received a patent on *j1 Insoles* for flat feet in 2014. In January 2015 J1 Industries, LLC was formed after buying *j1 Insoles* from Rylo, Inc. Dr. Lorri Riley, podiatrist and inventor of *j1 Insoles* owns a majority of J1 Industries, LLC. and Rylo, Inc. owns a minority position of j1 Industries, LLC. Dr. Riley owns 70% of Rylo, Inc.

J1 Industries, LLC is a privately owned company based out of Spearfish, South Dakota and Dr. Riley was issued a federal patent for *j1 Insoles* for flat feet in June 2014. J1 Industries, LLC manufactures and distributes *j1 Insoles* to Dr. Riley's podiatry practice, retail stores, colleges, professional practices, Amazon and through its website at

Currently, as the primary shareholder of J1 Industries, LLC, Dr. Riley has been investing monies as needed. She has had talks with angel investors to consider growing J1 Industries, LLC even faster.

Dr. Riley is the Fit Feet Podiatrist for Special Olympics South Dakota and participated in the evaluation of athletes for the Healthy Athletes program at the Special Olympics USA competition in New Jersey in 2014 and the state games in South Dakota in 2015. She has given numerous talks to different organizations including the National Down Syndrome Conference in 2014, various local Down syndrome groups, pediatricians, chiropractors, physical therapists, nurses and in local communities.

Dr. Riley has been involved in several businesses and start-ups. She started her first solo practice from scratch in 1992. In 1995 she founded the Spearfish Surgery Center, an out-patient two room ambulatory surgery center. Dr. Riley has managed over 25 people at her private podiatry practice, surgery center and other businesses. In 1997, she sold a majority interest to the local physician group and was bought out completely in 2001 where she was able to get her shareholders a 700% return on their money. Dr. Riley has owned other businesses including a bagel shop, teen center, video store and real estate development company.

Dr. Riley has been awarded several honors from her alma mater Black Hills State University, including the *Young Alumni Achievement Award in 1996 and Top 125 Distinguished Alumni*.

There are six staff members working for J1 Industries, LLC. Dr. Riley is actively involved in the business in all aspects as needed along with sales and speaking engagements. Staff responsibilities address: manufacturing, quality control, packaging and distribution (handling all Amazon orders), administration, marketing including social media and sales. A recent former collegiate coach has just been added to the *j1 Insoles* sales team to actively reach out to these teams.

In 2005 Dr. Riley also received a patent on another product called ThinNail. ThinNail is a topical treatment for thick, fungus nails. She developed ThinNail, sold it commercially and recently sold it to a pharmaceutical company. She negotiated with the pharmaceutical company for shares in their company along with royalties. This company is planning on going public in late 2015 and releasing ThinNail nationwide in early 2016. Additionally this company is planning to release a prescription form in late 2016.

Legal Structure

J1 Industries, LLC is a privately held South Dakota corporation located in Spearfish, South Dakota. J1 Industries majority shareholder is Dr. Riley, inventor of the *j1 Insoles* for flat feet with Rylo, Inc owning a minority stake.

Rylo, Inc., the former owner of *j1 Insoles*, has Dr. Riley as the majority shareholder at 70%. Rylo, Inc. is a privately held company that was formed in 2006 and is located in Spearfish, South Dakota.

MARKET RESEARCH

Industry

Over 25% of the population is born with flat feet and another 10-15% of the adults develop flat feet. When people with flat feet develop painful feet, shin splints, knees and/or back pain, the only solution is to go with expensive prescription orthotics. As Dr. Riley knows many times the improper correction is made in the prescription orthotics and sometimes they don't work. Additionally, most prescription orthotics are of a rigid

material and don't allow the foot to do some of its natural motion thus in a sense freezing the muscles.

The expertise in dealing with thousands of prescription orthotics from wearing them, buying them from other orthotic lab companies and also actually making her own prescription orthotics, Dr. Riley is very knowledgeable in the various materials used to make the prescription orthotics.

Customers/Target Audiences

Twenty-five (25%) of the population is born with flat feet and another 10-15% develops flat feet as the arch starts to collapse due to weight, activity and poor shoes. The actual number of people who could benefit from having arch supports for flat feet is possibly as high as 40% in adults. In the adult sizes, approximately 55% of the sales of *j1 Insoles* are for flat feet. Over 90% of *j1juniors* sold are for flat feet. In addition to these potential customers, there are four targeted audiences *j1 Insoles* will pursue: athletes, people with Down syndrome, children and women.

In athletics, shin splints and plantar fasciitis are the main non-injury related reason athletes go to the training rooms to be taped. This impacts the team's time and money due to the inability of the athlete to perform at their highest level due to the pain. Many universities and top level high schools provide their athletes with arch supports for average arches. However, if the athlete has flat feet and pain, coaches and/or trainers try to relieve the pain by taping the athlete, having the athlete sit out and rest or the athlete sometimes just decides to quit sports.

The Down syndrome community is a natural fit for *j1 Insoles* and is an area in which market share may be gained quickly as shown by the 400+ pairs of *j1 Insoles* already sold in the Down syndrome community alone. Additionally, people with special needs are a group of people that have been sadly overlooked in getting the proper treatment for their flat feet. Dr Riley's involvement as the Fit Feet Podiatrist for Special Olympics South Dakota, in addition to attending and holding clinics at the state and national Special Olympics events, has given her valuable insight with this audience.

Very few companies provide OTC arch supports for children less than 10 years of age overall and no companies for children with flat feet. Along with educating health professionals, this market share should steadily increase as we are able to educate parents about their children's feet and ways to identify if their child does have flat feet.

Dr. Riley has found that generally, any child needing arch supports before the age of 10, has flat feet. Flat feet in the medical community is very highly misunderstood and parents are often told their child is either having growing pains, their child is just lazy, something they will grow out of or simply they need to live with it since there is nothing you can do for flat feet. Some identifying patterns of the child who has flat feet are toe walking, in-toeing, ankles rolling in, leg aches, knee pain and/or inactivity. This inactivity is often construed as being lazy when in reality the child is in pain.

Dr. Riley believes OTC arch supports for children is a market in which *j1juniors* should be a major player as over 90% of *j1juniors* sold are for flat feet.

Women who have delivered children are also more likely to develop flat feet. The hormones released during pregnancy are to relax the ligaments. The ligaments relaxed are in the feet as well and with the added weight of carrying the baby, many women's arches slightly collapse. Many women experienced changes in their foot sizes after having a baby, not because their feet are growing but because their arches are collapsing. Due to this, women have more foot problems and non-injury related knee and hip problems than men.

Competitors

With flat feet, the OTC arch supports do not work. Dr. Riley did substantial research on other products currently on the market. As other people with flat feet have stated and as Dr. Riley has experienced herself, when standing on Dr. Scholl's "Footmapping" machine and getting the "number" indicated for flat feet, the insole is flat with no support at all. With no correction provided, no relief of pain will be experienced. This lack of correction was found in other OTC supports claiming they work for people with flat feet.

Competitive Advantage

J1 Industries, LLC with proper advertising, educating of parents and medical professionals, increasing the number of distributors, obtaining contracts with athletic teams, and prospecting governmental opportunities, is in the position to see enormous growth in the OTC arch supports market, especially for flat feet.

j1 Insoles patented design works for flat feet due to three reasons that the competitors are not addressing.

The first is the correction across the forefoot. In people with flat feet or moderate to severe pronators, the forefoot has too much flexibility and rotation. Not correcting in this area if you have flat feet will make it feel like a rolled up sock in the arch when wearing average arch supports.

Secondly, *j1 Insoles* have correction in all 3 areas of the feet: the heel, arch and forefoot. Most arch supports-prescription and OTC- are designed so the distal part ends behind the ball of the foot and even sometimes mid-arch. Having the support only go this far is like supporting a bridge at one end (the heel) but not all the way to the other end (the forefoot) thus the bridge (the arch) still collapses.

Thirdly is the medical grade arch support that is used in *j1 Insoles* is semi-flexible. Most OTC arch supports use gel or foam so provide comfort but no support and are too flexible. Prescription orthotics are most often very rigid so do not allow the foot to do some naturally needed flexion in the arch and can make the feet ache since the muscles and ligaments become very tight. Athletes, especially runners, have a hard time wearing the rigid prescription orthotics.

j1 Insoles was approached in August 2015 by Amazon to sell *j1 Insoles* on Amazon. Amazon is worldwide and owns over 10% of the North American E-commerce. Being an Amazon prime vendor puts *j1 Insoles* in a better position for customers to see their products. Advertising will also commence in regard to placing the product on Amazon.

PRODUCT/SERVICE LINE

Product or Service

With painful flat feet, the only option that works for pain relief is to go with prescription orthotics. *j1 Insoles* patented design for flat feet solves this problem at an affordable price. If a person has average arches, there are over-the-counter (OTC) supports available but they are generally made of foam or gel and do not provide adequate support. Since *j1 Insoles* are made of a medical grade plastic, people with average arches also benefit from the quality support that is in the *j1 Insoles*.

j1 Insoles is a medical grade over-the-counter arch support that is an affordable solution to prescription orthotics. *j1 Insoles* comes in two styles - the patented design for flat feet and the other style for average arches. We also provide an OTC arch support for children called *j1 juniors*.

j1 Insoles are able to provide relief of pain associated with plantar fasciitis, arch and heel pain, bunions, hammertoes, neuromas, ankle instability, shin splints, knee problems and back pain. *j1 Insoles* meets the need

of providing an Over-the-Counter (OTC) arch support that works for people with flat feet as well as providing a quality support for people with average to high arches.

Over the last three years, Dr. Riley has tried various top covers and materials in making the *j1 Insoles*. The shells are made of a urethane material which is a plastic/rubber material that provides support and some flexibility of the shell.

j1 Insoles were designed with a medical grade plastic shell to be as close to prescription orthotics but without the rigidity. Even with average to high arches, *j1 Insoles* provides the most support in an OTC arch support on the market.

j1 Insoles comes in 8 different adult sizes up to a men's 14 and 7 children's sizes, starting at toddler size 4.

J1 Industries, LLC is working on a sandal/flip flop for flat feet. Currently the sandals available do not provide the proper support for people with flat feet and are restricted to either wearing sandals for short periods of time or not at all.

Two styles of *j1 Insoles* are available - the patented design for flat feet and the other for average arches. The *j1 Insoles* for adults are available in 3 options: *j1 Slims*, Full Length and $\frac{3}{4}$ Length. *j1 Slims* are the medical grade plastic shell only and take up minimal room in the shoes. *J1 Slims* work well in dress shoes, football and track cleats, cowboy boots, some sandals, slip on shoes and biker boots. The Full Length and $\frac{3}{4}$ Length refers to the length of the top cover over the medical grade plastic shell. The top cover is a $\frac{1}{8}$ " layer of cushioned EVA which is a closed cell foam and is resistant to bacteria and water. The Full Length option runs the entire length of the inside of the shoe and works well for people that may need to take out the shoe's inner liner and/or for those that desire more cushion. The $\frac{3}{4}$ Length option has the top cover going to the sulcus of the foot and is ideal for those wanting the cushion and the extra room in the toe box area. *j1juniors* are only available in the Full Length option.

Currently, the OTC arch supports available are mainly made out of foam or gel. Some are made out of a plastic but are very flexible and only go to the middle of the arch. Some companies provide an OTC arch support they advertise as for flat feet, but on further examination, they are simply designed to allow the flat foot to continue to flatten out and provide no correction at all.

The majority of foot problems can be resolved with proper arch supports. With time, the arches start to fall since the bones in the arch are moveable and are only being supported by ligaments and tendons. How much the arch falls depends on heredity, foot type a person is born with (flat, average or high), weight, physical activity level and type of shoes worn.

Pricing Structure

The pricing structure is such that prices have been gradually increased and are in line with the pricing of the more quality OTC arch supports. *j1 Insoles* adult line retails from \$35-\$45 and the *j1juniors* cost \$35. We wholesale *j1 Insoles* to retail stores and clinics at \$20-\$25/pair. Manufacturing costs per pair averages \$9/pair.

Product/Service Life Cycle

Like shoes, *j1 insoles* are recommended to be replaced every six to twelve months.

Intellectual Property Rights

J1 Industries, LLC is a privately owned company based out of Spearfish, South Dakota and Dr. Riley was issued

the Federal government patent #8,756,836 for *j1 Insoles* for flat feet.

Research & Development

As someone with flat feet, Dr. Riley has tried every OTC arch support on the market she could find that are designed for flat feet and she has not found any that work for her nor provide the proper correction for someone with flat feet.

Approximately 83% of the population will suffer from foot related problems at some time in their life. Foot pain can have a profound impact on quality of life. Half of all adults say that foot pain has restricted their activities—like walking, exercising, working, or playing with grandchildren—in some way. For those with chronic foot pain, that number jumps to 83 percent. People say they would exercise more (39 %) and participate in more activities (41%) if it weren't for their foot pain.

Over 95% of the people born with Down syndrome have flat feet due to the laxity of the ligaments. There are over 400,000 people in the USA with Down syndrome and approximately 6,000 babies born every year with Down syndrome. Currently, the majority of the parents are told the only way to help with this severe pronation (flat feet) is to wear bulky braces. The children have to wear bigger shoes to accommodate the braces and most children don't like them since they still have the pain. The braces only go to the arch of the foot and control the ankle, but the foot still flattens out thus the child still experiences pain. Dr. Riley's nephew has Down syndrome and has a much invested interest with the Down syndrome community.

One of the main problems that occurs when the arch falls is plantar fasciitis. Plantar Fasciitis is the inflammation of the tendon on the bottom of the foot which extends from the ball of the foot, to the heel causing pain in the ball of the foot, arch and/or heel which leads to heel spurs. Approximately 10% of the population will develop plantar fasciitis sometime during their lifetime.

Plantar Fasciitis accounts for 600,000 office visits annually in the USA alone. Other foot problems associated with the arches falling are bunions and hammertoes. The problems associated with people compensating for their falling arches include ankle instability and sprains, stress fractures, neuromas and bone spurs in other areas of the foot. Feet are the foundation, when the foundation is unstable, other areas of the body can be adversely affected causing shin splints, leg aches, knee and back problems. Developing any of these problems in the feet or elsewhere causes pain and limits a person's physical activity. This inactivity can lead to obesity, higher risk of heart attacks, increased issues with diabetes and depression. These problems cost time and money spent going to the doctor. In some occasions this may also lead to costly surgery and time away from work.

MARKETING & SALES

Growth Strategy

Over 5000 pairs of *j1 Insoles* have been sold with minimal advertising dollars spent.

The goal is to educate parents and pediatricians via You Tube videos, advertising and attending pediatric conferences. J1 Industries, LLC is now positioned to take *j1 Insoles* to the next level. The goal is to get *j1 Insoles* into major retailers, colleges, military and have a major presence on Amazon to really increase sales. A design is also being developed for a sandal for people with flat feet.

The OTC arch support market is in the billions of dollars and is growing.

Government contracting to the military, Veteran Administrations, federal, state and local governments are also an area that *j1 Insoles* can potentially market to. The government provides OTC arch supports to their employees, but again only for the average arches but not the ones for flat feet. As a woman-owned business and with *j1 Insoles* being made in the USA, this highly increases the possibility of earning a government contract.

J1 Industries, LLC marketing strategy is a combination of educating people about flat feet, increasing the sales team and various home and industry shows, advertising and government contracting.

You Tube videos on the various problems associated with flat feet and general foot, knee and back problems have already been recorded and are in their editing phase and were available mid-November 2015.

See the [You Tube video: https://www.youtube.com/watch?v=yAqYJshvGEQ](https://www.youtube.com/watch?v=yAqYJshvGEQ) .

Speaking at more professional conferences also provides an opportunity to educate professionals who will then refer customers to our website or become distributors.

Various organizations have been contacted in regard to speaking opportunities at conferences, including talking at the Down Syndrome National Conference in 2016. Dr. Riley also plans to attend sports conventions and have booths to market *j1 Insoles* to coaches and athletic trainers. Booths have been placed at local home shows but there are plans to attend home shows in larger metropolitan areas.

In August 2015, Dr. Riley did a 3-minute interview for a 30-minute TV show called Forbes Living TV that showcases new products. This was broadcast on WE TV (Women's Entertainment) and the Discovery Channel nationwide in November 2015 and in select metropolitan areas; currently, this is being shown in New York and New Jersey. It is anticipated that there will be \$100,000 in sales from these 13 showings. This interview can be viewed on Forbes Living TV website at any time along with being available on the *j1 Insoles* website www.j1Insoles.com and the ability to use it for other commercialization.

Amazon is worldwide and owns over 10% of the North American E-commerce. As *j1 Insoles* was approached in August 2015 by Amazon to consider selling *j1 Insoles* on the Amazon website, the company has become an Amazon prime vendor positioning *j1 Insoles* for more intense product exposure. Advertising *j1 Insoles* will commence on Amazon to increase orders with projections that Amazon can add over \$200,000 annually in sales.

The website is being revamped to be more user friendly for buying *j1 Insoles*, for smart phones and to provide more content including the You Tube videos and TV commercials. Additionally, the website needed to be listed higher in the search engines. This new website anticipated completion date is December 2015.

Communication

With over 4000 existing customers, the business continues to solicit repetitive business as *j1 Insoles* need to be replaced every six to twelve months. Postcard reminders are sent monthly through the mail or customers are sent a discount coupon via email. This has worked in the past but there needs to be greater diligence in keeping in touch with past customers. A newsletter will also be available through the website.

Over the last three years, the business has aired several radio ads. Sales have been increasing gradually with last year sales of approximately \$50,000 and it is anticipated sales to be approximately \$65,000 for 2015. With the TV advertisement and selling on Amazon beginning in November as well, sales should start increasing dramatically in late 2015 or early 2016. The salesperson will continue to approach different retail stores and

college teams. Contracts with major retail stores will be actively sought in 2016 along with attending state professional conferences. If any government contracts are signed, it is not anticipated that the orders would begin until mid-2016 if not until 2017.

Prospects

Several local retailers along with physical therapy offices carry *j1 Insoles*.

The newly hired sales person has been successful at adding more retailers and collegiate teams to the *j1* customer base. Additional sales people are being interviewed and there is a plan to hire them in January 2016. This should increase sales by over \$200,000 per year.

Dr. Riley, as a woman-owned business whose product is "Made in the USA" status, should be able to garner government contracts. This could increase sales to well over \$1,000,000.

With the broadcasts on WE TV (Women's Entertainment) and the Discovery Channel nationwide in November 2015 and then in select metropolitan areas (currently this is being shown in New York and New Jersey), it is anticipated that \$100,000 will be generated in sales from these 13 showings. It is anticipated that total sales for 2015 will be approximately \$65,000.

Conclusion

Dr Riley believes the two main issues women are concerned with are health and finances. *j1 Insoles* can treat and prevent many structural problems that a majority of woman experience and allow them to save money with an affordable solution to prescription orthotics. Additionally, not having to take time off work to go to doctors' appointments and/or surgery will save money.

FINANCIAL PROJECTIONS

See attached Appendices for complete Financial 3-year projections.