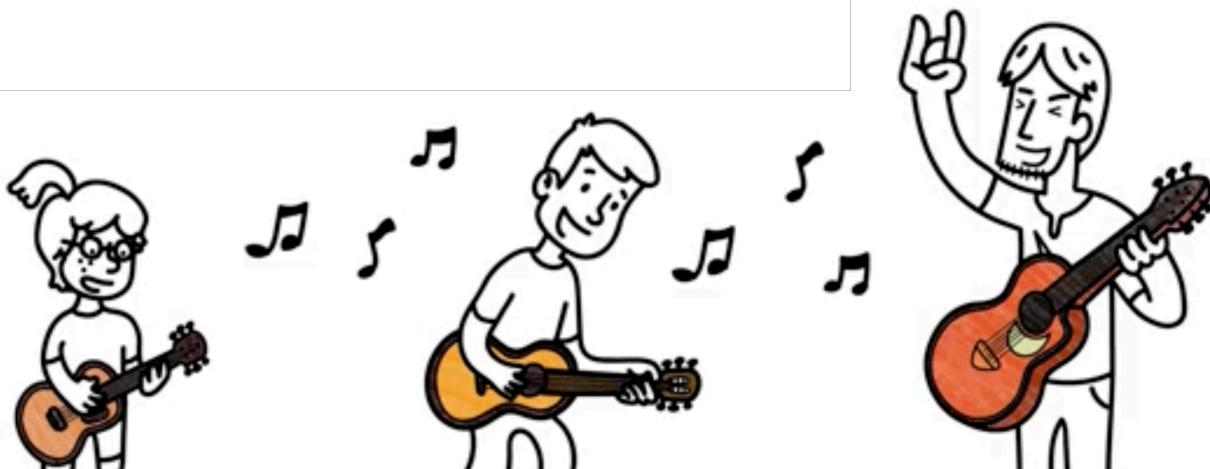


# *endless tone*

## Business Plan



Draft R7: April 2016

Endless Tone LLC

### **OWNERS**

Dean J. Kroker – CEO  
Donald Scott – COO  
730 Germantown Pike  
Lafayette Hill, PA 19444  
(904) 257-6537  
[info@endlesstone.com](mailto:info@endlesstone.com)

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## **II. Executive Summary**

Endless Tone is a modern web application designed to be an information engine for musicians everywhere. The platform helps connect users with an instrument they will love while providing a robust search engine for community members to post questions, share tips, and comparison shop.

The web application is designed to allow users to engage in a manner currently not possible though traditional platforms. In facilitating this engagement, Endless Tone is a position to direct users to the most economical (or otherwise preferred) retailer, collecting a commission for its referral.

Co-Founders Dean Kroker (CEO) and Donald Scott (COO) are working to expand Endless Tone's beta functionality to meet the full scope and depth proscribed by this business plan. With six commission-based retail relationships and substantial technical progress, Endless Tone will grow and further develop its unique competitive advantage, as well as its musical offerings.

Endless Tone is seeking financial assistance in order to expand its functionality and develop its robust revenue model. After securement, Endless Tone will expand its web interface, improve and expand its functionality and processes, provide additional informational resources for customers, and effectively market its product. General outline of cost distribution is detailed in the following pages.

### **III. General Company Description**

#### **Our Mission:**

*Our vision is to connect musicians with modern technology, and to empower the community to know and do more with the instruments they love.*

Endless Tone intends to bridge the gap between the music industry and 21<sup>st</sup> century information technology. We aspire for uncompromised design and seek to define the future of instrument commerce.

#### **Goals & Objectives:**

- 1) To develop and deploy a knowledge service, complete with a robust product catalog.
- 2) To expand our instrument database beyond acoustic guitars.
- 3) To create a giving program for consumers to donate a percentage of their purchase.
- 4) To improve manufacturer market knowledge of the growing industry.

#### **Target Market:**

Endless Tone ultimately seeks to target those interested in musical instruments. Whether it be a question, rant, or recommendation, Endless Tone allows musicians to share their collective wisdom and purchase the best product for an individual's needs.

Our Phase I release targets musicians looking to purchase an acoustic guitar. Phase II calls for the expansion of the target market to additional instruments (starting with the electric guitar and accessories market), while Phase III opens up the platform to manufacturers and their marketing and analytics teams.

#### **The Industry:**

The guitar industry has seen tremendous growth, both online and in retail stores. In 2014, guitar sales increased 7% to \$1.07 billion. The average price of a guitar rose to \$433 from \$403 in 2013.<sup>1</sup> Acoustic guitars continue to see a rise in demand, particularly in high-end guitars (>\$1,000). Fretted instrument sales and related accessories yielded their highest

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<sup>1</sup> Music Trades 2014 Industry Census

performance in seven years. Market analysis indicates acoustic guitars were the top performers in the market, a 10% increase to 1.5 million units translating to a 12.5% gain in retail value.<sup>2</sup>

**Company Strengths:**

Endless Tone's CEO and COO direct their focus to customer interaction and superiority in web technology. Specializing in user interface design and web architecture the founders and their background help differentiate the product and advance the company.

**Legal form of ownership:**

Endless Tone is a Limited Liability Company registered in the State of Pennsylvania.

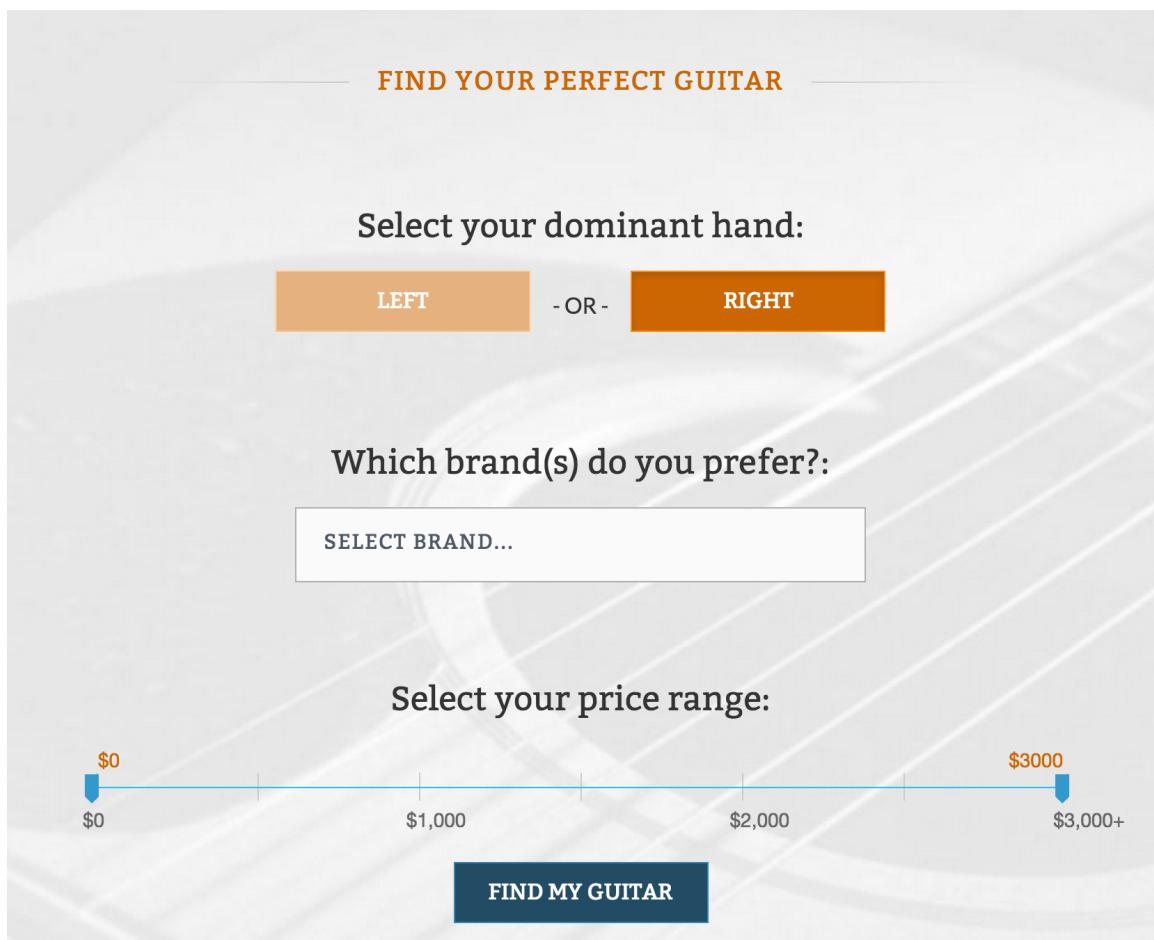
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<sup>2</sup> The 2015 NAMM Global Report

## IV. Products and Services

### Phase I - Product Overview:

The current product consists of the e-commerce and comparison shopping experience and will be integrated into future phases. Responsive in design, the product offers full functionality on all mobile devices, tablets, and computers. Musicians can launch a search directly through our quick search bar, by scrolling to our featured guitars, or by answer a few short beginner questions.



On the *Grid View*, musicians can sort by custom guitar filters and a *Similar To* tool, which suggests guitars based off several criteria. Our filters have the ability to broaden and narrow, showing wood names specific to a manufacturer only when the manufacturer is specified.

HOME
GRID VIEW
endless tone
Search more guitars...
0

Select your dominant hand:
**LEFT**
**RIGHT**
SORT BY: Price
▼ ▲

Brand:

  
Top Wood:

  
Back/Side Wood:

  
Finish:

  
Find guitars similar to:



Martin 00-DB Jeff Tweedy

Prices starting at \$2449

[View Details](#)



Martin 000-28

Prices starting at \$2331.12

[View Details](#)



Martin D-18

Prices starting at \$2249

[View Details](#)

Number of frets:



Price



Strings

**6**
**12**



Martin 000-17SM

Prices starting at \$1649

[View Details](#)



Martin OM-21

Prices starting at \$1599.99

[View Details](#)



Martin GPCPA4 Rosewood

Prices starting at \$1549

[View Details](#)

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Users are encouraged to add guitars they like to their *Collection*: an area for them to see all their favorites, and create a link for later viewing.

The screenshot shows the 'endless tone' website's collection management feature. At the top, there are navigation links for 'HOME' and 'GRID VIEW'. A search bar contains the placeholder 'Search more guitars...' and a heart icon with the number '2'. Below this, the title 'Manage your collection' is displayed, followed by the subtext 'Currently showing 2 guitars in our collection'. There are two buttons: 'SAVE COLLECTION' and 'CLEAR COLLECTION'. A sorting dropdown menu is set to 'Brand'. The first guitar listed is a Martin D-18, starting at \$2,249.00. Its details include:  
TOP: Solid Sitka Spruce; BACK: Genuine Mahogany; SIDES: Genuine Mahogany; BODY TYPE: ; BRIDGE: . FRETBOARD: Solid Black Ebony; # OF FRETS: 20; # OF STRINGS: 6; TOP FINISH: . ELECTRONICS: Optional; BRACING: Standard "X" Scalloped, Forward Shifted; TOP FINISH: Polished Gloss w/ Aging Toner; BACK & SIDES FINISH: Polished Gloss.  
The second guitar listed is a Taylor 526e, starting at \$2,399.00. Its details include:  
TOP: Tropical Mahogany; BACK: Tropical Mahogany; SIDES: Tropical Mahogany; BODY TYPE: ; BRIDGE: . FRETBOARD: N/A; # OF FRETS: 20; # OF STRINGS: 6; TOP FINISH: . ELECTRONICS: Expression System 2®; BRACING: Forward Shifted Pattern with Relief Rout; TOP FINISH: Gloss; BACK & SIDES FINISH: Gloss.

**Martin D-18**

PRICES STARTING AT  
**\$2,249.00**

**VIEW DETAILS**

TOP Solid Sitka Spruce	FRETBOARD Solid Black Ebony	Polished Gloss w/ Aging Toner
BACK Genuine Mahogany	SOLID BLACK EBONY	BACK & SIDES FINISH Polished Gloss
SIDES Genuine Mahogany	# OF FRETS 20	ELECTRONICS Optional
BODY TYPE	# OF STRINGS 6	BRACING Standard "X" Scalloped, Forward Shifted
BRIDGE	TOP FINISH	

**Taylor 526e**

PRICES STARTING AT  
**\$2,399.00**

**VIEW DETAILS**

TOP Tropical Mahogany	FRETBOARD N/A	Gloss
BACK Tropical Mahogany	Ebony	BACK & SIDES FINISH Gloss
SIDES Tropical Mahogany	# OF FRETS 20	ELECTRONICS Expression System 2®
BODY TYPE	# OF STRINGS 6	BRACING Forward Shifted Pattern with Relief Rout
BRIDGE	TOP FINISH	

Upon arrival at a *Details* page for a particular guitar, customers can view used and new prices from six retailers, can access verified specifications, descriptions, and more.

The screenshot shows a guitar details page for a Martin SS-GP42-15. At the top, there's a navigation bar with 'HOME' and 'GRID VIEW' buttons, the 'endless tone' logo, a search bar with 'Search more guitars...', and a '2' indicating items in the cart. Below the navigation is a large image of the guitar. To the right of the image, the guitar model is displayed as 'Martin SS-GP42-15'. Below the model name is the price '\$8249' with a note 'BUY ONLINE STARTING AT'. To the right of the price is a 'VIEW SIMILAR GUITARS' button. The main content area is divided into two columns. The left column is titled 'Lowest offer' and contains the price '\$8249' in green, followed by 'Sold by Guitar Center for \$8249' and a 'new | See Details' link. It also includes three buttons: 'BUY NOW', 'SEE ALL PRICES', and 'ADD TO COLLECTION'. The right column is titled 'About The Martin SS-GP42-15' and provides a detailed description of the guitar, mentioning it's a Limited Edition Custom Shop SS-GP42-15 Grand Performance Acoustic-Electric Guitar #50 of 50, with serial number 1884020. Below this are four smaller images of the guitar from different angles. At the bottom, there's a table with tabs for 'SPECS', 'DESCRIPTION', and 'PRICES'. The 'SPECS' tab is active, showing details like 'TOP VTS Certified European Spruce', '# OF STRINGS 6', and 'ROSETTE 2 Ring'.

SPECS	DESCRIPTION	PRICES
TOP VTS Certified European Spruce	# OF STRINGS 6	ROSETTE 2 Ring

### Monetization:

Endless Tone is a free application for all end-users. After clicking through to an Endless Tone affiliate and making a purchase (within 14 days), Endless Tone receives a 6% base commission, with an increase up to 10% for select affiliates.

Additional forms of revenue may include manufacturer-specific site licensing, the sale of analytics data, used instrument sales through Endless Tone, and weight manipulation for promotional purposes.

### **Phase II - Product Advancements:**

Phase II is the truly transformative (and most critical) stage of initial development. In this iteration Endless Tone will deploy its “knowledge engine,” a system which allows users to pose questions to music experts and hobbyists alike. The system will be designed in a question/answer format, allowing users with sufficient reputation to take additional privileged actions, such as editing a post, or posting more complex question types, such as polls.

When creating a post, users will be able to tag manufacturers, specific attributes, or even specific products which allow our system to pull in relevant information from the product catalog, ultimately driving sales. To help identify and promote top contributors Endless Tone will assign flair to “gamify” the experience. Studies show that such an approach exponentially improves audience engagement, as well as promotes insightful interaction.

### **Phase III – Engaging New Audiences:**

After successful implementation of Phase II, acoustic guitar comparison will be augmented with additional instruments: electric guitars, pedals, amps, pickups, strings, banjos, classical instruments, brass, drums and more. Phase III intends to be a pivot-point for our businesses growth, and intends to view profit as a necessary intention.

Phase III will also herald development efforts on an analytics dashboard. The system will be designed to provide real-time data regarding consumer search and purchase trends, as well as traffic variances which present business opportunities. We will improve our charting and analysis of user behavior in an attempt to ultimately license the service to manufacturers and retailers.

## Phase II Design Mock

DEAN ENDLESS.GUITARS endless tone

Categories:

- [ALL INSTRUMENTS](#)
- [ACOUSTICS](#)
- [ELECTRICS](#)
- [DRUMS](#)
- [PEDALS](#)
- [ACCESSORIES](#)

Instruments with love:


Martin HD-28
31,255


Martin HD-35
22,255


Alvarez AB60
19,255

**What do you want to talk about?**

SUBMIT

YOU TOP DATE UNANSWERED ▼▲

10/30/2022 AT 10:30AM All Instruments > Acoustics > #Bodies

2413 What are the main body types in an acoustic guitar? 

Dreadnought tends to be the centric shape people consider. Larger shapes are slope-dread, jumbo, and then baritone. Smaller shapes start at parlor ("0"), move to grand concert ("00"), OM/000, and then grand auditorium. Body shapes are lorem ipsum dolor sit amet:

✓





[More...](#)

BY DEAN KROKER | [VIEW POST](#) | [COMMENT \(20\)](#) | [REPORT](#)

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10/30/2022 AT 10:40AM All Instruments > Acoustics > #Vintage, Martin HD-28

1032 How do I re-color a Vintage Martin HD-28 from 1993? 

The answer is don't do it: you'll remove a significant proportion of its value. But if you must, here's my advice: take the entire guitar apart, including removing the tuners, bushings, and frets. It's going to look like crap if you don't do the fretboard, and you can't do it well with the frets in...

Using coarse steel wool, start wiping the guitar from neck to tail piece in parallel paths. Do not deviate from the parallel, overlapping paths. Do not press with your fingertips. Do not press with the heel of your hand. Do turn and replace the steel wool frequently. When the neck and body look right... consider how to match the finish on the rest of the hardware.

Check out [this site](#) for more information.

BY DEAN KROKER | [VIEW POST](#) | [COMMENT \(93\)](#) | [REPORT](#)

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10/30/2022 AT 10:20AM All Instruments > Acoustics > #Strings, Seagull S6

1029 What are the best strings I have been using? 

wouldn't put anything

BY DEAN KROKER | [VIEW POST](#)

♥ **Seagull S6**

SORT BY: Price ▼▲

Image	Seller	Price	Buy
	Sold by <b>Guitar Center</b> Used Like New - 2012	\$399.99	
	Sold by <b>Sam Ash</b> Used Good Condition	\$413.40	
	Sold by <b>Reverb</b> New	\$429.99	
	Sold by <b>Guitar Center</b> New	\$429.99	
	Sold by <b>Sam Ash</b> New	\$434.99	

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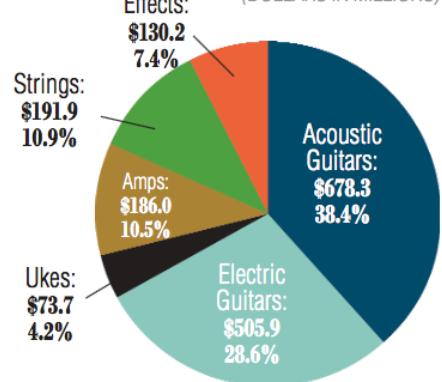
## V. Marketing Plan

### Economics

The instrument marketplace is a \$7 billion industry and, in 2014, saw its best performance in six years. Phase I of Endless Tone's market will be constrained primarily to the acoustic guitar market. Retail value for acoustic guitars saw a 12.4% increase from last year. The average selling price for a guitar is \$450, up from \$433 in 2013.

After successful implementation of Phase I, Endless Tone plans to expand to electric guitars and related accessories. Fretted instrument retail sales are the highest amongst all product categories at \$1.77 billion, up from \$1.65 billion in 2013.<sup>3</sup>

2014 PRODUCT MIX BY RETAIL VALUE  
(DOLLARS IN MILLIONS)



Average Selling Price For Guitars	2014	2013	2012
	<b>\$450</b>	<b>\$433</b>	<b>\$402</b>

<i>Billions of dollars</i>	2014	2013	2012	2011
All Instruments	\$7.0	\$6.8	\$6.6	\$6.5
Fretted Instruments	\$1.77	\$1.65	\$1.60	\$1.55
Guitars	\$1.5	\$1.10	\$1.00	\$0.935
Acoustic Guitars	\$0.678	\$0.603	\$0.532	\$0.483

<i>Thousands of units</i>	2014	2013	2012	2011
Acoustic Guitars (\$0-\$200)	764	743	754	773.3
Acoustic Guitars (\$200 - \$500)	385	334	317.9	319
Acoustic Guitars (\$500-\$1,500)	265	216	201.75	171.2
Acoustic Guitars (\$1500+)	84.7	69.9	52.85	48.1
Total Acoustic Guitars Sold	<b>1,498.7</b>	<b>1,362.9</b>	<b>1,326.5</b>	<b>1,311.6</b>

<sup>3</sup> Data and image from Music Trades 2015 Industry Census

### **Barriers to entry:**

- High development and integration costs
- Consumer acceptance and brand recognition
- User acquisition costs

### **Overcoming barriers:**

Endless Tone plans to continue to leverage their European development team in conjunction with domestic code contributions. After much trial and error, we feel we have found a team that is competent and reliable to assist with feature expansion.

Though the industry and technology is rapidly changing, Endless Tone poses an opportunity to subvert existing retailers in the online space. Endless Tone comes at a pivotal time in the guitar industry, with traffic moving toward online and used sale, and with the guitar market seeing rapid growth in recent years. ““We’re seeing fewer first-time buyers and a lot more older guys adding instruments to their collection,’ said one retailer.”<sup>5</sup>

## **Customers**

**Targeted Audience:** Endless Tone targets new and used guitar buyers. Profile 1 targets seasoned guitarists who understand the instrument market and their needs. Profile 2 is directed toward new guitarist, and will include custom pages directed toward educational resources. Profile 3 is intended for large firms for the licensing of the *Analytics Dashboard*. Profile 1 and Profile 2 will expand rapidly as Endless Tone’s inventory types grow.

### *Demographic Profile 1 – The seasoned musician*

- Age: 21-65 years of age
- Location: United States
- Income Level: > \$45,000
- Looking to purchase: Acoustic Guitar > \$900
- Interests: Music, guitar, instruments

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<sup>5</sup> Music Trades 2015 Industry Census

### Demographic Profile 2 – *The beginner musician*

- Age: 16-23 years of age, 40-60 years of age
- Location: United States
- Income Level: All
- Looking to purchase: Acoustic Guitar  $\leq \$900$
- Interests: Music, guitar, instruments (for themselves or children)

### Demographic Profile 3 – *The industry firm*

- Industry: Instrument sales
- Location: United States
- Size of firm: 100+ Employees
- Price preferences: All
- Interests: Sale or creation of guitars, instruments, music

## Competition

Our competition is comprised of existing and future instrument retailers. The goal is to direct users to Endless Tone, and then subsequently to our affiliate retailers for purchase. In this way, we maintain trust in each one of our retailers.

Though our goal is to direct users to us, we will inevitably continue to compete with individuals who choose to visit non-affiliate sites to make purchases, or choose to visit brick-and-mortar stores without an Endless Tone coupon.

#### Competitors who are our affiliates:

- Guitar Center
- Sam Ash
- Reverb
- American Musical Supply
- Music & Arts
- West Music

#### Competitors but not current affiliates:

- zZounds
- Sweetwater Music
- eBay
- Amazon
- Craig's List
- Same Day Music

Endless Tone has a unique place in the guitar market; we are neither a buyer nor a seller of guitars. Due to this, our focus is on our customers and their experience with our products, not products and their ability to be sold. Overall, Endless Tone provides more products for better prices, and delivers customers more information about each product.

## **Strategy**

Our strategy is simple: get guitars in the hands of more people. How do we do it? Besides offering customers better products for better prices, we will rapidly spread our numerous competitive advantages through Facebook Ads and pages, Google AdWords, SEO, site mapping, and several other local and digital channels. We will utilize a user-acquisition approach similar to Wikipedia, Reddit, and StackOverflow, allowing musicians to share their wisdom and empowering them to do so in a detailed manner.

### **Our blog:**

Beginning with our blog (<https://endlesstone.com/blog>), we will quickly expand our *Learning* section with articles, videos, and tutorials. For the new guitarist, this blog will appeal to them and get them educated about purchasing a guitar. To this end, we have several SEO-friendly articles in order to connect new guitarists to Endless Tone through Google.

### **Google AdWords:**

Google AdWords will direct new guitarists to our search-centric blog, allowing them to instantly narrow their results based on their needs.

### **Facebook Marketing:**

We will connect with guitar owners, sellers, and merchandisers. We use several customer groups on Facebook to direct them to our profile, where we actively campaign for products on our site, blog entries, and other guitar news. We utilize our monthly social media plan in order to organically build our following. We will use promoted posts and Facebook Ads to better determine our customers.

## **VI. Management and Organization**

The business is currently operated and managed by Dean Kroker and Donald Scott.  
More information at <http://deankroker.com> and <https://donaldscott.com>.

Dean J. Kroker	Donald Scott
Chief Executive Officer	Chief Operating Officer
(904) 257-6537	(267) 567-3266
<a href="mailto:dkroker@endlesstone.com">dkroker@endlesstone.com</a>	<a href="mailto:dscott@endlesstone.com">dscott@endlesstone.com</a>

Current Staff:

- Founders: Donald Scott, Dean Kroker
- Full-time developers: Simply Technologies
- Accountant: Chris Murray
- Attorney: Brian Rosenthal
- Advisors: Gus Gustafson, Mike Gausling, Joshua Ehrig

## VII. Startup Expenses and Capitalization

Capital Contribution	2013	2014	2015	2016	Total
Dean J. Kroker (75%)	\$400	\$17,750	\$1,000	\$-	\$19,150
Donald H. Scott IV (25%)	\$-	\$-	\$14,248	\$5,752	\$20,000
Past Members (0%)	\$800	\$950	\$-	\$-	\$1,750
Total with Additions <sup>6</sup>	<b>\$1,200</b>	<b>\$18,700</b>	<b>\$27,748</b>	<b>\$5,752</b>	<b>\$53,400</b>

Start-up expenses	2013	2014	2015
Accounting	\$740	\$652	\$867
Advertising	\$9	\$-	\$25
Web development	\$-	\$2,070	\$15,455
Visual design	\$175	\$8,000	\$-
Web service fees	\$501	\$1,230	\$1,718
Misc. fees & expenses	\$-	\$5,300	\$1,422

### Estimate of Future Costs

Start-up expenses	2016 est.
Accounting	\$950
Advertising	\$4,800
Web dev. & design	\$41,040
Web service fees	\$1,272
Misc. fees & expenses	\$4,400

<sup>6</sup> Additions include non-equity grants from Bethlehem Economic Development Co.

## Profit and Loss Projection (4 Years)

Endless Tone LLC

	2016	%	2017	%	2018	%	2019
<b>Sales/Revenue</b>							
High-end Guitars Sold	\$32,500	100%	\$147,500	100%	\$442,500	100%	\$1,327,500
10	9,000 <sup>7</sup>	28%	30	27,000	18%	90	81,000
Low-mid-range Guitars Sold	50	20,000	62%	150	60,000	41%	450
Accessories Sold	100	3,500	11%	300	10,500	7%	900
Other Instruments Sold	0	-	0%	100	15,000	10%	300
Advertising	-	-	0%	-	20,000	14%	-
Analytics Sold	0	-	0%	5	15,000	10%	15
Commission	0.94	30,550	94%	0.92	103,500	70%	0.90
<b>Gross Profit</b>							
	\$1,950	6%	\$44,000	30%	\$138,750	31%	\$436,500
<b>Operating Expenses</b>							
Salary (Office & Overhead)	\$-	0%	\$50,000	34%	\$60,000	14%	\$72,000
Web development and design	41,040	126%	61,560	42%	92,340	21%	138,510
Accounting and Legal	950	3%	1,425	1%	21,375	5%	32,063
Advertising	4,800	15%	7,200	5%	10,800	2%	16,200
Web service fees	1,272	4%	1,526	1%	1,832	0%	2,198
Misc. fees and expenses	4,400	14%	6,600	4%	9,900	2%	14,850
Car, Delivery and Travel	-	0%	1,000	1%	1,500	0%	2,250
Rent	-	0%	24,000	16%	24,000	5%	24,000
Utilities	-	0%	-	0%	-	0%	-
Insurance	-	0%	-	0%	-	0%	-
Taxes (real estate etc.)	-	0%	-	0%	-	0%	-
Interest	-	0%	-	0%	-	0%	-
Depreciation	-	0%	-	0%	-	0%	-
<b>Total Expenses</b>							
	\$52,462	161%	\$153,311	104%	\$221,747	50%	\$302,071
<b>Net Profit Before Tax</b>	(50,512)		(109,311)		(82,997)		134,429
<b>Income Taxes</b>	-		-		-		-
<b>Net Profit After Tax</b>	(50,512)		(109,311)		(82,997)		134,429
<b>Owner Draw/ Dividends</b>	-		-		-		-

<sup>7</sup> Average price =

<b>Adj. to Retained Earnings</b>	<u><b><u>\$ (50,512)</u></b></u>	<u><b><u>\$ (109,311)</u></b></u>	<u><b><u>\$ (82,997)</u></b></u>	<u><b><u>\$ 134,429</u></b></u>
----------------------------------	----------------------------------	-----------------------------------	----------------------------------	---------------------------------

### **Assumptions used for estimate (*See Profit and Loss Projection*):**

- Expenses:
  - Estimated 2016 web development expenses outline an eight-month schedule, with fulltime development at a rate of \$27 per hour @ 40 hours per week.<sup>8</sup>
  - Miscellaneous fees include creative written and visual work, and other marketing material.
  - Estimate includes a 50% increase in general operating expenses, and Salary, Rent, and Travel estimates for the next three years.
- Sales/Revenue:
  - Revenue follows a 300% increase and includes the addition of new instruments, advertising, and the analytics dashboard.
  - Sales estimates utilize the average affiliate commission rate and the average price for each product category/service. See figures below for details:

Average high-end guitar price	\$900
Average low-mid-range guitar price	400
Average accessories price	35
Average non-guitar price	150
Analytics price / retailer / year	3,000

Sam Ash:	6% base commission 7% \$5,000 to \$10,000 8% \$10,000 to \$20,000 10% \$20,000+ 4% gift cards
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Guitar Center:	6% base commission 3% gift cards
Music 123:	6% base commission \$10 flat on rentals
West Music:	7% base commission

Reverb:	5% base commission 1% on all non-pool products Flat rate on Reverb merchandise Fluctuating rate based on sales
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<sup>8</sup> Services and availability confirmed from offshore services in Europe.