



# CONFIDENTIAL OFFERING MEMORANDUM



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## **CONFIDENTIAL MEMORANDUM**

Headwaters MB has been appointed as the exclusive financial advisor to Colorado Timberline, (“CoT” or the “Company”) for the solicitation of a qualified buyer or investor (“Buyer”) to acquire or recapitalize the Company. The information contained in this Confidential Memorandum (“Memorandum”) has been prepared for the sole purpose of providing qualified interested parties with general information to assist them in their evaluation of the Company. All inquiries regarding the Company should be directed to Headwaters MB.

This Memorandum has been prepared from information, estimates, and assumptions provided by the management of Colorado Timberline (“Management”) and other sources believed to be reliable. Nothing contained in this Memorandum is, or shall be relied upon as a promise or representation by Headwaters MB, Management or the Company as to either past or future performance of the Company. The contents of the Memorandum have not been independently verified by Headwaters MB, Management or the Company, and any of their respective affiliates, employees or representatives expressly disclaims any and all liability relating to or resulting from the use of this Memorandum, or such other information as may be provided, whether communicated in oral or written form, to a potential Buyer or any of its affiliates or representatives. The recipient expressly understands and agrees that any estimates, projections and assumptions are uncertain and accordingly, no representation can be made as to their attainability. Only those representations and warranties made in a definitive, written agreement, and subject to such limitations and restrictions as may be specified therein, shall have any legal effect.

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Headwaters MB is acting as the exclusive financial advisor to the Company in connection with a possible Transaction. Under no circumstances should the Management or the Company or any of its employees be contacted directly. All inquiries relating to the Company should be directed to the following individuals at Headwaters MB:

<b>Thomas H. McConnell</b> Director (303) 951-7125 <a href="mailto:tmcconnell@headwatersmb.com">tmcconnell@headwatersmb.com</a>	<b>Ian Cookson</b> Managing Director (617) 470-9338 <a href="mailto:icookson@headwatersmb.com">icookson@headwatersmb.com</a>
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**Headwaters MB**  
1225 17<sup>th</sup> Street, Ste. 1725  
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# 1. EXECUTIVE SUMMARY

## OVERVIEW

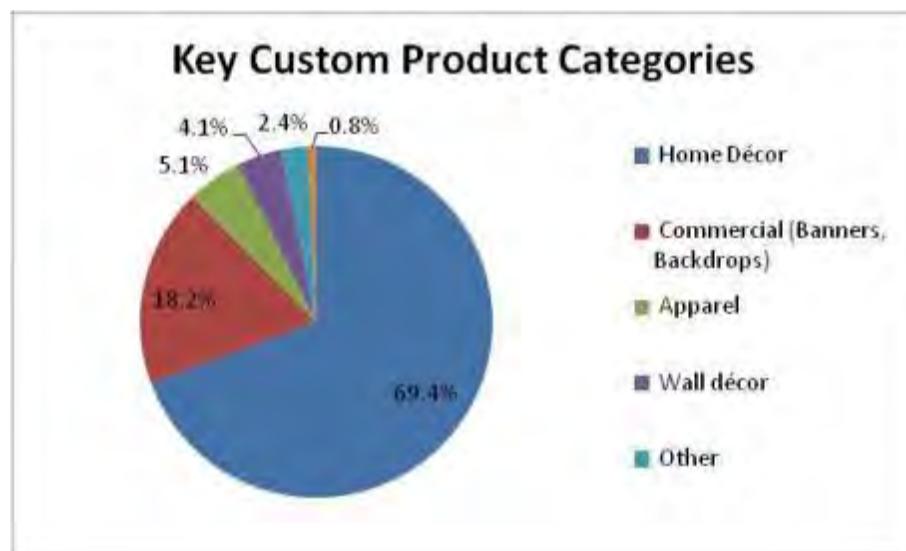
*Colorado Timberline (“COT” or the “Company”) is a leader and pioneer in the rapidly growing market for customized products. CoT utilizes its proprietary printing and production technology and processes to provide B2B manufacturing and fulfillment services for leading online and brick and mortar retailers such as Shutterfly, Collage.com, CVS and many others. Examples of customized products made by Colorado Timberline include blankets, duvets, shower curtains, apparel, photo gifts, wall décor, and advertising specialty items. In 2015, Management projects sales of \$41 million (up 15.7%) and EBITDA of \$6.4 million (15.6% margin) up 21% from \$5.3 million in 2014.*

Today’s technology makes possible the production of customized products on a large and efficient scale in a process known as “mass customization.” Previously, it was only possible to achieve these cost efficiencies with unpersonalized, mass produced items. Customized products better meet individual buyer needs and are therefore growing in popularity. Studies have shown that buyers of customized products have a higher degree of loyalty and engagement than do buyers of mass produced products. The total addressable market for customized products is estimated to be at least \$30 billion in size and growing quickly. (Source: RBC Equity Research, January, 2014)

Colorado Timberline has been a leader in developing and deploying proprietary technology to enable and improve the mass customization manufacturing process. A high degree of automation enables the Company to produce high quality, customized products at a competitive price. As such, CoT has become a critical component of the manufacturing and distribution value chain for its B2B customers.



Colorado Timberline produces an array of custom products for the home décor, wall décor, active and outerwear, outdoor, exhibition and photo gifting markets. The Company is also a leader in fabric products possessing proprietary capabilities with printing, cutting, sewing, and assembling items in this category.



Colorado Timberline is well positioned at the convergence of three powerful and rapidly growing trends:

- Demand for mass customization by consumers;
- Digitalization of images; and
- Innovative manufacturing technology (which the Company itself is developing).

The Company has also been a consistent leader in developing and introducing new products and manufacturing techniques. For example, the Company was first to market with customized pillows, duvets, table runners, slat walls and mirrors. Proprietary manufacturing capabilities have been developed through hardware modifications and proprietary software. These technologies enable CoT to offer unique, high quality products and very fast fulfillment times.

Such innovations repeatedly open new market opportunities. For example, the Company recently developed proprietary printing technology for cotton fabrics (notoriously difficult to print on due to capillaries in natural fibers which can cause the ink to “bleed”). This revolutionary new technology provides significant growth

opportunities in addressing the \$600 billion global apparel market with numerous competitive advantages including:

- Print on cotton fabrics using proprietary ink adhesion technology at a cost significantly lower than that of reactive dyes;
- Large format pigment printing (CoT is the only U.S. company with this capability);
- Bulk fabric runs for furniture factory and retail fabric stores.

Colorado Timberline's expertise with fabrics extends to synthetic fibers with the ability to make polyester and natural fiber fabrics on demand. This opens significant new market opportunities for tapestries, window treatments, floors, etc.



Over the last three years, Colorado Timberline has generated a revenue CAGR of 30%. In 2014, sales grew by 37% to reach \$35 million with adjusted EBITDA growing by 72% to \$5.3 million. For 2015, sales are conservatively estimated to grow by 16% to \$40.7 million with EBITDA forecast to grow by 21% to \$6.4 million, representing an EBITDA margin of 16%.

Colorado Timberline's proprietary production capabilities, long term customer relationships, and market presence, will enable the Company to continue scaling rapidly. CoT's growth comes from both new customers and existing customers that are growing rapidly and outsourcing production to CoT. Overall, Colorado Timberline is extremely well positioned as the leading independent B2B manufacturer of customized products.

Colorado Timberline is based in Denver, Colorado and 100% owned by its Founder and CEO Dan Greene.



## INVESTMENT HIGHLIGHTS

*Colorado Timberline is stable and growing business with very significant upside potential. Key attributes of the Company include a large and growing market, sustainable competitive advantage, long term repeat customers, sustainable market demand, barriers to entry, economies of scale and significant growth opportunities.*

### Large Market

Global retail sales approached \$22.5 trillion in 2014 with E-commerce sales growing by 22.2% during the year to \$1.3 trillion or 5.9% of total retail sales. In the U.S., retail E-commerce sales totaled \$305.65 billion in 2014 and are projected to grow by 14.2% in 2015 to \$349.06 billion.

Approximately, 63% of the U.S. population made a digital purchase in 2014. (Source: eMarketer) According to a Bain survey of more than 1,000 online shoppers, while less than 10% have tried customized products, 25%-30% are interested in doing so. Given the potential for customization in so many different types of products, the enormous potential of the mass customization market can be easily extrapolated.

Many companies are benefiting from offering consumers the ability to customize their products. Here are some examples of sectors where customization is playing an increasingly important role:



Multiple segments of the E-commerce market addressed by Colorado Timberline are growing quickly:

- Apparel and accessories (\$76 billion in annual E-commerce sales with a 17% CAGR)
- Furniture/homefurnishings (\$27 billion+ in annual E-commerce sales with a 15% CAGR)
- Photo printing (\$31 billion in annual sales with 10%-15% online).

#### Successful Public Mass Customization Companies

The size and growth of mass customization market has spawned successful public companies including:

- Shutterfly (NasdaqGS: SFLY)\*
  - 2014 Revenue: \$921.6 million (17.6% growth)
  - 2015 Revenue (estimated): \$1.054 billion (14.4% growth)
  - 2014 EBITDA: \$90.1 million (9.8% growth)
  - SFLY stock was recently trading at approximately 17.9x trailing twelve month EBITDA, reflecting investors' interest in the company.
- Café Press\*
  - 2014 Revenue: \$253.1 million (2.9% growth)
  - 2014 EBITDA: \$9.1 million
- Cimpress (formerly Vistaprint) (NasdaqGS: CMPR)
  - 2014 Revenue: \$1.27 billion (9% growth)
  - 2015 Revenue (estimated): \$1.5 billion (18.1% growth)
  - 2014 EBITDA: \$188 million (31% growth)
  - CMPR stock was recently trading at approximately 16x trailing twelve month EBITDA reflecting investors' interest in the company.

\*Both Shutterfly and Café Press are customers of Colorado Timberline.

#### Sustainable Competitive Advantage Through Proprietary Technology

Colorado Timberline has developed proprietary technology which provides it with a long term sustainable competitive advantage and creates a competitive barrier to entry. CoT buys high end equipment, makes proprietary modifications, and installs proprietary software to enable seamless B2B order processing.

Colorado Timberline heavily modifies the equipment it acquires, including state-of-the-art Reggiani brand printers and other types of equipment which are capable of handling high resolution, wide format items and printing at high speeds. Proprietary modifications to these devices provide the Company with unmatched capabilities with:

- Dye sublimation printing (defined as a computer printer which uses heat to transfer the dye)
- Direct printing to garments
- Direct printing to natural fabrics
- Laser etching of fabrics

These production capabilities are enhanced with CoT's proprietary API interface which seamlessly accepts and processes initial orders from customer websites (note CoT also has IT capabilities to integrate to large customers APIs if that is preferred). These orders then flow through to production in a highly automated fashion leveraging customized printing, cutting, sewing and assembly equipment. Flexible work processes support the multi-product assembly, packaging and shipping process. Overall, this process automation decreases costs, improves quality and reduces production time.



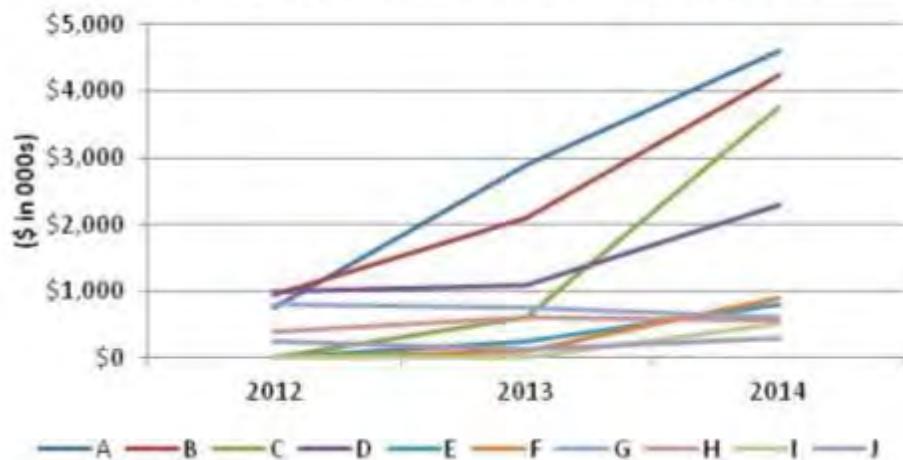
#### Long Term Customers

Colorado Timberline plays a crucial role in the manufacturing and distribution value chain for its customers, examples of which include Shutterfly, CVS, Collage.com, and Café Press.



Growth in recent years has been driven by both expansion of existing accounts and the addition of new accounts. Many of the Company's largest customers have sourced incremental production to Colorado Timberline helping to push revenues higher. Multi-year fulfillment contracts underlie the strength of many long term relationships with major accounts. Under these agreements, customers will provide CoT with non-binding rolling forecasts for the following months. As such, CoT becomes an integral part of the production process and operations of the customer. The potential for customer attrition is minimized due to high customer switching costs. In fact, CoT has not lost a major account in several years.

### Top 10 Customer Account Revenues



#### Consistent Demand

As an agnostic build-to-order manufacturer producing exactly what the customer wants when the customer wants it, Colorado Timberline is protected from shifting consumer preferences. If consumer preferences change, then, by design, CoT changes what it produces. As such, the risk of obsolete inventory or reduced demand is minimized, and revenue is also maximized by avoiding stockouts. CoT maintains an inventory of "blanks" that can be customized to meet customer requests.

#### Geographic Barriers to Entry

Colorado Timberline benefits from being U.S. based because the customization element of the production process is typically the last



step. For example, the “blank” garments or materials may be sourced in China and shipped to CoT for placement in inventory. Then, when a customer order comes in, the blank item can be picked from inventory, customized, and shipped directly to the customer within a matter of days. This rapid fulfillment would not be possible from an overseas production facility because the shipping time would be significantly longer. As such, close geographic proximity between the CoT’s production facility and the ultimate customer, lowers fulfillment time and creates a barrier for possible overseas competitors.

#### Raw Material Sourcing

Colorado Timberline has developed excellent relationships with key Chinese suppliers. CoT’s team includes a dedicated individual supporting the CoT business who lives in China along with a purchasing manager based in Denver who is fluent in Mandarin. The Company’s investment in these resources helps to assure high quality, low prices, and product availability.

#### Economies of Scale

Colorado Timberline has developed a highly automated and efficient production process. As a B2B producer of products, the Company does not need to engage in expensive consumer marketing campaigns. Contribution margins continue to grow more quickly than necessary overhead expenses driving increases in bottom line profitability. Higher volumes will also generate incremental buying power and drive down cost of goods sold.

CoT’s new production facility will give the Company plenty of room to grow. Management estimates that the new 180,000 square foot facility will increase CoT’s production capacity by approximately 60%.

#### Growth Opportunities

Colorado Timberline is also pursuing a host of new product, market and partnership opportunities which are expected to provide significant revenue growth opportunities. In 2015, new product offerings include wall décor, room dividers and outdoor pillows.



In addition the Company will leverage other newly developed technologies, as well. For example, significant opportunities exist for printing on cotton fabrics using proprietary ink adhesion technology at a cost significantly less than that of reactive dyes. CoT is also the only U.S. company with the ability to do large format pigment printing.

In addition, new market opportunities exist with exhibitions, special events, tradeshows, weddings, the hospitality industry and college book stores. Sports and school photographers also provide a great fit.

Finally, key partnerships are also developing with large retailers such as Macy's, Nordstrom's and Urban Outfitters for retail scale production of fabrics. Under these arrangements, store shelves may be stocked with Colorado Timberline merchandise which is produced on short runs to meet customer demand. While not personalized to each specific consumer, these smaller lots will be customized to meet specific store or regional demand. Retailers benefit from better inventory management and reduced stock outs.

## TRANSACTION SUMMARY

Colorado Timberline's Founder and Owner, Mr. Dan Greene, seeks to explore strategic alternatives for the Company. Mr. Greene has a desire to provide the Company with suitable capital and ownership structure to enable it to fulfill its market potential building a dominant player in the rapidly expanding market for customized product manufacturing.

Mr. Greene is interested in remaining with the Company going forward.



## FINANCIAL

## Financial Performance

*Colorado Timberline has demonstrated impressive growth over the last several years. For many reasons, this revenue growth is expected to accelerate going forward. Profitability has increased in step with revenues demonstrating the strength of CoT's business model.*

**Revenues** Overall revenues have grown from \$20.9 million in 2012 to \$35.2 million in 2014. Even more impressively, CoT's revenues from customized products have nearly tripled over the last three years growing from \$10.5 million in 2012 to \$27.5 million in 2014. Note that less than 20% of CoT's revenue comes from larger wholesale orders which may not be customized. Going forward, overall revenue is projected to grow by approximately 15% per year with customized product revenue projected to grow at more than 20% per year. These revenue increases will be driven by growth in existing accounts and the addition of new customers. The Company's annual outlook is supported by multi-year customer contracts with several large accounts providing ongoing volume forecasts.

Revenues	2012	%	2013	%	2014	%	2015E	%	2016P	%	2017P	%
Decorated	\$ 10,476	50.1%	\$ 16,257	63.0%	\$ 27,500	78.1%	\$ 34,590	84.9%	\$ 41,508	88.6%	\$ 49,810	92.6%
Wholesale	10,418	49.9%	9,542	37.0%	7,729	21.9%	6,160	15.1%	5,322	11.4%	3,990	7.4%
Total	\$ 20,894		\$ 25,799		\$ 35,229		\$ 40,750		\$ 46,830		\$ 53,800	

**EBITDA** As revenues have increased in the past several years, EBITDA has grown from \$2.5 million in 2012 to an estimated \$6.4 million in 2015. EBITDA as a percentage of sales has also increased from 11.8% in 2012 to 15.6% in 2015. Due to CoT's automated production processes and efficient operating techniques, significant economies of scale exist leading to further increases in this measure of profitability to 16% of sales in 2016.



Colorado Timberline Historical and Projected Income Statement Summary For the Years Ending December 31,										
	2012	% of Sales	2013	% of Sales	2014	% of Sales	2015E	% of Sales	2016P	% of Sales
Revenues	\$20,894		\$25,799		\$35,229		\$40,750		\$46,830	
Y-O-Y Growth %		23.5%		36.6%		15.7%		14.9%		
Gross Profit	\$10,910	52.2%	\$14,025	54.4%	\$19,967	56.7%	\$23,202	56.9%	\$26,664	56.9%
Y-O-Y Growth %		28.5%		42.4%		16.2%		14.9%		
EBITDA	\$2,459	11.8%	\$3,071	11.9%	\$5,270	15.0%	\$6,367	15.6%	\$7,506	16.0%
Y-O-Y Growth %		24.9%		71.6%		20.8%		17.9%		





Colorado Timberline Bedroom Concept



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## 2. INDUSTRY OVERVIEW

## MARKET OVERVIEW

*Colorado Timberline is a pioneer in the rapidly growing global mass customization market and is at the forefront of an ongoing manufacturing technology revolution. In step with increasing adoption of customized products by major brands, Colorado Timberline meets the individual needs of today's consumer. Key to the Company's success is the embracing of next generation manufacturing techniques.*

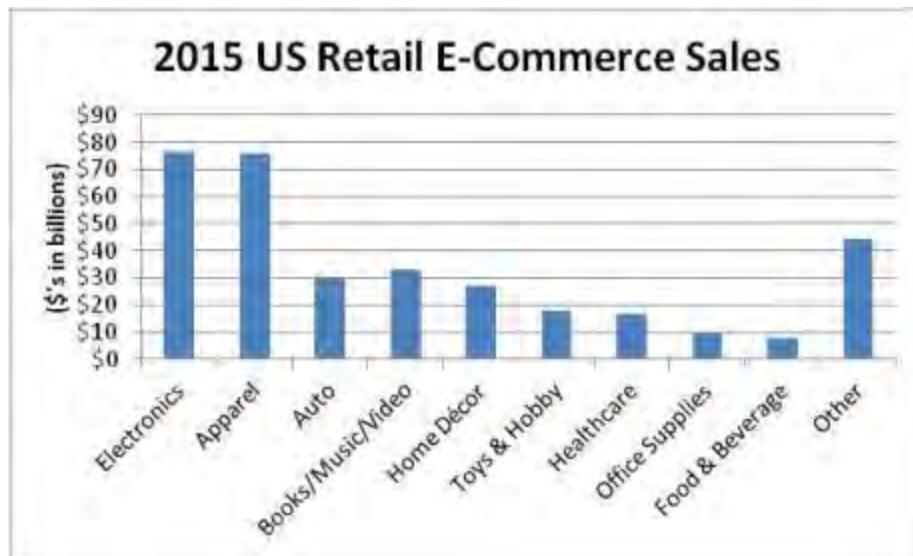
Mass customization represents a paradigm shift from a product centric approach to a customer centric approach. It stands in stark contrast to the mass production processes of the 20<sup>th</sup> century epitomized by Henry Ford's famous quip that "customers can have any color they want-as long as it's black." Rather than one-size-fits all, mass customization lets consumers tailor products to their own specifications, be it the fabric in their clothing or the design on their shower curtain. In this environment, product life cycles and product development cycles are shortened giving manufacturers the opportunity to reduce excess inventory and markdowns. Mass customization revolutionizes the way consumers shop, and, in turn, disrupts manufacturing processes and supply chains.

### Total Addressable Market (TAM)

Retail sales worldwide, including both in-store and internet purchases, reached approximately \$22.5 trillion in 2014, with E-commerce accounting for approximately 5.9% or \$1.3 trillion of this amount. Going forward, the global retail market will grow steadily reaching \$28.3 trillion by 2018. E-commerce will account for a larger portion of total retail sales increasing to 8.8% by 2018 and total \$2.5 trillion that year.

In the U.S., retail E-commerce sales totaled \$305.65 billion in 2014 and are projected to grow by 14.2% in 2015 to \$349.06 billion. Approximately, 63% of the U.S. population made a digital purchase in 2014. (Source: eMarketer)





*(Source: eMarketer)*

Key online sales categories for customization include Apparel & Accessories (\$75 billion in annual online sales) and Furniture & Home Furnishings (\$26.9 billion in annual online sales). (Source: eMarketer)

The enormous potential of the mass customization market can be extrapolated from the online shopping patterns of today's consumer. According to a recent Bain survey of more than 1,000 online shoppers, while less than 10% have tried customized products, 25%-30% are interested in doing so. (Source: Bain & Co., "Making it personal: Rules for success in product customization," 2013).

#### Photo Printing Market

The photo printing market constitutes a meaningful segment of the broader mass customization market. Shutterfly (described in more detail below) is a leading player in this segment. As an outsourced manufacturing partner for Shutterfly and other companies in this sector, Colorado Timberline directly participates, as well.

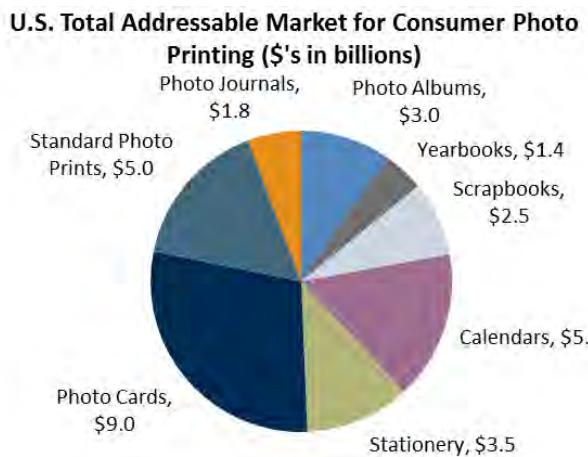
According to Shutterfly management, the total consumer market for photo printing is \$31 billion with 10% to 15% of this amount being spent online. Expectations are for further growth, with RBC Capital Markets noting the following:



The proliferation of digital cameras is helping to drive market share to online services from traditional photo printing. As the technology continues to get cheaper and better, digital cameras become accessible to more people, and have rapidly become the dominant form of camera in the market. The inclusion of digital cameras on mobile phones also drives increased usage as users tend to have their phones with them a vast majority of the time.

Digital images are obviously stored on computers, which create a natural opportunity for users to select an online printing method when a hard copy is desired. While photo printers are also becoming more readily available, more advanced projects, such as calendars or cards, require more sophisticated equipment. When presented with the option to explore different printing choices from the comfort of their home or to bring a disk with those images to a store to order prints, we believe customers are becoming more likely to select the online channel. Particularly when faced with a more lengthy task, such as choosing and arranging the pictures for a calendar project, this is likely something users will prefer to do in the home, especially as online tools become easier to use.

(Source: RBC Capital Markets, Equity Research Initiation-Shutterfly, Inc., pg. 8, January 13, 2014)



**FAST GROWING  
PUBLIC COMPANIES****Mass Customization Reflected in Public Company Growth**

The enormous growth opportunities in the mass customization industry are reflected in the financial performance and valuation metrics of leading publicly traded companies in the sector.

**Shutterfly**

Shutterfly ([www.shutterfly.com](http://www.shutterfly.com)) (NASD: SFLY) is a leader in online photo printing. The company provides an online interface to enable its customers to store photos and then build those pictures into a wide variety of products for printing, such as personalized calendars and photo albums.

In 2014, Shutterfly grew by 17.6% to \$921.6 million in total revenues and generated EBITDA of \$90.1 million (9.8% growth). For 2015, these positive financial trends are expected to continue with the company projecting revenue of \$1.05 billion and EBITDA of \$191 million. Recently, Shutterfly (SFLY) stock was trading at 17.9x trailing twelve month EBITDA.

**Cimpress (formerly Vistaprint)**

Cimpress ([www.cimpress.com](http://www.cimpress.com)) (NYSE: CMPR) produces and sells mass customized products directly to businesses and consumers.

In the 2014 fiscal year, Cimpress grew by 9% to \$1.27 billion in total revenues and generated \$220 million in EBITDA (31% growth). For 2015, these positive financial trends are expected to continue with the company projecting revenue of \$1.5 billion and EBITDA of \$220 million. Recently, Cimpress (CMPR) stock was trading at 16x trailing twelve month EBITDA.

**Mass Customization**

Mass customization “produces goods and services to meet individual customer’s needs with near mass production efficiency.” (Source: Tseng and Jiao).

Mass customization has been enabled by digital innovation and nurtured by personalized online experiences such as social media. As such, it is at the core of the “experience economy” and fuels higher online customer expectations. Its appeal lies in individuals’ need for



authenticity and uniqueness. Quite simply, "People are tired of putting up with the same thing made en masse for the masses." (Source: Joseph Pine Interview by Business of Fashion). This nearly universal appeal translates into higher sector revenues as consumers become more and more accustomed to online shopping. Examples of major fashion and sportswear retailers recognizing the importance of mass customization for their brands include NikeiD, Levis's Curve ID, the Puma Factory, Louis Vuitton, Prada Customize, Burberry Bespoke and others. (Source: [www.rebellionlab.com/the-future-of-mass-customization](http://www.rebellionlab.com/the-future-of-mass-customization)). Quite simply, "(mass customization) opens up tremendous market opportunities," according to Wild Things CEO Edward Schmults. (Source: Is Mass Customization the Future of Retail, Entrepreneur?, Nov. 14, 2013)

Evidencing the trend toward mass customization, more than 500 mass customization websites have been developed around the world. (Source: [www.frankpiller.com/mass-customization](http://www.frankpiller.com/mass-customization)).



Ceramic Tiles



Posters



Ceramic Mugs



Jackets



Floor Mats



Fleece Blankets

### Today's Consumer

Mass customization is perfectly tailored to emerging trends in consumer spending. Today's consumers have harnessed the power of the internet and social media to make more informed decisions. Websites, social media, and mobile apps are increasingly used for product research, price comparison, or product purchases. In the process, consumers have become more heterogeneous in their brand and product preferences causing a need for more granular segmentation and targeting strategies. In this environment, digital and social media may be effectively used to forge a more personal and recurring connection with consumers.

"Mass customization allows companies to profit from the heterogeneity of the market," says Frank Piller, Co-Director of the MIT Smart Customization Group. The magic of mass customization is that it is adaptable to every purchaser.

"As a company begins to shift its thinking toward smaller consumer segments, it could also consider customization opportunities-areas in which individual consumers will pay a premium for a product designed specifically for them. We expect the importance of digital commerce to be amplified by the rapid pace of technological change." (Source: 2015 Consumer Products Industry Outlook, Interview with Pat Conroy, Deloitte)

By providing unique value to customers in an efficient manner, mass customization effectively addresses the ongoing disaggregation of markets. (Harvard Business Review, The Four Faces of Mass Customization)

### Customization Drives Extraordinary Business Opportunities

Both market research studies and real world results have demonstrated that consumers have a strong and growing affinity for customized products. Relative to mass produced products, consumers of customized products have a higher degree of loyalty and engagement. (Harvard Business Review, The Four Faces of Mass Customization). According to McKinsey, personalization represents an extraordinary brand building opportunity as customer intimacy increases, great brand experiences occur, and perceived value is high. Market data supports this with customized products increasing the frequency of website visits, website dwell time, and purchases, as well



as average purchase price.

### Customizers vs. standard purchasers



(Source: Bain & Company, "Making it personal: rules for success in product customization).

Both sides of a customized product transaction benefit from technology which enables a smooth, swift and inexpensive process coupled with a manageable cost structure even as customization complexity increases. (Source: McKinsey & Company, "How technology can drive the next wave")

### Next Generation Manufacturing Techniques

The consumer revolution being caused by mass customization is made possible by flexible computer-aided manufacturing systems which enable the low unit costs of mass production processes with the flexibility of individual customization.

According to a recent survey of 174 supply chain and operations executives from SCM World, manufacturing is now entering a new phase of customization-oriented production. Going forward, the emphasis will be on manufacturing each unit to individual requirements rather than mass production of identical units.

A dramatic increase in the complexity of demand caused by mass customization is driving this shift. Consequently, retailers need support from manufacturers, such as Colorado Timberline, that are able to deliver customized formulations, packages and configurations for all kinds of products. Digital supply chains become critical to



manufacturing as final configuration very late in the production process. Consequently, manufacturing is being “reshored” to the U.S. where final production is done closer to the end-user/consumer. (Source: IndustryWeek, “Mass Customization and the Factory of the Future, Jan. 14, 2015)

Commentators have dubbed these trends in manufacturing as part of the movement towards “Industry 4.0” which includes:

1. Networking of production systems with customer needs;
2. Horizontal integration of business partners and customers;
3. Engineering throughout the entire value chain;
4. Use of more powerful technology as costs have come down and processing power has increased.

Colorado Timberline is at the forefront of new manufacturing techniques leveraging technology with the opportunity to revolutionize production processes and the supply chain. By producing items on demand rather than building massive inventories in hopes that demand will materialize, huge benefits include:

- Significantly higher revenue by avoiding stock outs for high demand items;
- Reduced inventory carrying costs;
- Proliferation of products more closely matched to consumer tastes thereby increasing demand and potential sales price;
- Elimination of inventory liquidation sales at or below cost; and
- Onshoring of production in the U.S. with factories closer to the end-user.

## COMPETITIVE LANDSCAPE

*Colorado Timberline is unique in its comprehensive suite of customization capabilities. CoT's scope of products covers multiple vertical markets and product types making it the leading B2B manufacturer of customized products. The proliferation of consumer facing websites offering customized products benefits CoT as a manufacturer and provider for these sites. Many of the largest companies in the industry are looking to Colorado Timberline for increasing amounts of their production.*

### Select Competitors

#### Competitors

- Manual Woodworkers
- Personalization Mall
- District Photo



- Circle Graphics

Competitors / Possible Customers-The following companies are competitors in the sense that they do their own in-house manufacturing although they may outsource some portions of production.

- Shutterfly\*
- Café press\*
- Vistaprint
- Zazzle



\*Currently, Shuttterfly and Café Press are Colorado Timberline customers.

#### Select Competitor Profiles

##### Manual Woodworkers

Manual Woodworkers is a privately held, family-owned organization based in North Carolina. MW provides private label services and also sells direct to the consumer with a focus on the home décor market.

##### Personalization Mall

Personalization Mall is a privately held company based in Burr Ridge, IL. The company sells directly to consumers with a focus on personalized gifts.

##### District Photo

District Photo labels themselves as a “leader in digital image fulfillment services.” As such, they have a narrower product line and lesser capabilities than does Colorado Timberline.

##### Circle Graphics

Circle Graphics primary business lines include large outdoor billboards and canvas wrap wall décor.



Shutterfly, Café Press, Cimpress (formerly Vistaprint) and Zazzle

These companies are competitors in the sense that they do in-house manufacturing and sell direct to the consumer. However, they may also turn to CoT for a portion of production thereby creating a customer opportunity for the Company. CoT provides products and services which may enhance and extend each Company's product line thereby creating new revenue opportunities.

## COMPETITIVE ADVANTAGE

*Colorado Timberline differentiates itself on the basis of the scope of its product offering, rapid production cycles, customer service and price. Colorado Timberline's competitive advantage lies in its ability to produce items of varying sizes, made from a range of substrates, at small volumes with fast turnaround times that can be sold at fair prices. The Company leverages technology to achieve this.*

Colorado Timberline's manufacturing advantage stems from its investment in technology, as manifested in several steps:

- (1) Investment in state-of-the-art printers.
- (2) Proprietary modification of printers to enable:
  - a. Automated order processing via CoT's proprietary API or the customer's API;
  - b. Printing on a variety of different types of mediums (e.g. natural and synthetic fibers, flooring, plastics and ceramics, hard surfaces, canvas, aluminum, plates; etc.);
  - c. Exceptionally high speed production.
- (3) Proprietary image rendering and management via proprietary software.
- (4) Automated packaging and fulfillment.

These capabilities are relevant for all parts of Colorado Timberline's product line as the Company provides rapid order fulfillment in a matter of days. Speed and automation also lends itself to a lower cost structure enabling Colorado Timberline to compete on price if necessary.

Much of CoT's recent growth has been fueled by demand for home décor products. CoT is able to offer a broad array of products for this sector, at competitive pricing with fast turnaround times due to its technological advantage.



The Company has developed numerous proprietary capabilities, as described in the following independent third party assessment by a Berkshire Hathaway Company:

Printing Capability: Custom On-Demand Manufacturing	Degree of Competitive Advantage
Print to polyester fabric via dye sublimation printing	very high (all formats) high (other formats)
Print to flooring, plastics and ceramics via dye sublimation	High
Print to fabric via direct to garment ("DTG") printing, e.g. t-shirts w/Aeoon technology	High
Print to hard surfaces (eg. Canvas on MDF, aluminum plates, wood, acrylic, etc.)	High
Print to natural fabrics (cotton, linen, cotton linen blends, etc.)	Medium
Print to paper	does not participate



Futon Cover



Banner



Displays



Advantage Type	Description	Driver of Advantage	Source of Advantage	Difficulty to Replicate
Cost	Printing speed	Image modification for printing	R&D	High
Cost	Printing speed	RIP speed to printers	R&D	High
Cost	Printing speed	Image and data management	R&D	High
Cost	Fabric cost	Fabric cost/sq. ft. less	R&D/sourcing	Med
Cost	Transfer paper	Transfer paper cost lower	R&D	Med
Cost	Ink	Ink cost lower	R&D	Low
Service	Fulfillment rate	High fulfillment/low error rates	Operational focus	Low
Cost	Large object print	Ability to print to larger formats	R&D	Low and High
Cost	Customer interface	Ease of setup/use for customers	R&D	Low
Cost	Fabric quality	Better feel fabrics post-production	R&D/sourcing	High
Cost	Color matching	Image and printer modification for color	R&D	Med

#### Competitive Advantage DTG and Natural Fibers (3rd party assessment)

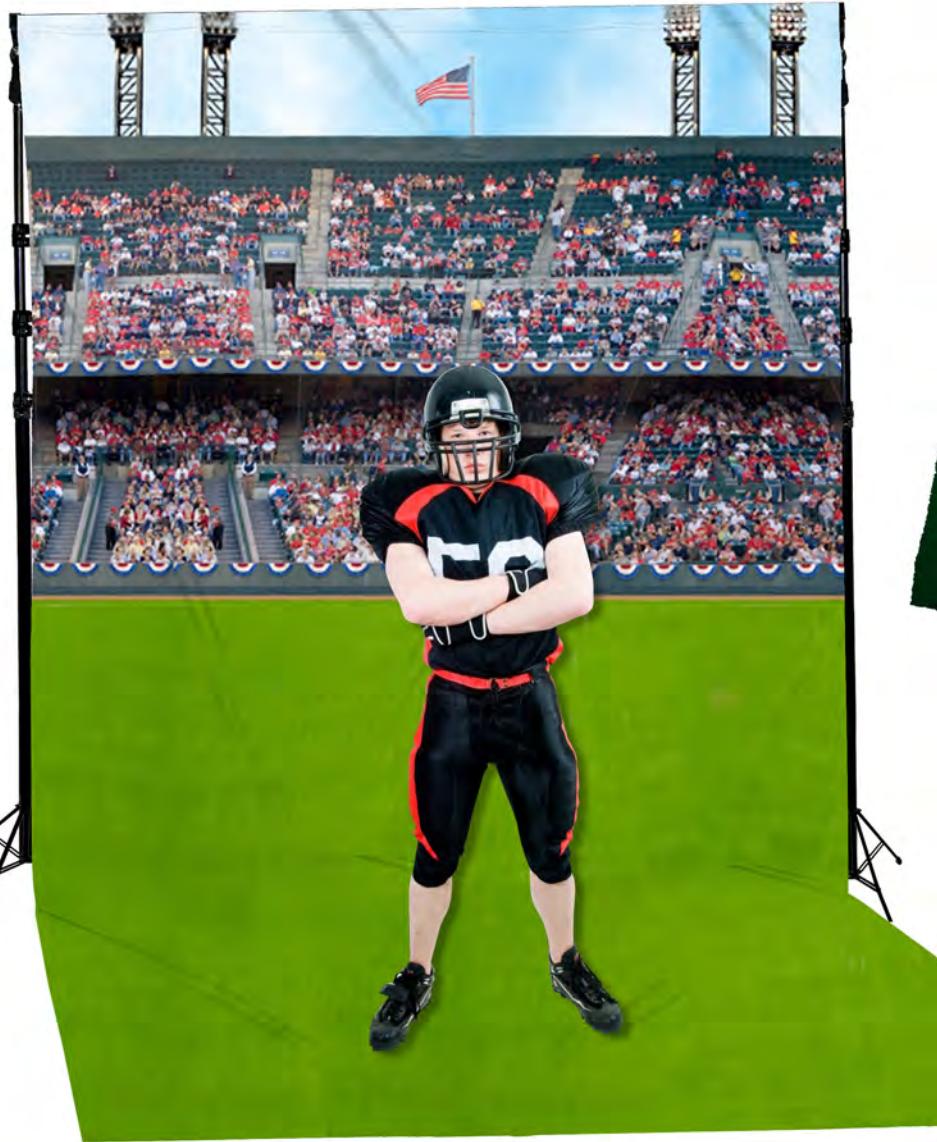
Advantage Type	Description	Driver of Advantage	Source of Advantage	Difficulty to Replicate
Cost	Printing speed	Image modification for color	R&D	High
Cost	Printing speed	RIP speed to printers	R&D	High
Cost	Printing speed	Image transfer begin to end	R&D	Medium
Cost	Ink	Ink cost lower	R&D	Medium
Service	Fulfillment rate	High fulfillment/low error rates	Operational focus	Medium
Service	Large object print	Ability to print to larger formats	R&D	High

#### New Technology Development: Printing on Natural Fabrics

Recently, Colorado Timberline has developed the ability to print on natural fabrics such as cotton. Due to cotton's capillaries causing "wicking action" and heterogeneous nature of this natural fabric, development of this process was very difficult and few others have this capability. This represents a huge potential opportunity for CoT due to the size of the global apparel market at more than \$600 billion.

(Source: IbisWorld).





### 3. COMPANY OVERVIEW

## HISTORY

*Colorado Timberline has developed its product line and market focus over a 20+ year history. Key to the Company's success has been its development of proprietary technologies. With outstanding capabilities and strong commitment to rapid fulfillment and customer service, CoT has built an extensive customer base and demand continues to grow quickly. In mid-2015, CoT will be moving into a new 180,000 square foot manufacturing and office facility which will increase capacity by approximately 60%.*

Colorado Timberline was originally founded in 1994 by Mr. Dan Greene. The Company began as a medical products distributor evolving into a distributor of sewn fleece products in the late '90's and early 2000's. In 2005, the Company embarked on a strategy of being the lowest cost and shortest lead-time printer and assembler of custom printed products in North America. This led the Company to develop technology which has created a meaningful competitive advantage and unique capabilities. The product line has evolved from advertising specialty items to on-demand large format printing and, most recently, on-demand home décor and wall décor with other new products under development. With the growth in production, the wholesale segment of the business has been deemphasized such that it now constitutes less than 20% of sales.

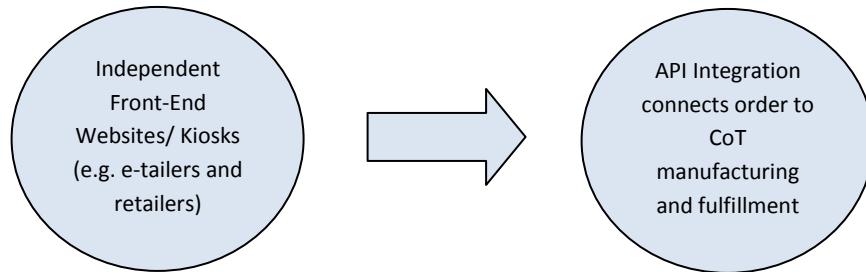
## Operating Model

Colorado Timberline provides manufacturing and fulfillment services to independent front-end websites and kiosks of varying sizes on a B2B basis. Customers include single website retailers with thousands in sales to listed national retailers with hundreds of millions in revenues.

Barriers to entry and startup costs are much higher for customized product manufacturers, such as Colorado Timberline, than they are for website retailers. The ability of these retailers to source production to Colorado Timberline results in a proliferation of such sites and a bevy of customers for the Company. As such, Colorado Timberline is extremely well positioned regardless of which online retailer becomes popular next.

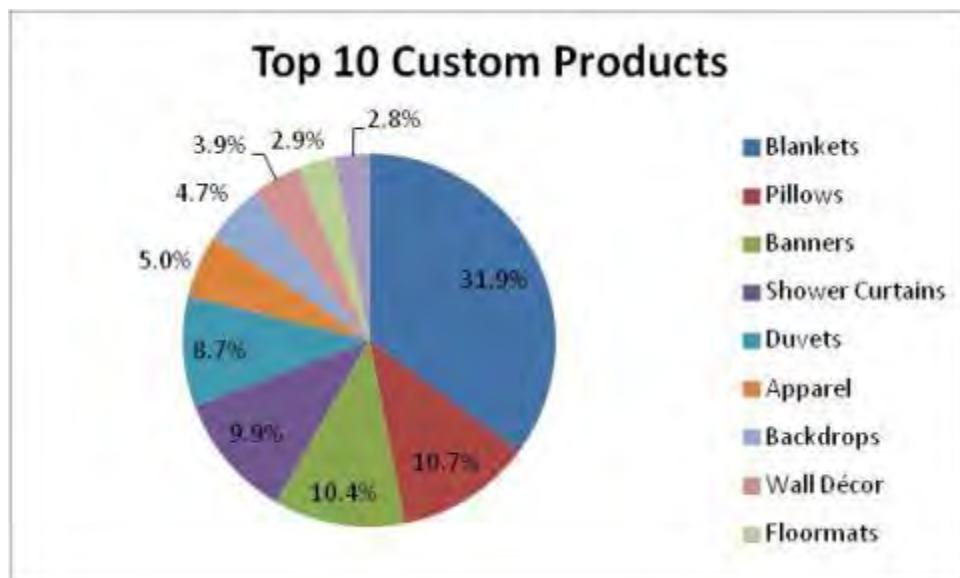
Key to Colorado Timberline's success is its ability to either integrate with customers API or integrate its own API with customers. This seamless process automates the customer order and fulfillment enabling CoT to support the online business model of hundreds of small internet retailers and provide great customer service and turnaround times. As the consumer market disaggregates, CoT is positioned to benefit no matter how consumer preferences change.





## PRODUCTS

Colorado Timberline offers items which can be customized in an endless variety of ways. Consequently, the Company recorded sales from more than 2,700 varied products last year. However, over 91% of the \$27.5 million in customized product sales came from the top 10 key product types such as blankets, pillows, banners, shower curtains, duvets, etc. Similarly, for wholesale products, the top ten items represented 59% of the \$7.7 million in wholesale product sales. By having a relatively narrow range of "base products", attention can be focused on key product lines and inventory effectively managed.



**SERVICES**

While CoT is a manufacturer, outstanding service is a key component of its customer value proposition. Fast fulfillment times, maintaining commitment to volume requirements, and solving customer problems are key to success.

**KEY CUSTOMERS**

Colorado Timberline has developed a well diversified customer base consisting of online retailers and some traditional brick and mortar retailers with an online presence. The Company's top 300 customers account for approximately 78% of sales with the top 10 customers accounting for approximately 57% of sales. CoT serves many well recognized brands in the mass customization sector along with smaller, lesser known retailers.

**Revenues by Customer**

**CUSTOMER EXAMPLES****CUSTOMER CONTRACTS**

Colorado Timberline benefits from one to two year contracts with several of its largest accounts. These contracts incorporate sales forecasts enabling the Company to plan its production volume accordingly. This also provides greater certainty for annual budgeting and revenue forecasts.

**FACILITIES**

Colorado Timberline is based in Denver, Colorado. In mid 2015, CoT is moving from a 120,000 square foot facility into a new 180,000 square foot facility with right of first refusal to lease an additional 60,000 square feet at the new location. This facility will immediately provide an additional 60% in production capacity with the ability to accommodate a doubling of existing production volume in the future.

In addition to the manufacturing and office space in Denver, Colorado, Timberline houses its finance, accounting and supplemental customer support team in Aquascalientes, Mexico. CoT chose to locate this capability in Aquascalientes due to the high quality of the workforce and reasonable wage rates. This arrangement has proven to work very well for the Company.

**Operational Efficiency**

As the size and complexity of operations has increased management has implemented systems and procedures to professionalize operations. This

evolution continues as operational efficiencies are sought which can further improve service and reduce unit costs. The implementation of lean manufacturing techniques (optimized work flow) is just one example of possible improvements. CoT's new facility should enable such improvements in operational efficiency, as well.

#### Colorado Timberline Production Floor





## 4. CORPORATE STRUCTURE

## CORPORATE ORGANIZATION

*Colorado Timberline is 100% owned by its Founder, Mr. Dan Greene. Mr. Greene continues to oversee all aspects of the Company's operations. However, he has developed a team of capable senior and operational managers. Adding additional salespeople would further propel the Company's growth.*

Dan Greene  
CEO,  
Owner & Founder

John C. Bay  
Chief Commercial  
Officer

Araceli Ponce  
CFO &  
Controller

Omar Rosales  
President  
Printing

Alan Lynch  
Engineering

Jay Stramel  
IT

## MANAGEMENT TEAM

The CoT Management team provides industry knowledge, operational expertise and important contacts. Biographies for each team member are provided below.

### Dan Greene, President and Founder

- 100% owner of Colorado Timberline
- Visionary founder with strong executive management experience and technical knowledge.
- Originally trained as a Physicist. Dan has extensive textile, laser, printing sewing and assembly experience.

### John Bay, Chief Commercial Officer

- Retained on a consulting basis (begain in early 2013)
- Senior Executive at Kodak, Nokia and HP. Led customer facing organization with more than \$1B in P&L responsibility.
- Experienced in sales, marketing, strategy and general management.
- BS, MS Chemical Engineering, MBA MIT Sloan
- Serves on BOD for VXi, Inc.

### Omar Rosales, President (Head of Manufacturing)

- Leads all printing operations
- Employed by Colorado Timerline since 2000

### Araceli Ponce, CFO

- Leads all aspects of Finance including cost accounting, general ledger, financing planning, cash flow management, capex management and banking relationships

### Alan Lynch, Engineering



- Retained on a consulting basis
- Professional Electrical Engineer and Owner of engineering consulting firm.
- Has supported Colorado Timberline since 2008
- Experience supporting multiple clients in equipment design and development

Jay Stramel, IT

- Retained on a consulting basis
- IT expert
- Founder and Owner of Dolphin Micro

Personnel by category:

- Manufacturing headcount (all non-union):
  - 130 (out of season) 260 (in season)  
(For description of revenue seasonality see Financial Section)
- Warehouse: 8
- Customer Service: 14
- Finance, Administration and Sales: 5
- Consultant Executives: 3
- Mexico Support Team: 23

**ORGANIZATIONAL  
DEVELOPMENT**

As CoT has grown it has consistently added to its organizational capabilities. Management believes the Company could benefit from the hiring of additional sales and marketing personnel to create greater awareness of the Company's capabilities as there are currently just two full time salespeople.





## 5. FINANCIAL INFORMATION

**REVENUES**

*Colorado Timberline's financial performance has been outstanding over the last three years. Revenues and EBITDA have grown quickly with estimated 2015 sales of \$40.8 million and EBITDA of \$6.4 million. CoT has demonstrated strength in the home décor, wall décor, apparel, and photo products market. Recent product introductions have proved highly popular and the Company is well positioned to become the dominant custom product manufacturer and continue its rapid growth.*

Colorado Timberline's growth has accelerated in recent years due to growth in the market for customized products and the Company's unique capabilities. From 2012 through 2014, overall sales jumped from \$20.9 million to \$35.2 million. Year over year, from 2013 to 2014 total revenues grew by 36% increasing from \$25.8 million to \$35.2 million. As sales have grown, profitability has accelerated with EBITDA more than doubling from \$2.4 million in 2012 to \$5.3 million 2014. Looking ahead, management expects this trend to continue with 2015 estimated sales growth of 16% to \$40.8 million and EBITDA growth of 21% to \$6.4 million. Going forward, Management conservatively projects sales and EBITDA to climb to \$53.8 million and \$8.6 million, respectively, by 2017.

An important step in the Company's evolution was its expansion into home décor products in 2012. This represents a very large available market ripe for customized products. In addition, Colorado Timberline's unique ability to print on a variety of substrates from small to very large sizes, positions the Company to continue to thrive as a leader in mass customization manufacturing.

**Customized Products**

Overall revenue growth has been led by customized products as 2014 sales grew by approximately \$11.2 million or 69% reaching \$27.5 million. This increase reflected both new accounts and strong demand from the Company's top 10 customers which accounted for nearly \$10 million in incremental sales. Large customers continued to outsource more of their production to Colorado Timberline becoming ever more reliant on the Company's production capabilities. In addition, many new accounts were added as web retailers realize the benefits of a production partnership with the Company.

**Wholesale Products**

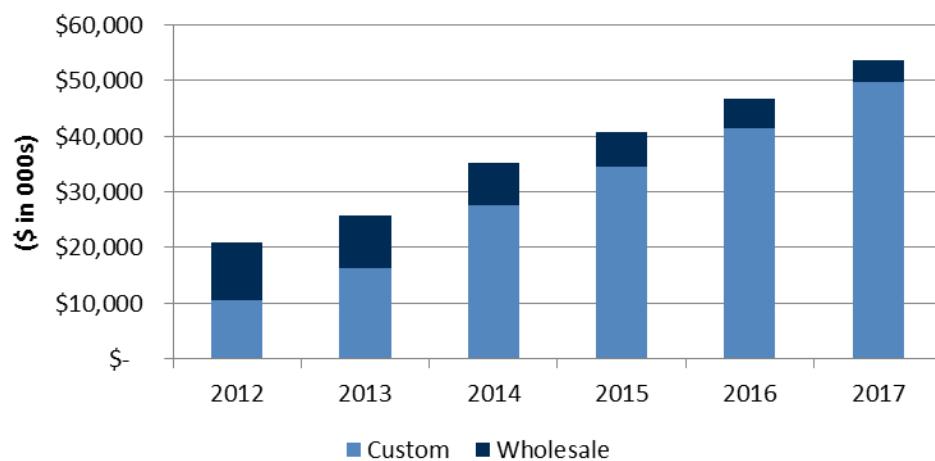
As customized product revenues have grown quickly. Management

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has deemphasized wholesale products allowing category sales to decline from \$9.5 million to \$7.7 million. The strategic pivot away from the wholesale business occurred several years ago as customized products offer a higher degree of differentiation and more upside. Generally, wholesale product orders tend to be of larger volume and more subject to price competition. Management will continue to steer the Company towards the customized product market in the future.

## Revenues by Segment



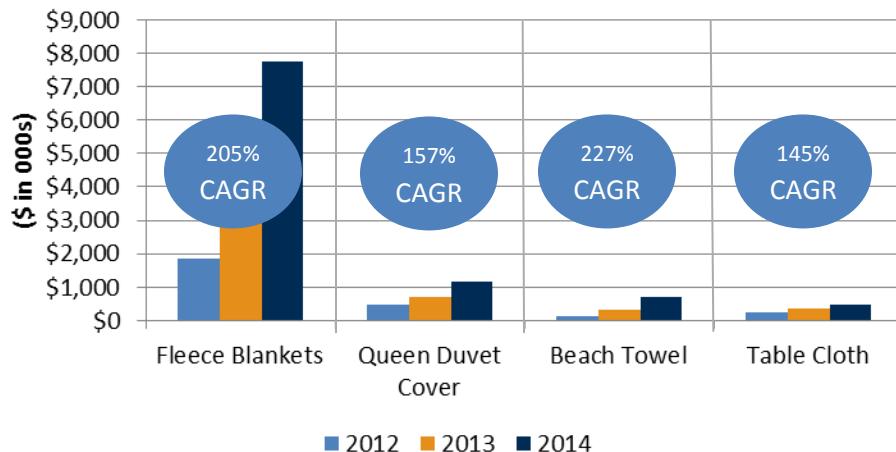
### SALES BY PRODUCT LINE

Colorado Timberline has demonstrated its ability to exceed customer requirements across multiple product categories. Key areas of strength for CoT include home décor, wall décor, apparel, and photo products. The Company also produces advertising specialty items (e.g. engraved Gatorade bottle collars) for corporate customers.

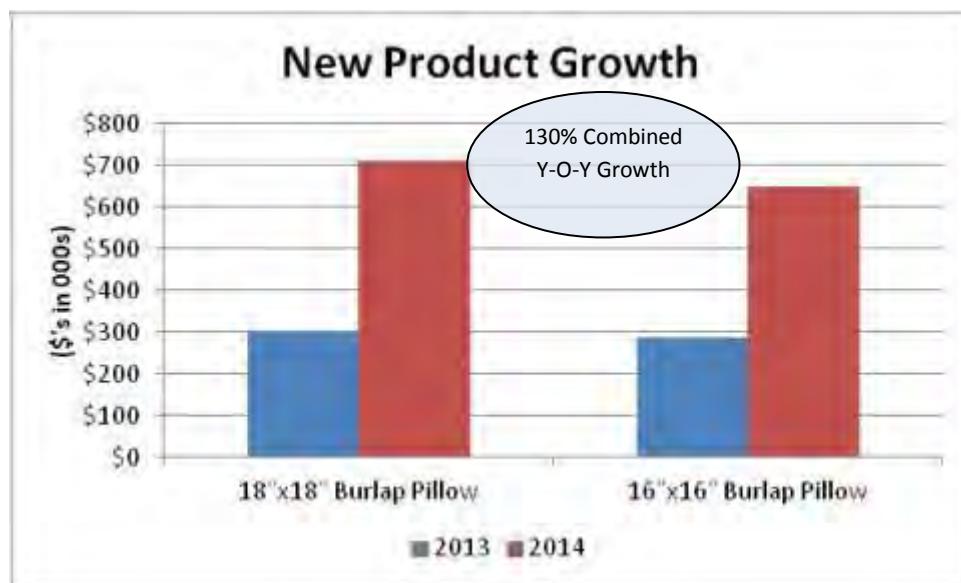
Over the last several years, home décor as a category has grown quickly and has been an important driver of Colorado Timberline's growth. Examples of products in this category include fleece blankets, duvet covers, and table cloths.



## Strong Growth in Flagship Products



While benefiting from the continued popularity of legacy items, Colorado Timberline continually innovates to meet the needs of its customers. New product introductions which have grown quickly include pillows.



**2015 SALES FORECAST** Management has budgeted total sales for 2015 of \$40.75 million including \$34.6 million from customized products and \$6.2 million from wholesale. A reasonably likely upside scenario projects 2015 customized product revenues of \$48.2 million boosting overall revenues to \$54.4 million (54.5% growth).

Management has a high degree of confidence in its baseline sales

forecast for 2015 for several reasons:

- Each of the Company's top 22 existing accounts were evaluated with several of the largest customers being under one to two year contracts. Many other existing customers have indicated they expect to expand the amount of business they do with CoT in 2015. Collectively, revenue from existing accounts is expected to grow by 30.2% from \$21.9 million in 2014 to \$28 million in 2015, with an upside case of \$36.8 million for these accounts.
- For budgeting purposes, Management has conservatively assumed that revenue from all other existing accounts remains flat year over year (despite growth being likely).
- CoT anticipates adding at least eleven new customers which should provide an additional \$2.3 million to \$5.8 million in revenues for the year.
- The wholesale business is budgeted to continue its decline falling from \$7.7 million to \$6.2 million as this business line receives less emphasis.
- For budgeting purposes, Management has chosen to be conservative and allow for an additional margin of error by backing down the 2015 revenue forecast to \$40.75 million (15.7% growth), compared to the low end of the revenue range of \$42.1 million derived from the account by account analysis.

#### EBITDA

As Colorado Timberline revenues have accelerated, so has its profitability. From 2012-2014, EBITDA has more than doubled climbing from \$2.5 million to nearly \$5.3 million. In 2015, Management estimates that EBITDA will eclipse \$6.3 million growing by approximately 16%.

As a percentage of revenues, EBITDA has also improved markedly, increasing from 11.8% to 15% from 2012 to 2014. Going forward, this trend is expected to continue as the Company benefits from economies of scale.

Key to the Company's profitability has been its employees' commitment to operating efficiently while exceeding customer expectations.



Colorado Timberline Adjusted Historical & Projected Financial Summary*												
	For the calendar years ending December 31 (\$'s in 000's)											
<u>Revenues</u>	<b>2012</b>	<b>%</b>	<b>2013</b>	<b>%</b>	<b>2014</b>	<b>%</b>	<b>2015E</b>	<b>%</b>	<b>2016P</b>	<b>%</b>	<b>2017P</b>	<b>%</b>
Decorated	\$ 10,476	50.1%	\$ 16,257	63.0%	\$ 27,500	78.1%	\$ 34,590	84.9%	\$ 41,508	88.6%	\$ 49,810	92.6%
Y-O-Y Growth %			55.2%		69.2%		25.8%		20.0%		20.0%	
Wholesale	<u>10,418</u>	49.9%	<u>9,542</u>	37.0%	<u>7,729</u>	21.9%	<u>6,160</u>	15.1%	<u>5,322</u>	11.4%	<u>3,990</u>	7.4%
Y-O-Y Growth %			-8.4%		-19.0%		-20.3%		-13.6%		-25.0%	
Total	20,894	100.0%	25,799	100.0%	35,229	100.0%	40,750	100.0%	46,830	100.0%	53,800	100.0%
Y-O-Y Growth %			23.5%		36.6%		15.7%		14.9%		14.9%	
Cost of Goods Sold	<u>9,984</u>	47.8%	<u>11,774</u>	45.6%	<u>15,262</u>	43.3%	<u>17,548</u>	43.1%	<u>20,166</u>	43.1%	<u>23,168</u>	43.1%
Gross Profit	10,910	52.2%	14,025	54.4%	19,967	56.7%	23,202	56.9%	26,664	56.9%	30,633	56.9%
Operations expense	5,978	28.6%	8,186	31.7%	12,559	35.6%	14,058	34.5%	16,413	35.0%	19,406	36.1%
Selling expense	1,805	8.6%	1,916	7.4%	1,710	4.9%	1,710	4.2%	1,999	4.3%	2,162	4.0%
G&A expense	<u>1,430</u>	6.8%	<u>1,712</u>	6.6%	<u>1,656</u>	4.7%	<u>1,828</u>	4.5%	<u>1,927</u>	4.1%	<u>2,020</u>	3.8%
Total	9,213	44.1%	11,814	45.8%	15,925	45.2%	17,597	43.2%	20,340	43.4%	23,588	43.8%
Operating Income	1,697	8.1%	2,211	8.6%	4,042	11.5%	5,605	13.8%	6,324	13.5%	7,045	13.1%
Other Expenses (Income)												
Interest	425	2.0%	468	1.8%	672	1.9%	816	2.0%	816	1.7%	816	1.5%
Finance Charges	10	0.0%	2	0.0%	(11)	0.0%	134	0.3%	96	0.2%	96	0.2%
Taxes (Other)	<u>41</u>	0.2%	<u>14</u>	0.1%	<u>126</u>	0.4%	<u>12</u>	0.0%	<u>196</u>	0.4%	<u>328</u>	0.6%
Total	476	2.3%	484	1.9%	787	2.2%	962	2.4%	1,108	2.4%	1,240	2.3%
Net Income (Before Taxes)	1,221	5.8%	1,726	6.7%	3,255	9.2%	4,643	11.4%	5,216	11.1%	5,805	10.8%
<u>EBITDA Calculation:</u>												
Interest	425	2.0%	468	1.8%	672	1.9%	816	2.0%	816	1.7%	816	1.5%
Finance Charges	10	0.0%	2	0.0%	(11)	0.0%	134	0.3%	96	0.2%	96	0.2%
Taxes (Other)	<u>41</u>	0.2%	<u>14</u>	0.1%	<u>126</u>	0.4%	<u>12</u>	0.0%	<u>196</u>	0.4%	<u>328</u>	0.6%
Depreciation	<u>762</u>	3.6%	<u>861</u>	3.3%	<u>1,228</u>	3.5%	<u>762</u>	1.9%	<u>1,182</u>	2.5%	<u>1,601</u>	3.0%
Subtotal	1,238	5.9%	1,345	5.2%	2,015	5.7%	1,724	4.2%	2,290	4.9%	2,841	5.3%
<b>EBITDA</b>	<b>\$ 2,459</b>	<b>11.8%</b>	<b>\$ 3,071</b>	<b>11.9%</b>	<b>\$ 5,270</b>	<b>15.0%</b>	<b>\$ 6,367</b>	<b>15.6%</b>	<b>\$ 7,506</b>	<b>16.0%</b>	<b>\$ 8,646</b>	<b>16.1%</b>
Y-O-Y Growth %			24.9%		71.6%		20.8%		17.9%		15.2%	

\*See Appendix for Schedule of Historical Adjustments

<b>Balance Sheet Summary</b>			
Years Ended December 31, 2014 and 2013 (\$'s in thousands)			
<b>Assets</b>			
	<b>12/31/2014</b>	<b>12/31/2013</b>	
Cash	\$ 168	\$ 54	
Accounts Receivable	6,405	4,142	
Inventory	9,753	6,790	
Other Receivables	384	309	
Prepaid Expenses	560	392	
Security Deposits	174	47	
Total Current Assets	17,444	11,735	
Assets	13,561	9,537	
Less: Accum. Dep.	(5,598)	(4,316)	
Fixed Assets, Net	7,963	5,220	
Total Assets	<u>\$ 25,406</u>	<u>\$ 16,955</u>	
<b>Liabilities &amp; Owner's Equity</b>			
<u>Current Liabilities</u>			
Current Maturities	\$ 1,235	\$ 593	
Line of Credit	7,376	4,927	
Trade Accounts Payable	5,804	3,472	
Accrued Expenses Payable	445	214	
Payroll Taxes Payable	23	136	
Current Income Tax Payable	235	-	
Sales Tax Clearing	30	12	
Group Health Payable	3	3	
Subtotal	15,149	9,357	
Long-term Debt (less current)	1,664	1,179	
Deferred Tax Liability	2,094	1,422	
Shareholder Equity	6,499	4,997	
Liabilities & SE	<u>\$ 25,406</u>	<u>\$ 16,955</u>	

## NEW PRODUCTS

*Colorado Timberline continually innovates to develop new products, tap new markets and find ways to generate profitable growth. In addition to a large group of new products, the Company has also developed the proprietary ability to print on natural fabrics leading to huge growth opportunities. Leveraging both existing and new products CoT is targeting new market segments and leveraging industry partnerships.*

For 2015, the Company has a host of new product categories with significant upside potential, including:

- Wall décor (e.g. slatwall (i.e. panel made with horizontal grooves), plywood, foamcore (i.e. a decorated item with a foam core) and wall mural). Management estimates potential revenues from these products of up to \$5 million this year.
- Room Dividers - Potential revenue of \$500 thousand in 2015.
- Outdoor pillows - Potential revenue of \$1 million in 2015.



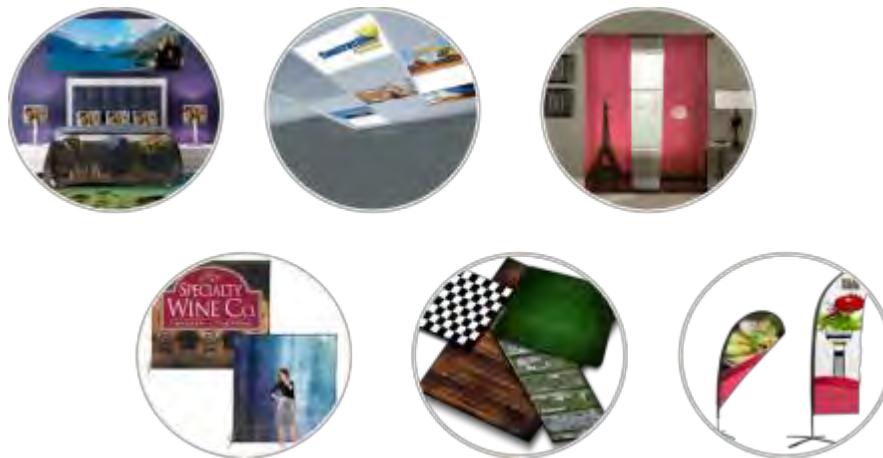
Colorado Timberline has also developed proprietary technology for cotton fabrics that provide huge growth opportunities and a sustainable competitive advantage including:

- Processes to enable printing on cotton fabrics using proprietary ink adhesion technology at a cost significantly lower than that of reactive dyes;
- Proprietary technology making Colorado Timberline the only U.S. company with the ability to do large format pigment printing;
- Technology to run bulk fabric for all furniture factory and retail



fabric stores.

Colorado Timberline also has the ability to provide polyester and natural fiber fabrics on demand. This opens incredible market opportunities for tapestries, window treatments, floors, etc.



## NEW MARKETS

Colorado Timberline is leveraging its strong capabilities to address new markets, as well. New opportunities for 2015 include:

- Exhibitions - Targeted products include backdrops, wide fabric, table covers and flooring (Trade Show: Exhibition Show);
- Special Events - Targeted products include backdrops, wide fabric mostly, table covers and flooring (Trade Show: Special Event Show);
- Interior Design Distributors, Furniture - Targeted products include fabrics and metal sheeting for the furniture industry (Trade Show: Neocon Show);
- Weddings - Products include bags, party favors, roll ups, table cloths, gifts, etc. (Trade Show: WPPI);
- College Book Stores - Products include blankets, curtains, campus events etc. (Trade Show: Camex Show);
- Sports and school photographers - Products include blankets, mugs, banners, and tents (Trade Show: SPAA, SPAC, DIMA, Imaging);
- Promotional / Advertising Specialty - With approximately 27,000 distributors, this represents a huge opportunity (Trade Shows: PPAI, ASI, ISS, SHOWS);
- Hospitality Industry; and

- Foodservice Industry.

### Retail Scale Production

Colorado Timberline has developed alliances with key suppliers to provide the short run production of natural and synthetic fiber with hard or soft media. In particular, the natural yarns will be novel and unique in the U.S. with exclusive products and competitive prices. Key retail partners for this roll out include Urban Outfitters, Macy's and Nordstroms.



### OTHER GROWTH INITIATIVES

#### Partnerships

Colorado Timberline believes in the benefits of win-win partnerships that can create new opportunities and expand revenues and earnings. For example, the Company is currently in talks with a former customized product industry executive who will be rolling out a line of customized licensed products as well as “create and buy” products. Leveraging its core competencies, Colorado Timberline will serve as the production and fulfillment engine for the venture.

Colorado Timberline may also develop in-house capabilities to help large online “find and buy” retailers (e.g. Amazon, eBay, and Walmart) with customer product development to be able to offer “create and buy” products. As “find and buy” retailers, these organizations do not have the inhouse capabilities to design their own products so Colorado Timberline could drive incremental, high margin, customized product revenue for these companies. Such “create and buy” or customer created product can also drive down Cost of Goods Sold by eliminating the need for a commission to be paid to the product designer or artist (typically 5% - 8% of the purchase price) while being of the same or greater value in the customers eyes.

### CAPEx

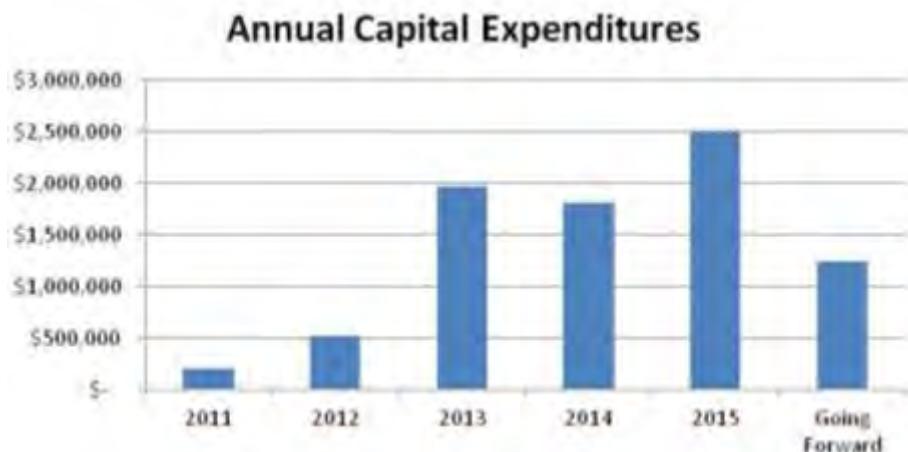
As the Company has grown, so too have the equipment requirements.



HEADWATERS | MB



Much of the production requires printers to which Colorado Timberline will make alterations to along with the integration of its proprietary software. In 2015, the Company is moving to a new 180,000 square foot facility and planning to invest approximately \$2.5 million in new production equipment. This will immediately provide CoT with a 60% increase in production capacity and, looking ahead, management believes the new facility could accommodate more than twice the existing production volume. Note that the planned \$2.5 million capital expenditures for 2015 represents an incremental “step function” in printing capacity. Going forward, management anticipates annual capital expenditures for maintenance and growth in the range of \$1M-\$1.25M per year.

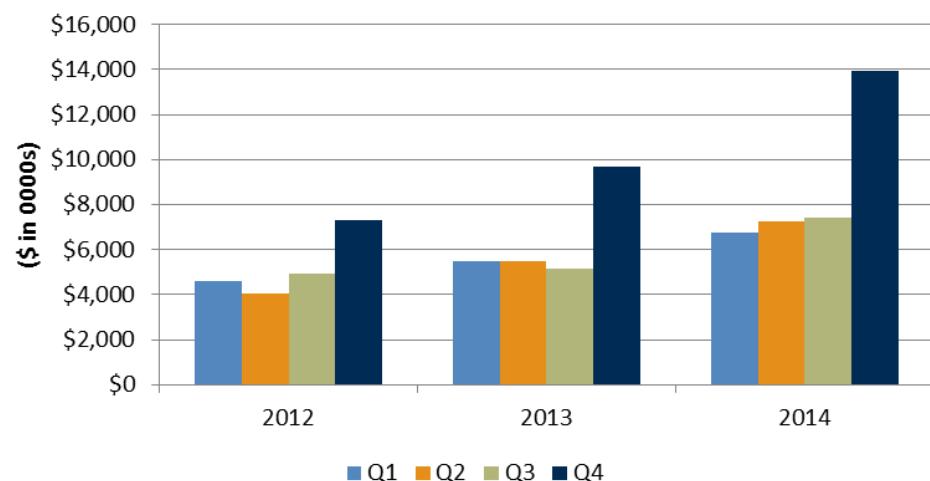


#### SEASONALITY

As a producer of consumer products, Colorado Timberline experiences significant seasonality in its business. Every year the holiday shopping season means heightened demand for personalized items with 35% - 40% of total sales occurring in the fourth quarter. The Company meets this demand by increasing seasonal employment and running additional shifts as necessary.



## Revenues by Quarter





## 6. EXHIBITS

**EXHIBIT 1***Historical and Adjusted Financial Statements***Colorado Timberline**

**Historical and Adjusted Income Statement Summary  
For the 12 Months Ending December 31, 2012**

**For the Years Ending December 31,**

	<b>2012</b>	<b>2012 (Adjusted)</b>	<b>Difference</b>	<b>Notes</b>
<b>Net Sales</b>	\$ 20,894,092	\$ 20,894,092		
<b>Total Cost of Goods Sold</b>	<u>9,983,964</u>	<u>9,983,964</u>		
<b>Gross Margin</b>	10,910,128	10,910,128		
<b>Selling Expenses</b>				
WAGES	506,797	506,797		
ACCRUED WAGES	188	188		
PAYROLL TAX EXPENSE	58,096	58,096		
GROUP INSURANCE	13,808	13,808		
MISC EMPLOYMENT EXP	286	286		
CONTRACT LABOR	318	318		
<b>Total Selling Wages &amp; Related</b>	579,493	579,493		
TELEPHONE	50,760	50,760		
DEPRECIATION	3,240	3,240		
SUPPLIES	1,225	1,225		
LEGAL	120	120		
OTHER CONSULTING SERVICES	12,842	12,842		
MISC EXPENSE	2,860	2,860		
TRAVEL - TRANSPORTATION	101,478	101,478		
TRAVEL - LODGING	47,988	39,288	\$ (8,700)	1
TRAVEL - MEALS	32,737	32,737		
TRAVEL - ENTERTAINMENT	608	608		
CONVENTIONS	242,797	242,797		
COMMISSION				
SALES LITERATURE	99,654	99,654		
SALES SAMPLES & DISPLAYS	29,613	29,613		
REBATE & REFUND AR ACCOUNTS	1,926	1,926		
BAD DEBT EXPENSE	4,041	4,041		
MEMBERSHIP DUES	3,013	3,013		
MEXICO CALL CENTER	639,804	599,454	\$ (40,350)	5
<b>Total Selling Expenses</b>	<u>1,854,198</u>	<u>1,805,148</u>		



<b>Operations Expenses</b>				
WAGES	1,621,293	1,621,293		
ACCRUED WAGES	5,925	5,925		
PAYROLL TAX EXPENSE	209,160	209,160		
GROUP INSURANCE	7,040	7,040		
MISC EMPLOYMENT EXP	12,092	12,092		
CONTRACT LABOR	92,957	92,957		
<b>Total Operations Wages &amp; Related</b>	<b>1,948,469</b>	<b>1,948,469</b>		
RENT	565,881	565,881		
UTILITIES	121,251	121,251		
TELEPHONE	1,019	1,019		
DEPRECIATION	562,800	562,800		
SUPPLIES	2,340,361	2,340,361		
TRASH REMOVAL	17,593	17,593		
EQUIPMENT MAINT & REPAIR	316,164	316,164		
FACILITY MAINT & REPAIR	22,884	22,884		
OTHER CONSULTING SERVICES	24,184	24,184		
TAXES & LICENSES	49,131	49,131		
MISC EXPENSE	3,746	3,746		
TRAVEL - TRANSPORTATION	2,800	2,800		
TRAVEL - LODGING				
TRAVEL - MEAL				
TRAVEL - ENTERTAINMENT	1,263	1,263		
<b>Total Operations Expenses</b>	<b>5,977,546</b>	<b>5,977,546</b>		
<b>G&amp;A Expenses</b>				
WAGES	253,708	211,708	\$ (42,000)	4
ACCRUED WAGES	4,475	4,475		
PAYROLL TAX EXPENSE	22,607	19,018	\$ (3,588)	4
GROUP INSURANCE	13,713	13,713		
WORK COMP EXP	22,087	22,087		
PAYROLL SERVICE FEES	29,986	29,986		
CONTRAC LABOR	3,540	3,540		
MISC EMPLOYMENT EXP	3,640	3,640		
<b>Total G&amp;A Wages &amp; Related</b>	<b>353,756</b>	<b>308,168</b>		
RENT	62,876	62,876		
UTILITIES	40,119	40,119		
TELEPHONE	65,925	65,925		
DEPRECIATION	195,960	195,960		
SUPPLIES	115,225	115,225		
TRASH REMOVAL	2,107	2,107		

EQUIPMENT MAINT & REPAIR	8,816	8,816		
BUSINESS INSURANCE	5,016	5,016		
POSTAGE & COURIER	40,972	40,972		
LEGAL	10,827	10,827		
AUDIT/TAX SERVICES	9,124	9,124		
OTHER CONSULTING SERVICES	15,271	15,271		
TAXES LICENSE	179,743	179,743		
BANK CHARGES	1,516	1,516		
CREDIT CARD DISCOUNTS	44,882	44,882		
DONATIVE	275,465	275,465		
TRAVEL - TRANSPORTATION	35,082	21,175	\$ (13,907)	3,6
TRAVEL - LODGING	25,709	13,709	\$ (12,000)	1
TRAVEL - MEALS	15,221	7,701	\$ (7,520)	2
TRAVEL - ENTERTAINMENT	5,627	5,627		
MEMBERSHIP DUES				
<b>Total G&amp;A Expenses</b>	<b>1,509,239</b>	<b>1,430,223</b>		
<b>Total Operating Expense</b>	<b>9,340,983</b>	<b>9,212,917</b>		
	0	0		
<b>Operating Income</b>	<b>1,569,145</b>	<b>1,697,211</b>		
INTEREST EXPENSE - BANK LINE	425,232	425,232		
FINANCE CHARGES - OTHER	9,925	9,925		
TAXES - OTHER	40,750	40,750		
<b>Total Other Income/Expenses</b>	<b>475,907</b>	<b>475,907</b>		
<b>Pre-Tax Income</b>	<b>1,093,239</b>	<b>1,221,304</b>		
<b>Tax - Income</b>				
<b>Net Income After Tax</b>	<b>\$ 1,093,239</b>	<b>\$ 1,221,304</b>		
<b>EBITDA</b>	<b>\$ 2,331,145</b>	<b>\$ 2,459,211</b>		

<b>Colorado Timberline</b>				
Historical and Adjusted Income Statement				
For the 12 Months Ending December 31, 2013				
	<b>2013</b>	<b>2013 (Adjusted)</b>	<b>Difference</b>	<b>Notes</b>
<b>Net Sales</b>	\$ 25,799,012	\$ 25,799,012		
<b>Total Cost of Goods Sold</b>	<u>12,105,323</u>	<u>11,774,099</u>	<u>\$ (331,224)</u>	<u>9</u>
<b>Gross Margin</b>	13,693,689	14,024,913		
<b>Selling Expenses</b>				
WAGES	530,004	530,004		
ACCRUED WAGES	16,150	16,150		
PAYROLL TAX EXPENSE	57,607	57,607		
GROUP INSURANCE	17,169	17,169		
MISC EMPLOYMENT EXP	7,172	7,172		
CONTRACT LABOR	688	688		
<b>Total Selling Wages &amp; Related</b>	<u>628,790</u>	<u>628,790</u>		
TELEPHONE	55,857	55,857		
DEPRECIATION	3,240	3,240		
SUPPLIES	1,921	1,921		
LEGAL	-	-		
OTHER CONSULTING SERVICES	108,406	108,406		
MISC EXPENSE	-	-		
TRAVEL - TRANSPORTATION	114,249	114,249		
TRAVEL - LODGING	65,330	56,630	\$ (8,700)	1
TRAVEL - MEALS	27,752	27,752		
TRAVEL - ENTERTAINMENT	1,560	1,560		
CONVENTIONS	199,839	199,839		
COMMISSION				
SALES LITERATURE	29,994	29,994		
SALES SAMPLES & DISPLAYS	110,035	110,035		
REBATE & REFUND AR ACCOUNTS	12,997	12,997		
BAD DEBT EXPENSE	-	-		
MEMBERSHIP DUES	1,170	1,170		
MEXICO CALL CENTER	604,336	563,428	\$ (40,908)	5
<b>Total Selling Expenses</b>	<u>1,965,478</u>	<u>1,915,870</u>		

**Operations Expenses**

WAGES	2,264,696	2,264,696		
ACCRUED WAGES	30,807	30,807		
PAYROLL TAX EXPENSE	284,196	284,196		
GROUP INSURANCE	8,771	8,771		
MISC EMPLOYMENT EXP	11,463	11,463		
CONTRACT LABOR	172,944	172,944		
<b>Total Operations Wages &amp; Related</b>	<b>2,772,878</b>	<b>2,772,878</b>		
RENT	567,656	567,656		
UTILITIES	177,913	177,913		
TELEPHONE	933	933		
DEPRECIATION	661,406	661,406		
SUPPLIES	3,441,674	3,441,674		
TRASH REMOVAL	28,971	28,971		
EQUIPMENT MAINT & REPAIR	429,856	429,856		
FACILITY MAINT & REPAIR	4,776	4,776		
OTHER CONSULTING SERVICES	17,626	17,626		
TAXES & LICENSES	61,409	61,409		
MISC EXPENSE	10,280	10,280		
TRAVEL - TRANSPORTATION	3,319	3,319		
TRAVEL - LODGING	1,994	1,994		
TRAVEL - MEAL	1,954	1,954		
TRAVEL - ENTERTAINMENT	3,752	3,752		
<b>Total Operations Expenses</b>	<b>8,186,396</b>	<b>8,186,396</b>		

**G&A Expenses**

WAGES	298,414	259,414	\$ (39,000)	4
ACCRUED WAGES	7,666	7,666		
PAYROLL TAX EXPENSE	26,747	23,687	\$ (3,060)	4
GROUP INSURANCE	18,417	18,417		
WORK COMP EXP	29,847	29,847		
PAYROLL SERVICE FEES	26,451	26,451		
CONTRAC LABOR	10,172	10,172		
MISC EMPLOYMENT EXP	6,832	6,832		
<b>Total G&amp;A Wages &amp; Related</b>	<b>424,548</b>	<b>382,488</b>		



RENT	63,073	63,073		
UTILITIES	55,969	55,969		
TELEPHONE	73,796	73,796		
DEPRECIATION	195,960	195,960		
SUPPLIES	158,691	158,691		
TRASH REMOVAL	2,846	2,846		
EQUIPMENT MAINT & REPAIR	11,388	11,388		
BUSINESS INSURANCE	46,661	46,661		
POSTAGE & COURIER	8,721	8,721		
LEGAL	23,038	23,038		
AUDIT/TAX SERVICES	12,150	12,150		
OTHER CONSULTING SERVICES	242,051	242,051		
TAXES LICENSE	1,575	1,575		
BANK CHARGES	41,933	41,933		
CREDIT CARD DISCOUNTS	281,882	281,882		
DONATIVE	58	58		
TRAVEL - TRANSPORTATION	78,371	53,976	\$ (24,394)	3,6
TRAVEL - LODGING	36,084	24,084	\$ (12,000)	1
TRAVEL - MEALS	28,879	14,110	\$ (14,769)	2
TRAVEL - ENTERTAINMENT	14,072	14,072		
MEMBERSHIP DUES	3,495	3,495		
<b>Total G&amp;A Expenses</b>	<b>1,805,240</b>	<b>1,712,017</b>		
<b>Total Operating Expense</b>	<b>11,957,115</b>	<b>11,814,284</b>		
	0	0		
<b>Operating Income</b>	<b>1,736,574</b>	<b>2,210,629</b>	<b>\$ 474,055</b>	
INTEREST EXPENSE - BANK LINE	467,957	467,957		
FINANCE CHARGES - OTHER	1,762	1,762		
TAXES - OTHER	14,494	14,494		
<b>Total Other Income/Expenses</b>	<b>484,213</b>	<b>484,213</b>		
<b>Pre-Tax Income</b>	<b>1,252,361</b>	<b>1,726,417</b>		
<b>Tax - Income</b>				
<b>Net Income After Tax</b>	<b>\$ 1,252,361</b>	<b>\$ 1,726,417</b>		
<b>EBITDA</b>	<b>\$ 2,597,180</b>	<b>\$ 3,071,235</b>		

<b>Colorado Timberline</b>				
Historical and Adjusted Income Statement Summary				
For the 12 Months Ending December 31, 2014				
	<b>2014</b>	<b>2014 (Adjusted)</b>	<b>Difference</b>	<b>Notes</b>
<b>Net Sales</b>	\$ 35,229,434	\$ 35,229,434		
<b>Total Cost of Goods Sold</b>	15,744,486	15,262,486	\$(482,000)	10, 11
<b>Gross Margin</b>	19,484,948	19,966,948		
<b>Selling Expenses</b>				
WAGES	526,538	526,538		
ACCRUED WAGES	24,269	24,269		
PAYROLL TAX EXPENSE	47,532	47,532		
GROUP INSURANCE	15,712	15,712		
MISC EMPLOYMENT EXP	4,339	4,339		
CONTRACT LABOR	-	-		
<b>Total Selling Wages &amp; Related</b>	618,389	618,389		
TELEPHONE	56,492	56,492		
DEPRECIATION	3,240	3,240		
SUPPLIES	5	5		
LEGAL	-	-		
OTHER CONSULTING SERVICES	150,528	150,528		
MISC EXPENSE	-	-		
TRAVEL - TRANSPORTATION	37,661	37,661		
TRAVEL - LODGING	25,182	16,132	\$ (9,050)	1
TRAVEL - MEALS	12,596	12,596		
TRAVEL - ENTERTAINMENT	487	487		
CONVENTIONS	81,502	81,502		
COMMISSION	35,920	35,920		
SALES LITERATURE	58,628	58,628		
SALES SAMPLES & DISPLAYS	118,295	118,295		
REBATE & REFUND AR ACCOUNTS	5,879	5,879		
BAD DEBT EXPENSE	-	-		
MEMBERSHIP DUES	25	25		
MEXICO CALL CENTER	555,684	514,404	\$ (41,280)	5
<b>Total Selling Expenses</b>	1,760,513	1,710,183		

**Operations Expenses**

WAGES	3,460,186	3,460,186		
ACCRUED WAGES	91,047	91,047		
PAYROLL TAX EXPENSE	343,852	343,852		
GROUP INSURANCE	11,364	11,364		
MISC EMPLOYMENT EXP	15,121	15,121		
CONTRACT LABOR	185,690	185,690		
<b>Total Operations Wages &amp; Related</b>	<b>4,107,260</b>	<b>4,107,260</b>		
RENT	752,440	752,440		
UTILITIES	245,294	245,294		
TELEPHONE	1,918	1,918		
DEPRECIATION	1,029,258	1,029,258		
SUPPLIES	5,823,654	5,823,654		
TRASH REMOVAL	32,454	32,454		
EQUIPMENT MAINT & REPAIR	328,099	328,099		
FACILITY MAINT & REPAIR	22,054	22,054		
OTHER CONSULTING SERVICES	154,200	15,200	\$(139,000)	8
TAXES & LICENSES	149,229	149,229		
MISC EXPENSE	28,758	28,758		
TRAVEL - TRANSPORTATION	14,801	14,801		
TRAVEL - LODGING	5,474	5,474		
TRAVEL - MEAL	2,286	2,286		
TRAVEL - ENTERTAINMENT	765	765		
<b>Total Operations Expenses</b>	<b>12,697,944</b>	<b>12,558,944</b>		

**G&A Expenses**

WAGES	322,271	283,271	\$ (39,000)	4
ACCRUED WAGES	17,272	17,272		
PAYROLL TAX EXPENSE	24,901	22,255	\$ (2,646)	4
GROUP INSURANCE	18,853	18,853		
WORK COMP EXP	32,686	32,686		
PAYROLL SERVICE FEES	26,104	26,104		
CONTRAC LABOR	14,295	14,295		
MISC EMPLOYMENT EXP	6,319	6,319		
<b>Total G&amp;A Wages &amp; Related</b>	<b>462,701</b>	<b>421,055</b>		



RENT	69,303	69,303		
UTILITIES	76,408	76,408		
TELEPHONE	60,377	60,377		
DEPRECIATION	195,960	195,960		
SUPPLIES	213,480	213,480		
TRASH REMOVAL	3,593	3,593		
EQUIPMENT MAINT & REPAIR	197	197		
BUSINESS INSURANCE	44,753	44,753		
POSTAGE & COURIER	7,563	7,563		
LEGAL	30,380	30,380		
AUDIT/TAX SERVICES	10,200	10,200		
OTHER CONSULTING SERVICES	228,117	127,797	\$(100,320)	7
TAXES LICENSE	41	41		
BANK CHARGES	49,176	49,176		
CREDIT CARD DISCOUNTS	269,945	269,945		
DONATIVE				
TRAVEL - TRANSPORTATION	53,429	44,252	\$ (9,177)	3, 6
TRAVEL - LODGING	27,608	15,608	\$ (12,000)	1
TRAVEL - MEALS	21,273	10,636	\$ (10,636)	2
TRAVEL - ENTERTAINMENT	5,327	5,327		
MEMBERSHIP DUES	205	205		
<b>Total G&amp;A Expenses</b>	<b>1,830,037</b>	<b>1,656,257</b>		
<b>Total Operating Expense</b>	<b>16,288,494</b>	<b>15,925,385</b>		
	0	0		
<b>Operating Income</b>	<b>3,196,454</b>	<b>4,041,563</b>		
INTEREST EXPENSE - BANK LINE	671,733	671,733		
FINANCE CHARGES - OTHER	(10,541)	(10,541)		
TAXES - OTHER	125,843	125,843		
<b>Total Other Income/Expenses</b>	<b>787,035</b>	<b>787,035</b>		
<b>Pre-Tax Income</b>	<b>2,409,419</b>	<b>3,254,528</b>		
<b>Tax - Income</b>	<b>907,281</b>	<b>907,281</b>		
<b>Net Income After Tax</b>	<b>\$ 1,502,138</b>	<b>\$ 2,347,247</b>		
<b>EBITDA</b>	<b>\$ 4,424,912</b>	<b>\$ 5,270,021</b>		

<b>Colorado Timberline</b>					
<b>Schedule of EBITDA Adjustments</b>					
<b>Note</b>	<b>Descriptions</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
	Owner's Personal Expenses				
1	Apartment Rent	20,700	20,700	21,050	3,590
2	Meals	7,520	14,769	10,636	1,253
3	Car	12,004	16,005	6,002	-
4	Former Wife's Payroll (not active in business)	45,588	42,060	41,646	7,010
5	Son's college tuition	40,350	40,908	41,280	8,256
6	Family airfare (personal)	1,902	8,389	3,175	-
	Subtotal	\$ 128,064	\$ 142,831	\$ 123,789	\$ 20,109
	Moving Expenses				
7	One-time consulting re: report development	-	-	100,320	-
8	One time consulting new facility layout/logistics	-	-	139,000	25,000
	Subtotal	-	-	239,320	25,000
	Other				
9	Discontinued items (one time writeoff)	-	331,224	-	-
10	Extraordinary Bad Debt (Uncollected freight charge)	-	-	205,000	-
11	Lost income from inventory destroyed in fire	-	-	277,000	-
	Subtotal	-	331,224	482,000	-
	<b>Total Adjustments</b>	<b>\$ 128,064</b>	<b>\$ 474,055</b>	<b>\$ 845,109</b>	<b>\$ 45,109</b>