



DECA

WRITTEN EVENT WINNERS

2016

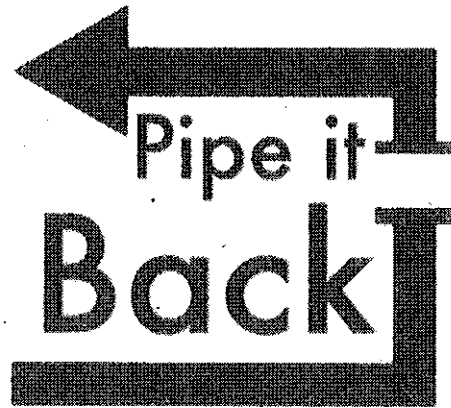
INTERNATIONAL CAREER DEVELOPMENT CONFERENCE

INTERNATIONAL BUSINESS PLAN EVENT

1st Place

BRADLEY BERKMAN
JACK FOSTER

Highland Park High School, IL



International Business Plan Event

DECA Illinois

Highland Park High School

433 Vine Avenue, Highland Park, IL 60035

Bradley Berkman

Jack Foster

Emory Holzer

April 25, 2016

Table of Contents

I. EXECUTIVE SUMMARY	1
A. COMPANY INFORMATION	1
B. LOCATION	1
C. PLANNED OPERATION	2
D. PRODUCT AND PRICING	2
E. REQUESTED LOAN	3
II. ANALYSIS OF THE INTERNATIONAL BUSINESS SITUATION	3
A. ECONOMIC, POLITICAL AND LEGAL ANALYSIS OF THE TRADING COUNTRY	3
B. TRADE AREA AND CULTURAL ANALYSIS	6
III. PROBLEM	9
IV. CUSTOMER SEGMENTS	9
V. UNIQUE VALUE PROPOSITION	10
VI. SOLUTION	11
VII. CHANNELS	11
A. CHINA	11
B. UNITED STATES	12
VIII. REVENUE STREAMS	14
A. REVENUE MODEL	14
B. LIFETIME VALUES	15
C. REVENUE	15
D. GROSS MARGIN	16

IX. COST STRUCTURE	16
A. CUSTOMER ACQUISITION COSTS.....	16
B. DISTRIBUTION COSTS.....	17
C. HUMAN RESOURCES COSTS	17
D. ADDITIONAL COSTS.....	17
X. DETAILED FINANCIALS.....	17
A. PROJECTED INCOME STATEMENTS BY MONTH	17
B. PROJECTED FIRST YEAR CASH FLOW	21
C. PROJECTED CASH FLOW BY MONTH.....	22
D. PROJECTED BALANCE SHEET	25
E. PROJECTED THREE-YEAR PLAN	25
F. PLANNED GROWTH OF BUSINESS.....	26
G. PROPOSED PLAN TO MEET CAPITAL NEEDS.....	26
XI. KEY METRICS.....	27
XII. COMPETITIVE ADVANTAGE	28
XIII. CONCLUSION.....	28
XIV. BIBLIOGRAPHY	29



I. Executive Summary

A. Company Information

Pipe it Back is an innovative new business centered around the revolutionary CPVC pipe. Recently, the Chinese government discovered lead-contaminated copper pipes carrying water in public buildings throughout the country. Our solution is three-pronged. First, we will distribute CPVC pipes in China to replace the contaminated copper pipes. Second, we will buy back the copper pipes and resell them in the United States for safe applications. Finally, we will partner with Charity: Water, a world-renowned charity, in order to advance our goal of providing clean drinking water to people around the world and further associating the Pipe it Back brand with reliability, safety, and responsibility.

B. Location

In early 2012, international testers from the United Nations found extremely high levels of lead in the running water at a Chinese hospital. Further internal investigations by the Chinese government traced the problem to the lead-based solder used to connect miles of copper pipes throughout China (South China Morning Post, 2015). The lead contaminates China's water supply, causing sickness and, in some cases, death. Pipe it Back has large market potential because lead-tainted systems span the entire country and are most prominent in China's public buildings. The Chinese government has set aside funds to replace the lead-tainted copper pipe system and has placed Hong Kong politician Helena Wong at the head of the project.



C. Planned Operation

Pipe it Back will buy CPVC pipes from the established American Charlotte Pipe and Foundry Company. Pipe it Back will then sell the pipes to its Chinese subsidiary to replace China's copper piping. Additionally, the U.S. parent company will sell product and provide administrative services to its Chinese subsidiary in compliance with transfer pricing rules in order to minimize double taxation of income. The installation and shipment to the United States of the scrap copper from China will be managed by the U.S. parent company through its Chinese subsidiary. Safe applications for this copper are numerous, including to car engine blocks, electrical wiring, and electronic accessories. In addition, Pipe it Back will assist Charity: Water by contributing CPVC piping to the organization, establishing reliable piping systems in impoverished countries.

D. Product and Pricing

CPVC pipe is one of the latest innovations in the plumbing industry. Experts praise CPVC for its longevity, affordability, and durability (Buildings.com, 2006). The power of CPVC lies its advantages over its competitors. Whereas PVC pipe is only suitable for cold water, the much more versatile CPVC pipe is able to handle both hot and cold water because of its chlorine treatment. CPVC's other competitors—copper and galvanized steel—while able to handle the same temperatures as CPVC piping, cost upwards of five times as much. CPVC pipe is the longest lasting pipe on the market; conservative estimates report that the pipe will last at least 75 years (Improvement Center, 2014). Pipe it Back will sell the CPVC pipes at ¥9.67 (\$1.50) per meter and at a discounted rate of ¥8.06 (\$1.25) per meter with copper pipe buy-back. We are confident that Chinese



consumers will embrace the CPVC as an inexpensive and reliable replacement to the current copper piping system.

E. Requested Loan

Pipe it Back will require a loan of \$250,000 in order to pay off expenses during the initial months of operation, including cost of goods sold (both American CPVC and Chinese copper), salaries, advertising, and incorporation fees (both American and Chinese). This loan will be repaid after the first six years of operation at an interest rate of 8% per annum.

II. Analysis of the International Business Situation

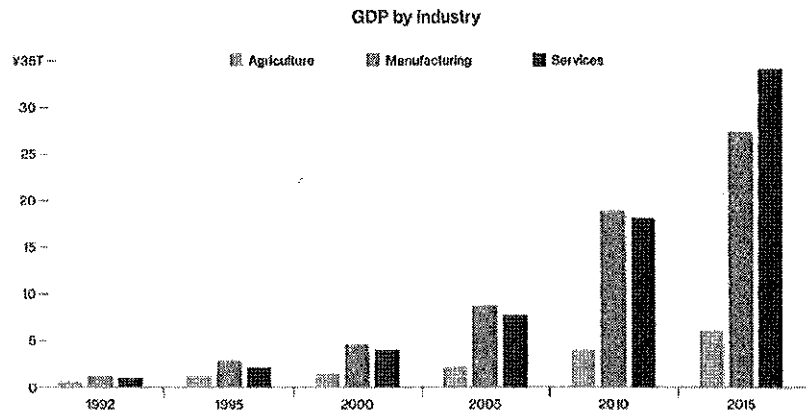
A. Economic, Political and Legal Analysis of the Trading Country

1. Description of China's Economic System

Pipe it Back will initially operate in the United States and China with an international focus. Since the late 1980s, China has been a socialist market economy. A socialist market economy is similar to an American style market economy, but the Chinese government may intervene

wherever it sees fit. The Chinese government often intervenes by adjusting prices to protect Chinese manufactures, as does the U.S. government via tariffs.

However, the Chinese government is constantly trying to



China's manufacturing sector has rapidly grown over the past decade



stimulate foreign investment. The gross domestic product of China (GDP) increased at a rate of 6.8 percent last year, and the market continues to grow at an exponential rate. Additionally, in the aftermath of the lead-contaminated piping disaster, there is strong demand in China for a safe, internationally certified piping system. Trust is the single most important aspect in the Chinese economy. We plan to market our pipe to Chinese contractors and distributors as an internationally certified, reliable brand.

This aspect of trust is key to foreign investment in the Chinese economy. Unlike in Western culture, the conventional way of operating business in China begins with trust and personal relationships. Building friendships will propel this foreign investment to a level of extreme success. Over 95 percent of China's 1.4 billion people rely on running water via piping, which provides enormous market potential (ABC-CLIO, 2016). The Chinese people want a reliable and affordable clean water solution. Pipe it Back's inexpensive and efficient CPVC piping will satisfy this demand.

2. Description of China's Governmental Structure and Stability

Good relationships with the government is key in China. This is where China slightly differs from the U.S. The Chinese government can seriously help or harm the process of doing business in China. Decisions in China are often made by state regulators, rather than elected representatives. This means that our relationships with government officials are key. There are significant regulatory requirements for RMB/USD conversions. Both trade settlements and bank borrowings are also heavily regulated. In the case of Pipe it Back, we will receive investment from primarily U.S. investors and will not borrow money from Chinese banks. Our equity investors and lenders will provide capital to our U.S. parent company.



3. Description of Laws Affecting Business

Tax regulations in China are extremely specific. In order to avoid double taxation, Pipe it Back will consist of an American limited liability company (LLC) and a Chinese Wholly Foreign Owned Enterprise (WFOE). The purpose of an LLC is to protect our investors or equity holders from liability while still maximizing the profits from our enterprise. Pipe it Back will consist of two separate legal entities. The first will be an American-based LLC named Pipe it Back. This company will be controlled by U.S. equity owners. The second entity of Pipe it Back will be a Chinese based Wholly Foreign Owned Enterprise (WFOE). A WFOE is a very effective choice for doing business in China for several reasons. First and foremost, we can purchase and build assets in China with ease. Second, we can hire staff directly in China. Outlined in the projected budget, we have budgeted for staffing in both China and the U.S. A WFOE also requires only minimum capital to get started. Most importantly, with a WFOE we receive much lower taxation. If the Chinese operation is formed under the conventional LLC based in America, Pipe it Back would be taxed an estimated 47 percent of revenue its first year. This is because Pipe it Back would be required to pay tax to both the Chinese government and the American government. However, in our proposed tax option, with the use of a WFOE, we will only pay a limited 25% on our Chinese revenues from selling CPVC pipes. China has a lower corporate tax rate to stimulate international investment in the economy. As is outlined in the revenue streams, the majority of our revenue is from selling CPVC in China, which will be purchased by the Chinese subsidiary from



Map of China



the U.S. parent company. As a result of this international participation, we will decrease taxes by roughly 7.7 percent.

B. Trade Area and Cultural Analysis

1. Geographic, Demographic, and Other Pertinent Cultural Information

Doing business in China is a complex process. Whereas in the American economic system, competition and strong ambition is necessary for success, in the Chinese market, patience and respect is key. This is where Pipe it Back will excel. Right now, the lead politician behind this project is Helena Wong, a member to the Legislative Council of Hong Kong. Mrs. Wong is a key aspect to our operations in China. After recent meetings with Chinese officials, Mrs. Wong has been appointed head of a new committee determined to solve the lead contamination problem (South China Post, 2015). In exporting our pipes to China, it would be extremely beneficial to get Mrs. Wong to recommend CPVC as the main solution to the lead contamination to contractors. However, doing business with Chinese politicians takes respect and time. We must fly to China and meet with Mrs. Wong personally to cement our relationship. Such expenses are budgeted below and will ensure future success. Unlike the American people, the Chinese are very cautious and do not completely change partners easily (ABC-CLIO, 2016). This is why direct interaction is a necessary aspect of doing business in China. In addition, our partnership with Charity: Water will increase our reputability in China and the U.S. Piping is a sensitive issue because it involves chemicals that customers will be putting in their bodies. Especially in China,



Helena Wong



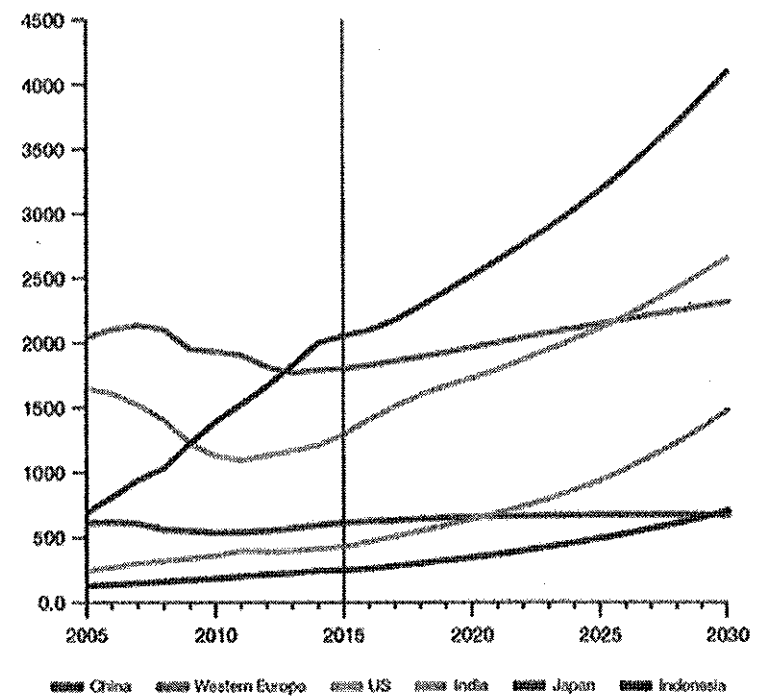
where recent revelations have caused an increase in attention from the Chinese people regarding suppliers of piping, our charitable stance on providing water to all human beings will help us foster trust and respect.

2. Market Segment Analysis

The Chinese market is ripe for adoption of CPVC piping. The general public of China thinks copper is heavy-duty, expensive and reliable. However, this recent lead contamination disaster has led to serious questions regarding the reliability of copper. Since it is difficult to change the traditional opinion of the Chinese people, Pipe it Back will dedicate a substantial amount of resources to advertising in China. We must create demand from the general public through advertising media. Such expenses are budgeted below. The true value behind Pipe it Back is that there is no limit to our market.

The market applies to anyone and everyone who is building a house in China. Lead contamination is a huge problem presenting huge opportunity. The piping used to build house is an inelastic good. This means that houses will always need to buy piping and the demand will be the same regardless of the product. The Chinese market is ripe for expansion and this is a perfect time for our new company to step in. With an economy based largely off trust, creating trust in the CPVC product will

Market Size of Top Global Construction Markets (\$bn, 2014 prices)



Source: Global Construction Perspectives, Oxford Economics

China's economy has the largest construction growth in the World



require great effort. However, once a relationship is cemented, we will reap growing long term benefits with the confidence of the Chinese market. In addition, the company's charitable involvement will allow trust to flourish between Pipe it Back and Chinese customers.

3. Analysis of the Potential Location

China is a growing market with a developing building market. In the last year over 94,200,000 different structures requiring plumbing were built in China. This shows us that there is great market potential in the Chinese economy. Many of these projects are facilitated by the government and they allow for large-scale rebuilding deals. China is very open to foreign investment and innovation in China. Currently, China does tax U.S. imports. However, the tariffs on rough plumbing are significantly lower than other industries, so Pipe it Back is not heavily affected by these trade regulations. China and the U.S. use are very intertwined in trade and strongly rely off one another to prosper. This is a very important aspect of our business as Pipe it Back will become an international cooperation that has applications for more than just China. The United States does not tax exports in plastic so we will be externally tax-exempt from import and export taxes. This exemption is one of the reasons we can provide a significantly lower alternative price to copper. Chinese-U.S. relations are doing quite well. The U.S. is the single largest importer of Chinese goods. Trade relations are at an all time high as Chinese-American investments are on the rise. This is because prosperous businesses directly benefit the Chinese economy and help the two countries grow and connect.

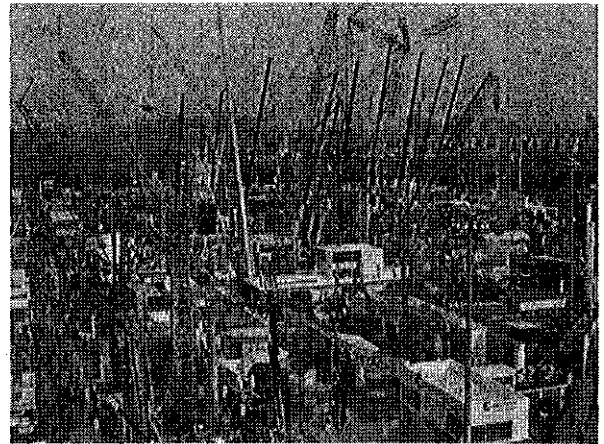


III. Problem

1. China's lead-tainted water supply harms innocent civilians and causes serious physical and mental defects.
2. The Chinese government and consumers need to buy lead-free piping to replace their current plumbing network.
3. The consumers must sell back their lead-contaminated copper pipes to have the money to afford the new and improved CPVC plumbing system.

IV. Customer Segments

Pipe it Back's target market is contractors and distributors in China. This cohort is predominantly middle-aged men. Their focus when buying materials for their clients is on both safety and price, as these individuals are starting to build families. Gaining the trust of Chinese contractors is crucial to Pipe it Back's success. Therefore, to establish a reliable and substantial clientele, we plan to attend numerous trade shows throughout China to both generate brand awareness and recruit contractors. Pipe it Back certified contractors will be trained in effectively replacing the copper pipes with CPVC. These contractors will not be employees of Pipe it Back. Rather, they will simply be associated with the brand, trained to our company's standards, and in exchange will receive a 3% commission on all sales. We believe that these certified contractors will be the best option for our company. Unlike employees, we will not need to pay these contractors a wage because they will



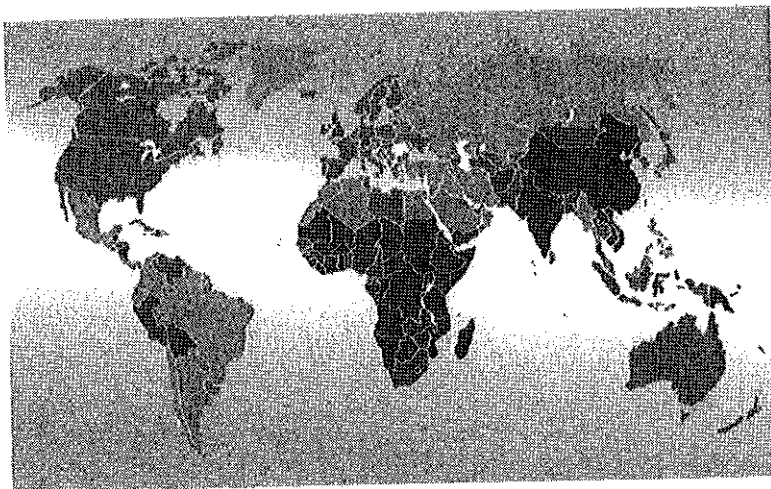
Bauma China – Asia's largest construction trade fair



still be independent contractors, just with an incentive to use Pipe it Back in their projects. This decreases the large expense of hiring employees in China because the expense will be a variable expense rather than a fixed one.

V. Unique Value Proposition

CPVC is a clear leader in the plumbing industry for effective, inexpensive, and speedy implementation, especially in the large networks of cities and towns throughout the world. CPVC piping excels in its ability to resist corrosion. Conversely, lead piping, once praised for its inexpensive price, now contaminates water supplies, a detriment the health of innocent individuals. Countries across the world continually discover these



Lead-tainted pipes contaminate water supplies throughout the world

harmful piping systems and are searching for a cost-effective way to replace their current pipes with a robust system. Pipe it Back's unique buy back service sets it apart from other companies in the industry. This service eliminates the financial burden that comes with replacing an entire

infrastructure system. Not only does it help our customers, but it helps Pipe it Back generate even more revenue. After we purchase the copper pipes, we will sell them to other companies for use in manufacturing products.



VI. Solution

1. Pipe it Back will buy CPVC pipes from Charlotte Piping and sell them to Chinese clients.
2. Pipe it Back will buy lead-contaminated copper pipes from China and sell them to American clients for alternate uses.
3. Pipe it Back will partner with Charity: Water to provide clean water to communities around the globe.

VII. Channels

A. China

The Chinese are traditionalist consumers. To the typical Chinese consumer, copper means strength and value. The general public believes that copper is a reliable material. For our business to flourish, we must convince the Chinese consumers that CPVC is a better alternative to the copper piping that contaminated their water supply. This must be done in two ways: governmental sponsorship and an advertising campaign. Before we implement our advertising campaign, we must gain the support of the Chinese government, which will enable Pipe it Back to effectively reach our target market. The Chinese consumers have a trust in the government and will not be willing to purchase CPVC piping without their government's endorsement. However, this endorsement should not be hard to obtain. Because CPVC is already supported and recommended by the American government, a government with much harsher and stricter regulations on infrastructure than the Chinese government, the Chinese government will readily endorse CPVC piping for replacement of the lead-contaminated copper piping once the CPVC goes through proper governmental tests. Thus, after we gain the Chinese



government's approval, we will put the majority of our effort on advertising to change the mindset of the Chinese consumers from favoring copper to CPVC. We will implement an aggressive advertising campaign to target the average Chinese family. Our advertising campaign will strive to associate CPVC piping and the Pipe it Back brand with reliability and cost-effectiveness. We can effectively implement the proper advertising through television and internet advertisements as well as advertisements on public transportation. The public transportation of China sees a huge amount of the population on a daily basis and the majority of these people are in the lower to middle classes. Additionally, we must target Chinese wholesalers to promote the future use of CPVC piping. The wholesalers in China provide the contractors of a building with a breadth of supplies and products that it needs to build a structure. Through these wholesalers, we not only encourage the future implementation of CPVC piping, but we also generate awareness for Pipe it Back and our superior piping in the industrial world. This will establish Pipe it Back as a reliable and well-known company in the Chinese economy.

B. United States

After installing the CPVC piping, we will buy back copper pipes. This copper will be sold in the United States to predominantly car manufacturers. Copper has many uses in the manufacturing world, including car engine blocks. Because copper is a main component of these engine blocks and can be expensive to buy mass amounts, as car companies do, we are certain that many manufacturers will readily purchase Pipe it Back's copper. Copper pipes have a very high copper content: 99.99%. Chinese consumers will eagerly sell back their copper pipes at a low price because they have no use for them. We, however, can use the mass amounts of copper for resale. This process is fairly simple



because although the lead levels are too high for piping, they meet the standards for non-consumption copper. We would not need to refine the copper for sale in the US. Rather, Pipe it Back would sell the copper as it is after shipping. Car manufacturers need copper and often pay high prices for it. They would readily purchase Pipe it Back's copper at our relatively low prices. In order to establish brand reliability, we will help



Charity: Water by implementing CPVC plumbing systems in countries that lack a proper system. Pipe it Back will contribute \$5,000 per profitable month in pipes to

Charity: Water for use in establishing clean water piping systems in developing countries. Not only will this partnership better our global image as a charitable and reliable company, but it will also generate more global recognition of CPVC. Currently, the only obstacle to CPVC implementation on a large scale is its lack of universal recognition. The consumer's bias is really the only drawback to CPVC piping. Once the public realizes, through our targeted advertising campaign, the benefits of CPVC in durability, price, and safety over copper piping, we believe that a full scale renovation of lead-contaminated water supplies and future implementation of CPVC will launch. Our unique low pricing of copper resale results from our niche acquisition. The fact that we will be obtaining copper at such a cheap price will allow us to sell it at a competitive price that will thrust us into business with car manufacturers. Thus, we will ultimately have a hand in two seemingly disparate markets, increasing our revenue, maximizing our efficiency, bettering our brand image, and establishing Pipe it Back as a global company.



VIII. Revenue Streams

A. Revenue Model

Pipe it Back's revenue will stem from two sources: our American market and our international markets (initially China). After five years, we plan to achieve a revenue of \$3,500,000 per year in China. Pipe it Back will generate both project revenue and transactional revenue in China. Project revenue stems from long-term projects, usually construction based. Though analysis of similar contracts with the Chinese government, we estimate an annual project based revenue of \$2,250,000. Pipe it Back will develop transactional revenue through business with individual Chinese consumers; we predict an annual transactional revenue of \$1,250,000.

In the United States, our revenue streams will be exclusively transactional. We expect an annual transactional revenue of \$1,000,000 in the United States. Transactional revenue has numerous benefits including often low barriers to entry. However, transactional revenue can often be hard to maintain at a substantial level in a target market. We believe that Pipe it Back's business plan effectively limits this weakness. When Pipe it Back exhausts its revenue sources in China, we will move our market to one of the many countries throughout the world with lead-contaminated water supplies. Alternatively, project revenue often has large payouts and is long-lasting. Yet, this form of revenue can have scalability issues. We are certain that Charlotte Pipe and Foundry Company, the largest pipe manufacturer in the United States, has the means to overcome scalability issues with its substantial production capacity.

CHARLOTTE
PIPE AND FOUNDRY COMPANY®



B. Lifetime Values

Because CPVC lasts approximately 75 years, the average customer only purchases a CPVC system once. However, with a contract with the Chinese government, Pipe it Back will supply CPVC for many projects throughout mainland China. Furthermore, Pipe it Back will keep customer acquisition costs low, as our marketing methods will be inexpensive. We need to have around two or three employees to attend trade shows and spread the Pipe it Back brand. The average order value will be relatively high, around \$1,000 per customer. Therefore, with a high order value and relatively low customer acquisition costs and repeat purchase rates, we project our customer lifetime value to be approximately \$990.

C. Revenue

Pipe it Back will generate revenue from its sale of CPVC to both the government and individual consumers in China and repurposed copper in the United States. We plan to generate the majority of revenue from the Chinese market. Therefore, we plan to place the majority of focus on gaining Chinese consumers' trust. Through establishing relations with Hong Kong politician Helena Wong, Pipe it Back hopes to obtain a contract for replacing the copper piping in Chinese government-owned buildings. This contract will provide a substantial and stable source of project-based revenue. Furthermore, this relationship with China will also foster trust of CPVC in Chinese consumers. Our second focus in China is on individual consumers. This transactional revenue will primarily stem from small-scale projects but, we plan to see many projects per week as the Chinese consumers follow the government's lead in replacing lead-contaminated copper systems with safe CPVC piping. Pipe it Back will also sell copper to companies in the U.S. at very



competitive prices. This sale of copper will generate a significant secondary source of revenue.

D. Gross Margin

Our gross margin differs for our U.S. parent company and our Chinese subsidiary. For the Chinese subsidiary we plan to keep margins very low (approximately 3%) by selling the piping from the U.S. parent company to the Chinese subsidiary at fair market value. The Chinese subsidiary's minimal margins will cover the operating expenses. For the U.S. parent company, we project the gross margin on CPVC pipes to be an impressive 189% by the twelfth month of operation. Because the U.S. parent company will have a high margin and the Chinese subsidiary's margin will be very minimal, we ensure that Pipe it Back will not be double taxed. A company is only taxed on its net income. Therefore, if the Chinese subsidiary has low net income, it will not have to pay significant taxes in China, and Pipe it Back will only have to pay U.S. taxes.

IX. Cost Structure

A. Customer Acquisition Costs

Establishing a firm clientele will be somewhat expensive only initially. In order to solidify control of the Chinese piping market, we will first need to establish CPVC as a viable alternative to copper piping. Our advertising campaign will highlight CPVC's effectiveness and reliability as well as its affordability. We will also establish trust in our brand among Chinese consumers who value ethical business practices through our work with Charity: Water. Acquiring American customers to buy our copper will be far easier. American industries are already accustomed to utilizing copper. Pipe it Back will be



buying copper pipes at discounted rates from Chinese consumers due to its ineffectiveness in piping, thus enabling Pipe it Back to sell the copper in the U.S. at very competitive prices.

B. Distribution Costs

Pipe it Back will need to pay to transport goods between the United States and China. These costs will be relatively low, as trade between the countries is growing and thus has become fairly inexpensive. These expenses are included in the Detailed Financials section under "Shipping Expense."

C. Human Resources Costs

Pipe it Back will employ a very limited number of essential employees in China and the United States. The Chinese subsidiary will begin with five employees at moderate wages. Two of these employees will attend trade shows and train contractors. The other three employees will be administrative. In the United States, Pipe it Back will also employ 5 employees. These expenses are included in the Detailed Financials section under "Salaries."

D. Additional Costs

Additional Costs included in the Detailed Financials under "Miscellaneous" section include travel expenses, insurance, and office expenses.



Detailed Income Statements Operating Months 1-4:

Pipe it Back Income Statement (FY1) 1st Month of Operation	
Revenue	
CPVC Sales	\$ -
Copper Sales	\$ -
Total Revenue	\$ -
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 1,200.00
Miscellaneous	\$ -
Incorporation Fees China	\$ 1,200.00
Incorporation Fees USA	\$ 900.00
COGS (Chinese Copper)	\$ -
COGS (CPVC)	\$ 12,000.00
Charitable Support	\$ -
Interest	\$ 1,666.67
Total Expenses	\$ 116,966.67
Net Income/Loss (Pre-Tax)	
Tax Distribution to Members	\$ -
Net Income/Loss	

Pipe it Back Income Statement (FY1) 2nd Month of Operation	
Revenue	
CPVC Sales	\$ 25,000.00
Copper Sales	\$ 20,000.00
Total Revenue	\$ 45,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 1,582.50
Miscellaneous	\$ 2,250.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 7,500.00
COGS (CPVC)	\$ 8,325.00
Charitable Support	\$ -
Interest	\$ 1,666.67
Total Expenses	\$ 121,324.17
Net Income/Loss (Pre-Tax)	
Tax Distribution to Members	\$ -
Net Income/Loss	

Pipe it Back Income Statement (FY1) 3rd Month of Operation	
Revenue	
CPVC Sales	\$ 45,000.00
Copper Sales	\$ 40,000.00
Total Revenue	\$ 85,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 2,998.50
Miscellaneous	\$ 4,250.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 15,000.00
COGS (CPVC)	\$ 14,985.00
Charitable Support	\$ -
Interest	\$ 1,666.67
Total Expenses	\$ 138,900.17
Net Income/Loss (Pre-Tax)	
Tax Distribution to Members	\$ -
Net Income/Loss	

Pipe it Back Income Statement (FY1) 4th Month of Operation	
Revenue	
CPVC Sales	\$ 80,000.00
Copper Sales	\$ 75,000.00
Total Revenue	\$ 155,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 5,476.50
Miscellaneous	\$ 7,790.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 28,125.00
COGS (CPVC)	\$ 26,640.00
Charitable Support	\$ -
Interest	\$ 1,666.67
Total Expenses	\$ 169,658.17
Net Income/Loss (Pre-Tax)	
Tax Distribution to Members	\$ -
Net Income/Loss	



Detailed Income Statements Operating Months 5-8:

Pipe it Back Income Statement (FY1) 5th Month of Operation	
Revenue	
CPVC Sales	\$ 100,000.00
Copper Sales	\$ 95,000.00
Total Revenue	\$ 195,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 6,892.50
Miscellaneous	\$ 9,750.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 35,625.00
COGS (CPVC)	\$ 33,300.00
Charitable Support	\$ 5,000.00
Interest	\$ 1,666.67
Total Expenses	\$ 192,234.17
Net Income/Loss (Pre-Tax)	\$ 2,765.83
Tax Distribution to Members	\$ 968.04
Net Income/Loss	\$ 1,797.79

Pipe it Back Income Statement (FY1) 6th Month of Operation	
Revenue	
CPVC Sales	\$ 150,000.00
Copper Sales	\$ 110,000.00
Total Revenue	\$ 260,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 9,120.00
Miscellaneous	\$ 13,000.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 41,250.00
COGS (CPVC)	\$ 49,950.00
Charitable Support	\$ 5,000.00
Interest	\$ 1,666.67
Total Expenses	\$ 219,986.67
Net Income/Loss (Pre-Tax)	\$ 40,013.33
Tax Distribution to Members	\$ 14,004.67
Net Income/Loss	\$ 26,008.66

Pipe it Back Income Statement (FY1) 7th Month of Operation	
Revenue	
CPVC Sales	\$ 200,000.00
Copper Sales	\$ 120,000.00
Total Revenue	\$ 320,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 11,160.00
Miscellaneous	\$ 16,000.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 45,000.00
COGS (CPVC)	\$ 66,600.00
Charitable Support	\$ 5,000.00
Interest	\$ 1,666.67
Total Expenses	\$ 245,426.67
Net Income/Loss (Pre-Tax)	\$ 74,573.33
Tax Distribution to Members	\$ 26,100.67
Net Income/Loss	\$ 48,472.66

Pipe It Back Income Statement (FY1) 8th Month of Operation	
Revenue	
CPVC Sales	\$ 240,000.00
Copper Sales	\$ 120,000.00
Total Revenue	\$ 360,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 12,492.00
Miscellaneous	\$ 18,000.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 45,000.00
COGS (CPVC)	\$ 79,920.00
Charitable Support	\$ 5,000.00
Interest	\$ 1,666.67
Total Expenses	\$ 262,078.67
Net Income/Loss (Pre-Tax)	\$ 97,921.33
Tax Distribution to Members	\$ 34,272.47
Net Income/Loss	\$ 63,648.86



Detailed Income Statements Operating Months 9-12:

Pipe It Back Income Statement (FY1) 9th Month of Operation	
Revenue	
CPVC Sales	\$ 280,000.00
Copper Sales	\$ 130,000.00
Total Revenue	\$ 410,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 14,199.00
Miscellaneous	\$ 20,500.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 48,750.00
COGS (CPVC)	\$ 93,240.00
Charitable Support	\$ 5,000.00
Interest	\$ 1,666.67
Total Expenses	\$ 283,355.67
Net Income/Loss (Pre-Tax)	\$ 126,644.33
Tax Distribution to Members	\$ 38,531.00
Net Income/Loss	\$ 88,113.33

Pipe It Back Income Statement (FY1) 10th Month of Operation	
Revenue	
CPVC Sales	\$ 310,000.00
Copper Sales	\$ 140,000.00
Total Revenue	\$ 450,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 15,573.00
Miscellaneous	\$ 22,500.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 52,500.00
COGS (CPVC)	\$ 103,230.00
Charitable Support	\$ 5,000.00
Interest	\$ 1,666.67
Total Expenses	\$ 300,469.67
Net Income/Loss (Pre-Tax)	\$ 149,530.33
Tax Distribution to Members	\$ 52,335.62
Net Income/Loss	\$ 97,194.71

Pipe it Back Income Statement (FY1) 11th Month of Operation	
Revenue	
CPVC Sales	\$ 350,000.00
Copper Sales	\$ 160,000.00
Total Revenue	\$ 510,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 17,655.00
Miscellaneous	\$ 25,500.00
Incorporation Fees China	\$ -
Incorporation Fees USA	\$ -
COGS (Chinese Copper)	\$ 60,000.00
COGS (CPVC)	\$ 116,550.00
Charitable Support	\$ 5,000.00
Interest	\$ 1,666.67
Total Expenses	\$ 326,371.67
Net Income/Loss (Pre-Tax)	\$ 183,628.33
Tax Distribution to Members	\$ 64,269.92
Net Income/Loss	\$ 119,358.41

Pipe it Back Income Statement (FY1) 12th Month of Operation	
Revenue	
CPVC Sales	\$ 390,000.00
Copper Sales	\$ 170,000.00
Total Revenue	\$ 560,000.00
Expenses	
Advertising	\$ 65,000.00
Salaries	\$ 35,000.00
Shipping Expense	\$ 19,362.00
Miscellaneous	\$ 28,000.00
Loan Repayment	\$ -
Year End Expenses	\$ 300.00
COGS (Chinese Copper)	\$ 63,750.00
COGS (CPVC)	\$ 129,870.00
Charitable Support	\$ 5,000.00
Interest	\$ 1,666.67
Total Expenses	\$ 347,948.67
Net Income/Loss (Pre-Tax)	\$ 212,051.33
Tax Distribution to Members	\$ 74,217.97
Net Income/Loss	\$ 137,833.36



B. Projected First Year Cash Flow

Pipe it Back		
Projected Cash Flow Statement		
First Year of Operation		
Cash Flows from Operating Activities		
Net income		\$ 3,350,000.00
Adjustments to reconcile net income to net cash provided by operating activities:		
	Depreciation and amortization	\$ 1,430.00
	Effects of exchange rate changes on monetary assets and liabilities deominated in foreign currencies	\$ 1,836.00
Net cash flow from operating activities		\$ 3,353,266.00
Cash Flows from Investment Activities		
Capital expenditures		\$ 1,000,000.00
Net cash flow from investing activities		\$ 1,000,000.00
Cash From Financing Activities		
Cash dividends paid		-\$ 33,500.00
Interest on loans		-\$ 20,000.00
Repayments of debt		\$ -
Net cash flow from financing activities		-\$ 53,500.00
Net Change in Cash/Cash Equivalent		
		\$ 4,299,766.00



C. Projected Cash Flow by Month

Cash Flow Predictions Operating Months 1-4:

Pipe it Back		
Projected Cash Flow Statement		
1st Month of Operation		
Cash Flows from Operating Activities		
Revenue		\$ -
Expenses	\$ 116,966.67	
Cash Flows from Investment Activities		
Increase in Investment Capital		\$ 150,000.00
Net Change in Cash/Cash Equivalent		
		\$ 33,033.33

Pipe it Back		
Projected Cash Flow Statement		
2nd Month of Operation		
Cash Flows from Operating Activities		
Revenue		\$ 45,000.00
Expenses	\$ 121,324.17	
Cash Flows from Investment Activities		
Increase in Investment Capital		\$ 150,000.00
Net Change in Cash/Cash Equivalent		
		\$ 73,675.83

Pipe it Back		
Projected Cash Flow Statement		
3rd Month of Operation		
Cash Flows from Operating Activities		
Revenue		\$ 85,000.00
Expenses	\$ 138,900.17	
Cash Flows from Investment Activities		
Increase in Investment Capital		\$ 150,000.00
Net Change in Cash/Cash Equivalent		
		\$ 96,099.83

Pipe it Back		
Projected Cash Flow Statement		
4th Month of Operation		
Cash Flows from Operating Activities		
Revenue		\$ 155,000.00
Expenses	\$ 169,658.17	
Cash Flows from Investment Activities		
Increase in Investment Capital		\$ -
Net Change in Cash/Cash Equivalent		
		\$ -14,658.17



Cash Flow Predictions Operating Months 5-8:

Pipe It Back			
Projected Cash Flow Statement			
5th Month of Operation			
Cash Flows from Operating Activities			
Revenue			\$ 195,000.00
Expenses		\$ 192,234.17	
Cash Flows from Investment Activities			
Increase in Investment Capital		\$ -	
Net Change in Cash/Cash Equivalent			
			\$ 2,765.83

Pipe It Back			
Projected Cash Flow Statement			
6th Month of Operation			
Cash Flows from Operating Activities			
Revenue			\$ 260,000.00
Expenses		\$ 219,986.67	
Cash Flows from Investment Activities			
Increase in Investment Capital		\$ -	
Net Change in Cash/Cash Equivalent			
			\$ 40,013.33

Pipe It Back			
Projected Cash Flow Statement			
7th Month of Operation			
Cash Flows from Operating Activities			
Revenue			\$ 320,000.00
Expenses		\$ 245,426.67	
Cash Flows from Investment Activities			
Increase in Investment Capital		\$ -	
Net Change in Cash/Cash Equivalent			
			\$ 74,573.33

Pipe It Back			
Projected Cash Flow Statement			
8th Month of Operation			
Cash Flows from Operating Activities			
Revenue			\$ 360,000.00
Expenses		\$ 262,078.67	
Cash Flows from Investment Activities			
Increase in Investment Capital		\$ -	
Net Change in Cash/Cash Equivalent			
			\$ 97,921.33



Cash Flow Predictions Operating Months 9-12:

Pipe it Back Projected Cash Flow Statement 9th Month of Operation		
Cash Flows from Operating Activities		
Revenue		\$ 410,000.00
Expenses	\$ 283,355.67	
Cash Flows from Investment Activities		
Increase in Investment Capital		\$ -
Net Change in Cash/Cash Equivalent		
		\$ 126,644.33

Pipe it Back Projected Cash Flow Statement 10th Month of Operation		
Cash Flows from Operating Activities		
Revenue		\$ 450,000.00
Expenses	\$ 300,469.67	
Cash Flows from Investment Activities		
Increase in Investment Capital		\$ -
Net Change in Cash/Cash Equivalent		
		\$ 149,530.33

Pipe it Back Projected Cash Flow Statement 11th Month of Operation		
Cash Flows from Operating Activities		
Revenue		\$ 510,000.00
Expenses	\$ 326,371.67	
Cash Flows from Investment Activities		
Increase in Investment Capital		\$ -
Net Change in Cash/Cash Equivalent		
		\$ 183,628.33

Pipe it Back Projected Cash Flow Statement 12th Month of Operation		
Cash Flows from Operating Activities		
Revenue		\$ 560,000.00
Expenses	\$ 347,948.67	
Cash Flows from Investment Activities		
Loan Repayment	\$ -	
Net Change in Cash/Cash Equivalent		
		\$ 212,051.33



D. Projected Balance Sheet

Pipe it Back			
Projected Balance Sheet			
First Year of Operation			
Assets			
Cash		\$ 742,246.00	
Prepaid Advertising		\$ 82,754.00	
		Total:	\$ 825,000.00
Liabilities			
Short-Term Debt		\$ 375,000.00	
		Total:	
Equity			
Common Stock		\$ 450,000.00	
		Total:	\$ 825,000.00

This is the estimated first year balance sheet. Because Pipe it Back does not carry inventory and operates on a direct cash basis, the operations of the company are very simple.

E. Projected Three-Year Plan

We plan to keep Pipe it Back in the Chinese marketplace for its first three years of growth. We expect Pipe it Back to grow at a 33% annual growth rate. In combining our market research with our advertising budget, we believe that Pipe it Back will be able to continue to grow its revenues over the course of the next year. Pipe it Back may have to hire more employees in China as demand for the product grows. This model is easily scalable and will become even more profitable with increased scale.



F. Planned Growth of Business

Pipe it Back is starting with an initial focus on China, but it has international applications. Any place that has running water is in demand of piping. The contaminated water was not an isolated incident in China, and any new building can use CPVC as an alternative to copper. With an initial focus on the Chinese market, we can learn from observed trends over the next year and tailor a specific approach to new markets. The expansion plan also has very low risk as we do not buy inventory that we haven't sold. This means that attempting to expand into new markets can not leave us with an excess of inventory that could potentially be very costly. All of these factors combined give Pipe it Back international applications with mitigated risk.

G. Proposed Plan to meet Capital Needs

1. Personal and Internal Sources

Each of the three company founders and owners have elected to contribute \$25,000.

2. Earnings, Long-Term Borrowing, Long-Term Equity

Pipe it Back will raise the remaining required capital of \$375,000 from outside investors in the form of debt and equity securities. We will begin to generate positive net income from sales of CPVC pipes in China and copper in the U.S. in our fifth month of operation. A portion of the debt securities issued by Pipe it Back would be payable after the first anniversary of the commencement of operations. These revenues will go towards paying off the short term loans once the company is profitable.



3. External Sources

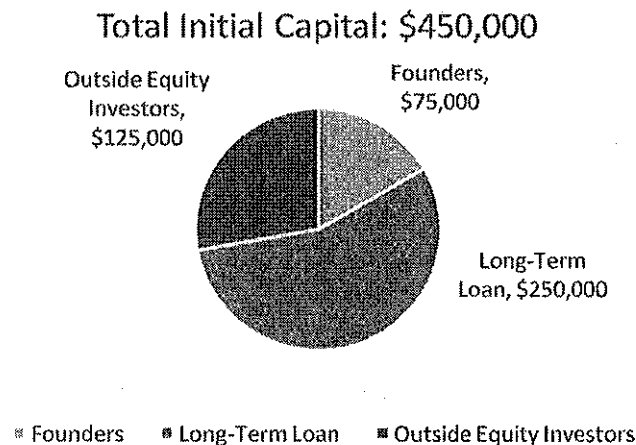
We plan to fund our start-up costs with a combination of equity and long-term loans. Once Pipe it Back becomes profitable, we will pay off our loans and the earnings of the business will fund the operations.

4. Repayment Plans

Pipe it Back will pay monthly interest starting the first month, and the loan will begin to amortize after the third year.

5. Plan to Provide Return on Investment to Equity Funds

After the third year, any excess cash held by Pipe it Back will be distributed to the equity holders.



XI. Key Metrics

Key activities that must be measured include the amount of copper piping that is sourced in China. This will inform how much copper we can buy so that we can make appropriate deals with American business partners. In addition, measuring this activity will reveal the demand for CPVC piping to replace the copper pipes.



Another crucial metric to observe will be customer loyalty. This is because we need consumer demand to stay high in order to keep sales to Chinese hardware stores up. This is why our advertising campaign will directly target consumers.

XII. Competitive Advantage

The key advantage our business presents is its two-pronged approach to replacing Chinese copper piping. Our offer to buy back contaminated copper pipes from China provides capital for clients in China to buy our far safer CPVC pipes. CPVC is internationally certified and is far more effective than any alternative piping in a variety of conditions. At the same time, our buy back policy makes the product very affordable. Our key competitive advantage in the United States is the competitiveness of our copper prices. Because China wants replace the contaminated pipes, we can obtain copper at a discounted rate. This allows us to offer unbeatable deals to clients, especially in the automobile industry, who require large amounts of copper for engine blocks. The contaminated pipes will function perfectly well and safely when repurposed to non-consumption needs.

XIII. Conclusion

Pipe it Back will require \$450,000 in start-up costs. This includes the price to maintain all expenses during the initial months, the most significant of which being advertising. Advertising is critical during the first few months in order to establish a market for our product. We predict that the business will begin to be profitable in the fifth month of operation. The \$250,000 long-term loan will be repaid with an additional 8% interest after the first six years of operation.



XIV. Bibliography

1. "Lead News in China - International Business." *The New York Times*. The New York Times, n.d. Web. 31 Jan. 2016.
2. "Business & Revenue Model Examples - Board of Innovation." *Board of Innovation*. Web. 31 Jan. 2016.
3. *Central Intelligence Agency*. Central Intelligence Agency. Web. 31 Jan. 2016.
4. "China Business Etiquette, Culture, & Manners." *China*. Web. 31 Jan. 2016.
5. "China Tax and Tax Laws." - *WorldWide-Tax.com*. Web. 31 Jan. 2016.
6. "Cpvc Pipes." : *Latest News on , Updates, Videos, Photos, Wiki, Topic*. Web. 31 Jan. 2016.
7. "EHP – Childhood Lead Poisoning in China: Challenges and Opportunities." *EHP*. Web. 31 Jan. 2016.
8. "The Future of U.S.-Chinese Relations." *Foreign Affairs*. 2015. Web. 31 Jan. 2016.
9. Lafraniere, Sharon. "Lead Poisoning in China: The Hidden Scourge." *The New York Times*. The New York Times, 2011. Web. 31 Jan. 2016.
10. "Lead Poisoning." *Symptoms*. Web. 31 Jan. 2016.
11. "Member Companies." *Member Companies*. Web. 31 Jan. 2016.
12. Ramzy/Guanling, Simon Elegant/Beijing and Austin. "China's New Deal: Modernizing the Middle Kingdom." *Time*. Time Inc., 2009. Web. 31 Jan. 2016.
13. Mallery, Jim. "Plumbing Parts: How Long before They Need Replacing?" *Improvement Center*. N.p., 4 Mar. 2014. Web. 18 Apr. 2016.
14. Cheung, Elizabeth. "Drinking Water at Hong Kong Public Hospital Found to Contain 60 per Cent More Lead than WHO Recommended Level." *South China Morning Post*. N.p., 5 Dec. 2015. Web. 18 Apr. 2016.



15. "Uses of Copper." - *Boliden.com*. Web. 31 Jan. 2016.
16. "The Piping Debate: Copper vs. CPVC." *Buildings*. N.p., 2 Nov. 2006. Web. 18 Apr. 2016.
17. "China: Country Overview." *World Geography: Understanding a Changing World*. ABC-CLIO, 2016. Web. 18 Apr. 2016.
18. Dang-Chung, NG. "Hong Kong Lawmaker Helena Wong Moves from Blunders to Tainted Water Scandal." *South China Morning Post*. N.p., 20 July 2015. Web. 18 Apr. 2016.