

THE PENNSYLVANIA STATE UNIVERSITY
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DEPARTMENT OF FINANCE

CUSTOMSUPPS, INC. BUSINESS PLAN

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with honors in Finance

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ABSTRACT

The nutritional supplement industry has seen explosive growth over the past decade. There are thousands of products available for sale and very little regulation to help consumers determine the best package of supplements for their specific needs. Individuals are left to their own devices when it comes to determining product type, dosage, and frequency of use. CustomSupps Inc. aims to revolutionize the process of selecting nutritional supplements by creating an easy-to-use online interface that provides custom formula recommendations to meet the exact needs of our customers. CustomSupps will ship pre-mixed & pre-dosed daily strip packs in monthly intervals to customers across the United States. This thesis examines the nutritional supplement industry in its current form, the target market for CustomSupps, operational, legal, and logistical requirements for the creation of a successful supplement drop-shipping company, and the financial projections of the proposed company. Through the research conducted, it is apparent that there is an opening in the supplement market for a company like CustomSupps to rapidly gain market share through an innovative product offering.

PREFACE

I have always been interested in the concept of entrepreneurship and hope to one day start my own business venture. During my Sophomore year, I took BA 301H, an introductory finance class that also included a capstone business plan project; working together with a group of fellow Scholars, I helped to create a business plan for CarbonTrap™, a carbon sequestration start-up based in State College, Pennsylvania. The experience of creating a business plan for potential investors excited me and I determined in the Spring of 2008 that I wanted to develop a business plan for a yet-to-be-known concept as my Thesis for the Schreyer Honors College.

Starting my Junior Year at Penn State, I wanted to become more physically fit and began a training regimen that included weightlifting and long-distance running. Though I saw marked improvement from the physical activity, I began to read online forums and print publications to see what I could do for better results. After starting on a multi-vitamin and whey protein regimen, I noticed improvement in endurance, recovery, and overall wellbeing. During those initial days, I relied heavily on the advice of my friend and gym partner, Kyle Vinansky, to determine which supplements would provide me the best results.

The process of purchasing, measuring, and administering nutritional supplements seemed overly complex for me; there had to be an easier way for the average consumer to obtain all the necessary supplements without needing to purchase many products separately. As the year progressed, Kyle and I began to seriously research the nutritional supplement industry to see whether there was an opening for a new product type to alleviate the problems I experienced. It was as a result of this research that the concept for CustomSupps, Inc. was developed. After meeting with Dr. Tony Warren, the Director of the Farrell Center for Corporate Innovation and Entrepreneurship, Kyle and I were able to focus and refine our concept and began to work on the

CustomSupps, Inc. business plan.

Over the course of the last year, Kyle and I have created a business plan for a company that we feel has tremendous potential as a viable participant in the nutritional supplement market. We have explored several different profitability models and believe that our third-party drop shipment system is the most efficient from both operating and profitability perspectives. We have surveyed our target market and established working relationships with several supplement contract manufacturers. It has been a really interesting experience to be able to work on a real-life application of the finance, management, marketing and supply-chain coursework I have taken during my time at Penn State. Though CustomSupps, Inc. still in the theoretical stage, I hope to be able to use the skills I have acquired throughout the process of creating this business plan to either start this venture or another one in the future. Kyle Vinansky and I produced the business plan that follows in this thesis.

Executive Summary

The Company

CustomSupps™ is a Pennsylvania-based nutritional supplement company providing custom formulated supplement regimens to customers across the United States. The use of nutritional supplements is growing rapidly across the world, and CustomSupps™ is aiming to capture this growing market by providing a less expensive and more effective product to meet the specialized needs of each of our customers. The company concept and business plan was created by Paul Russ and Kyle Vinansky as a product of their thesis research.

The Company's Mission

CustomSupps™ will provide comprehensive supplement regimens to its customers, eliminating the need to purchase separate products and removing the guesswork from dosage amounts. By utilizing an easy to use and dynamic website, CustomSupps™ will let customers refine their suggested supplement regimens based on numerous factors such as age, weight, athlete type, and other factors. In doing so, CustomSupps™ will revolutionize the supplement industry, bringing more knowledge and choice to the consumer.

Target Market

Over 150 Million individuals in the United States take some form of nutritional supplement for preventative or performance-enhancing purposes. As the population continues to age, the focus on preventative care will continue to increase demand for nutritional supplements. While initially focusing on athletes looking to improve performance through a specialized supplement regimen, CustomSupps™ will offer many different formula variations to cater to both novice and professional consumers. CustomSupps™ will also look to partner with health clubs, gyms, and other affiliates to promote our products.

Products

The company creates custom-formulated nutritional supplement packs that are mail-delivered to customers in 30-day increments. Customers input their specifications on the CustomSupps™ website and are mailed monthly dosage strip packs with easy to follow instructions. Depending on the customer, supplement regimens could include: Morning, pre-workout, mid-day, post-workout, and night packs. Customers are able to change their supplement regimen at any time to meet their desired goals and needs.

Marketing and Sales Strategy

CustomSupps™ differentiates itself in the supplement market by providing custom formulated, pre-packaged supplement regimens based on our customer needs. By providing a unique product, CustomSupps™ hopes to gain market share through word of mouth referrals in addition to traditional advertising venues such as print, online media, and trade events. Through a subscription based model, CustomSupps™ will retain customers by providing a unique product that satisfies the needs of our customers.

Management

Paul Russ and Kyle Vinansky, co-founders of CustomSupps™, wanted to improve the process of taking nutritional supplements and worked to develop the company as a product of their honors thesis research as undergraduates at Penn State University. With educational backgrounds in Finance and personal interest in the fields of bodybuilding and physical fitness, CustomSupps™ is managed with two goals in mind: To provide our customers with the easiest and most comprehensive custom supplements while maintaining a competitive edge through innovative formulations.

Operations

CustomSupps™ will outsource the production, filling, and shipping of our custom-formulated supplement powders to a third-party manufacturer. The company currently has established relationships with Vita Cost Labs and Fusion Formulations. CustomSupps™ will have a set number of formulated mixes that will be combined to create a unique regimen for each custom order; our third party nutritional supplement manufacturer will handle order fulfillment while CustomSupps™ manages the customer relations aspect of the business.

Stage of Development

CustomSupps™ is currently in the early development stage as part of the thesis research of Paul A. Russ and Kyle L. Vinansky. The company is currently developing its website at www.customsupps.com

Funds Sought and Utilization

The company is currently seeking \$100,000-200,000 in investment financing. These funds will be used to establish operations with 3rd party supplement production, marketing efforts, and continuing research into new developments in the supplement industry.

CustomSuppsTM

BUSINESS PLAN

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COMPANY DESCRIPTION

CustomSupps™ is a national, internet-based nutritional supplement company that provides services to customers in all 50 states across the United States. The CustomSupps™ corporate headquarters are located at 226 South Allen Street, Suite 303 in State College, Pennsylvania.

The Company's Mission:

Our goal is to meet the individual nutritional supplement needs of the consumer while taking the hassle out of traditional, bulk-ordered vitamins and supplements. First, we do this by allowing the customer to build a customized and comprehensive supplement plan from the ground up. Then, we deliver this program to the customer in 30-day increments that include individual, serving-sized supplement stacks for each day. This innovative process allows the consumer to utilize one source, CustomSupps™, for all of their nutritional supplement needs. We are a personalized supplement company with our first and foremost goal being to develop long-term relationships with our customers. In time, CustomSupps™ plans to become the premier custom nutritional supplement retailer in the U.S. and begin to control significant market share among competitors.

CustomSupps™ seeks to implement a similar supply chain and user experience for our target market as seen in successful companies such as SmartPak (Equine & Canine Custom Supplements) and Cardinal Health (Medical Drop Shipments). These two companies have demonstrated the desire for customization in their respective markets, and CustomSupps™ believes there is an opening in the customized nutritional supplement market for a similar service.

Services:

CustomSupps™ allows the consumer to customize their daily nutritional supplement routine based on their personal goals, their current physical condition, and the level of activity they participate in. For the advanced customer, the supplement routine can be hand-built based on the individual's previous experience and expertise. In terms of beginner and intermediate customers, the supplement programs can be designed using the help of the CustomSupps™ specialized supplement program creator interface online. In addition to using customized supplement programs, CustomSupps™ also takes out the hassle of storing large tubs of many different products by delivering supplement stacks in individual, premeasured serving sizes. This takes away the inconvenience of measuring different products and remembering what supplements to take at each time throughout the day. In terms of customer commitment, CustomSupps™ provides these individual supplement stacks in one month increments that allow the user to alter their program or cancel services anytime before the next month's shipment is sent from the factory.

Development to Date:

CustomSupps™ was founded in 2009 by Paul A. Russ and Kyle L. Vinansky. The company began negotiations with nutritional supplement contract manufacturers in December 2009. In addition, the company announced its President, Paul Russ, and Vice President of Sales, Kyle Vinansky at the end of

2009. In February 2010, CustomSupps™ purchased the website domain www.customsupps.com. Summer 2010 will be an important time for the company as CustomSupps™ will be looking to secure financing and begin hiring with plans to publically launch in late 2010 or early 2011. The company will first seek to hire a web developer to begin designing the CustomSupps™ website and custom supplement program creator. Furthermore, CustomSupps™ will begin preparing its extensive marketing campaign by utilizing social networks, creating advertisements, and establishing relationships with media companies throughout 2010 to prepare for its launch at the end of the year.

Legal Status and Ownership:

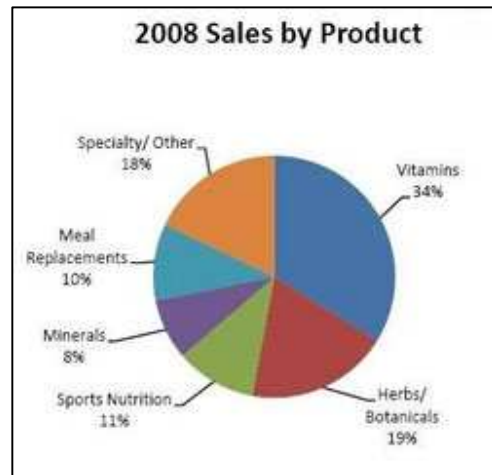
CustomSupps™ is preparing to file for Limited Liability Company (LLC) status in early 2010. The company will be jointly owned by Paul Russ and Kyle Vinansky, with additional ownership rights being issued to financing venture capitalists/angel investors over time with a change to a C-corporation.

INDUSTRY ANALYSIS & TRENDS

The U.S. nutritional supplement industry has seen significant growth in recent years and this growth is forecast to rise 39% from 2007 to 2012 ¹. From 2006 to 2008, the U.S. dietary supplement industry saw total industry sales of \$21.3, \$22.5, and \$23.7 billion, respectively ². A breakdown of these sales by product in 2008 can be seen in the following pie chart:

| Product | Sales |
|-------------------|-------|
| Vitamins | 34% |
| Herbs/Botanicals | 19% |
| Specialty/Other | 18% |
| Sports Nutrition | 11% |
| Meal Replacements | 10% |
| Minerals | 8% |

*Nutritionbusinessjournal.com



Product Examples:

- Vitamins – *Vitamin A, Vitamin B2, etc.*
- Herbs – *Ginko Biloba, Saw Palmetto, etc.*
- Specialty – *Enzymes, Cleansers, etc.*
- Sports Nutrition – *Creatine, NO, etc.*
- Meal Replacement – *Powders, Bars, etc.*
- Minerals – *Calcium, Iron, Chromium, etc.*

Rapid Growth in Product Range and Revenue:

Over the past decade nutritional supplements and specialty foods have shown rapid growth in both product range and revenue. This growth was driven in part by increased levels of health awareness and increased use of preventative health measures on the part of consumers. In terms of new products on the market, the sports nutrition category has seen considerable growth in terms of the variety of products available during this time period and has contributed substantially to overall growth within the nutritional supplement industry ³.

Aging Consumer Base:

One of the most important demographic groups in the supplement industry today are individuals aged 35 and older, who account for over 70% of vitamin use and a substantial portion of other market segments ³. These aging individuals have become more active and more health-conscious in recent years due to changing social conditions in the nation ³. In addition, this age group has traditionally had the highest disposable income in the U.S. and can afford to purchase these products.

Low Industry Concentration:

Industry concentration in nutritional supplements is low. The top four industry participants account for a combined 10% of market share. This low level of domination by any particular entity is due to the large number of small players specializing in a small range of product lines³. These conditions allow for new players to be highly competitive in the nutritional supplement market.

Lack of Customization:

Over the years, consumers in the U.S. have consistently demanded more customization in products in an attempt to better suit their personal needs and desires. Despite this trend, the nutritional supplement industry has been slow to adopt this mentality as most products today are sold in bulk quantities for the lowest price. In addition, most products are designed to meet the needs of only the “average” user. This lack of customization in the industry has begun to open the door for new companies to emerge with more focus on the individual needs of the customer.

Barriers to Entry:

Despite low concentration in the supplement industry, barriers to entry still exist. Most importantly, established companies have already developed important relationships with wholesale distributors, and thus can receive the most competitive prices which they can pass on to the consumer. Also, advertising costs to launch a successful company have been increasing over the years, making market entry more expensive³.

TARGET MARKET

CustomSupps™ is an online-based custom nutritional supplement provider with the potential to reach clients throughout the United States. Currently, CustomSupps™ is initiating a pilot product launch to students within the Pennsylvania State University. Operating almost exclusively via third party drop shippers, CustomSupps™ will be able to reach a large market with a minimal operational staff. With the refinement of our supply chain and ingredient procurement, CustomSupps™ will expand our target market to include the following:

- Health/Fitness Clubs
- Bodybuilders
- Competitive Athletes
- Health-minded Consumers

The market for nutritional supplements (nutraceuticals) has been growing at a remarkable pace over the past decade and will continue to rise as consumers become more conscious about the health benefits of a structured supplement regiment. Current global demand for nutraceutical ingredients is expected to grow 5.8% in 2010 to \$15.5 Billion, while the nutritional supplement industry grows to \$197 Billion in revenues ⁴.

The Freedonia Institute has broken down historical and projected nutraceutical compound annual growth rates by geographic regions. The chart below shows continued growth in this market across the globe ⁴.

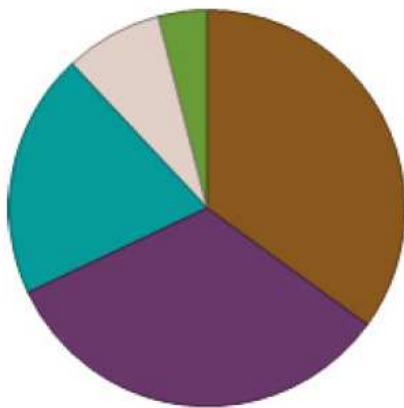
| | 2000 | 2005 | 2010 | 2005/2000 CAGR | 2010/2005 Projected CAGR |
|-----------------------------------|----------|-----------|-----------|-------------------|-----------------------------|
| World Nutraceutical Demand | \$ 8,770 | \$ 11,860 | \$ 15,500 | 5.90% | 5.80% |
| North America | \$ 2,285 | \$ 2,920 | \$ 3,700 | 5.00% | 4.80% |
| Western Europe | \$ 2,420 | \$ 2,950 | \$ 3,530 | 4.00% | 3.70% |
| Asia Pacific | \$ 2,770 | \$ 4,010 | \$ 5,800 | 7.70% | 7.70% |
| Other | \$ 1,295 | \$ 1,800 | \$ 2,470 | 6.80% | 6.50% |

(Millions of Dollars)

Health/Fitness Clubs:

CustomSupps™ customer base is very similar to the set of individuals who frequent health & fitness clubs—people looking to stay in shape through regular exercise. Because fitness clubs charge monthly or annual membership fees, this market segment is already comfortable spending money on maintaining their fitness, so CustomSupps™ will target this demographic through targeted advertising and potential partnerships with both national and local clubs. By offering co-branded supplement packs in clubs, CustomSupps™ would be able to introduce a much larger client base to its products while helping to promote its partners. An age and geographic breakdown of health club patrons can be seen in the two charts below ⁴:

MAJOR MARKET SEGMENTS

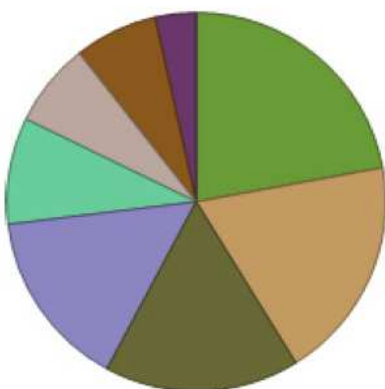


| Market Segment | Share |
|-----------------|-------|
| 18-34 Years Old | 35.0% |
| 35-54 Years Old | 33.0% |
| 55+ Years Old | 20.0% |
| 12-17 Years Old | 8.0% |
| 6-11 Years Old | 4.0% |

GEOGRAPHIC SPREAD

Year: 2009

Number of Establishments by Region



| Region | Units |
|-----------------|----------|
| Southeast | 11,758.0 |
| Mid-Atlantic | 10,160.0 |
| West | 8,832.0 |
| Great Lakes | 8,139.0 |
| Southwest | 4,842.0 |
| New England | 3,829.0 |
| Plains | 3,777.0 |
| Rocky Mountains | 1,863.0 |

Consumers (Weightlifters, Endurance Athletes, Multisport Competitors, etc.):

Retail consumers are major purchasers of nutrition products. IbisWorld reports that “people aged over 35 are the largest group of supplement users with approximately 73% of supplement sales accounted for by this group.” The aging U.S. population’s interest in preventative care has increased demand for supplements, with an estimated market size of 150 Million ³.

While demand for supplements of all types is clearly very large, there has been explosive growth in the sports nutrition subsector. IBISWorld estimates that the use of sports nutrition products has grown from 8% of U.S. Households in 1998 to over 15% in 2005. As can be seen in the table from the Nutrition Business Journal below, over \$2.3 billion dollars were spent strictly in 2007 on performance-enhancing sports supplements ². The CustomSupps™ product incorporates these products in addition to traditional vitamins and minerals in a custom-made formula that is designed to give the consumer the ideal amount of nutrients. By creating a product that is custom-tailored to an individual, CustomSupps™ will be able to gain market share from bulk-manufacture competitors.

| Consumer Type | Population (mil) | % of population | # of purchases per month | \$ spent per month | Annual Total (\$mil) | % of mkt |
|----------------------|------------------|-----------------|--------------------------|--------------------|----------------------|-------------|
| Performance Athletes | 0.054 | 0.02% | 6.0 | \$ 131.65 | \$ 86 | 4% |
| Heavy Consumers | 0.859 | 0.4% | 3.0 | \$ 65.82 | \$ 679 | 29% |
| Regular Consumers | 1.9 | 0.8% | 1.5 | \$ 32.91 | \$ 768 | 33% |
| Occasional Consumers | 8.5 | 3.6% | 0.2 | \$ 4.39 | \$ 446 | 19% |
| Rare Users | 14.3 | 6% | 0.1 | \$ 2.19 | \$ 376 | 16% |
| Non-Users | 213.0 | 89% | 0.0 | \$ - | \$ - | 0% |
| Total | 239 | 100% | | | \$ 2,355 | 100% |

Source: Nutrition Business Journal

Essentially, CustomSupps™ will be able to create the ideal supplement package at a price that is competitive with individual bulk product purchases.

THE PRODUCT

CustomSupps™ is unique in the nutritional supplement world because the company offers a wide variety of nutritional supplement products that are packaged together and delivered premixed, premeasured, and ready for consumption. Instead of having to use the traditional method of buying large, bulk tubs of each product, CustomSupps™ allows users to choose the supplements they would like to take, the serving size, and what time of day they would like to take them, and then CustomSupps™ does the rest, allowing for a clean and easy daily supplement routine.

The Daily CustomSupps™ Pack:

CustomSupps™ offers a daily strip of supplements that contains multiple packs corresponding to various times of the day. For example, a single daily pack may contain a serving for morning, pre-workout, post-workout, and night. Each serving, or stack, can then be broken off from the daily strip and opened to be mixed with water for consumption. A sample daily pack and a single stack label can be seen below:



Photo from:
<http://www.smartpakequine.com/>

| CUSTOM SUPPS™ Daily Stack | CUSTOM SUPPS™ Daily Stack | CUSTOM SUPPS™ Daily Stack |
|--|--|--|
| Formulated for: John J. Smith Breakfast Stack 20 g Whey Multivitamin | Formulated for: John J. Smith Pre-workout Stack 20 g Whey 5 g Creatine Nitric Oxide | Formulated for: John J. Smith Post-workout Stack 40 g Whey 5 g Creatine 5 g Glutamine |
| Instructions: Mix with 8 oz. of water and shake or blend well. | Instructions: Mix with 8 oz. of water and shake or blend well. | Instructions: Mix with 8 oz. of water and shake or blend well. |

The 30-Day Supply:

The basic unit for shipment from CustomSupps™ is a box containing a 30-day supply, or 30 daily packs as described above. Customers have the option to either subscribe to the CustomSupps™ continual delivery service, thus receiving a new pack each month, or to order a single 30-day supply.

CustomSupps vs. Traditional Supplements:

The following diagram shows a CustomSupps™ 30-day supplement supply vs. the traditional method of buying each item individually. The comparison products used are generic GNC brand supplements.



Competitive Pricing Analysis Sample:

CustomSupps™ compared the price of one of its sample supplement training regimens to the cost that a consumer would face if trying to replicate by purchasing each item separately (the only current way to obtain the below ingredients). Four sample formulas (morning, pre-workout, post-workout, and night) were compared against the same generic GNC brand supplements seen in the previous section. In Table 1, the Custom Bulk Blend Unit costs are based on multiple quotes received from PureBulk.com. We believe this pricing is conservative, as CustomSupps would likely be able to negotiate better pricing with increased volume. The pricing below is assuming minimum order quantities of 100 Kg:

Table 1 ⁵

| Sample Supplement Regimen | | | |
|----------------------------------|---|---|------------------------------------|
| *Using GNC Brand Products | | | |
| Morning | If bought seperately (Cost/dosage) | | Custom Bulk Blend Unit Cost |
| 20 G Whey | \$ 0.49 | GNC Pro Performance Whey, \$55.99 / 5 LB Tub | \$ 0.16 |
| Multivitamin | \$ 0.16 | Mega Men Bonus Size, \$33.99 / 216 Tablets | \$ 0.08 |
| Pre-workout | If bought seperately (Cost/dosage) | | Custom Bulk Blend Unit Cost |
| 20 G Whey | \$ 0.49 | GNC Pro Performance Whey, \$55.99 / 5 LB Tub | \$ 0.16 |
| 5 G Creatine | \$ 0.15 | GNC Pro Performance Creatine Monohydrate, \$29.99 / 1KG | \$ 0.06 |
| Nitric Oxide Supplement | \$ 0.42 | GNC Pro Performance Nitric Oxide, \$49.99 / 120 Tablets | \$ 0.28 |
| Post-Workout | If bought seperately (Cost/dosage) | | Custom Bulk Blend Unit Cost |
| 5 G Creatine | \$ 0.15 | GNC Pro Performance Creatine Monohydrate, \$29.99 / 1KG | \$ 0.06 |
| 40G Whey | \$ 0.99 | GNC Pro Performance Whey, \$55.99 / 5 LB Tub | \$ 0.32 |
| 5 G Glutamine | \$ 0.44 | GNC L-Glutamine Powder, \$39.99 / 1 LB Tub | \$ 0.09 |
| Night | If bought seperately (Cost/dosage) | | Custom Bulk Blend Unit Cost |
| 40 G Casein | \$ 1.76 | GNC Pro Performance, \$39.99 / 2 LB Tub | \$ 0.88 |

In addition to the convenience of only needing to make one purchase through an easy to use website, a significant cost savings is generated by CustomSupps™ through the bulk purchase and pre-mixing of ingredients. Monthly expenditures for GNC and the CustomSupps™' cost basis is shown in Table 2 on the following page:

Table 2⁵

| GNC Purchased Supplements | | | |
|----------------------------------|-------------------|------|----------------------------------|
| | Daily Cost | | Average 30 Day Total Cost |
| Morning | \$ | 0.65 | \$ 19.56 |
| Pre-workout | \$ | 1.06 | \$ 31.84 |
| Post-Workout | \$ | 1.58 | \$ 47.52 |
| Night | \$ | 1.76 | \$ 52.90 |
| Total Monthly Cost: | | | |
| \$151.82 | | | |

| Custom Blend | | | |
|----------------------------|-------------------|------|----------------------------------|
| | Daily Cost | | Average 30 Day Total Cost |
| | \$ | 0.24 | \$ 7.20 |
| | \$ | 0.50 | \$ 15.01 |
| | \$ | 0.48 | \$ 14.25 |
| | \$ | 0.88 | \$ 26.45 |
| Total Monthly Cost: | | | |
| Ingredients | | | \$62.91 |
| Supplies / Mixing | | | \$20 |
| \$82.91 | | | |

There is a \$68.91 (over 45%) differential between the cost of GNC supplements purchased separately and the manufacturing and shipment costs of a monthly CustomSupps™ formula pack. With such a significant cost savings, CustomSupps™ will be able to make a significant profit per order even if attempting to undercut competitors. At this time, the company does not believe such a move is necessary, since the added convenience of pre-mixed custom blends should actually command a pricing premium.

COMPETITION

Competing with CustomSupps™ to supply custom vitamin and nutritional supplement programs to weightlifters, endurance athletes, multisport competitors, and health conscious individuals in general are the following:

- Nutritional supplement retail stores
- Online nutritional supplement retail sites
- Custom nutritional supplement distributors
 - *Custom Vitamins*
 - *Custom Protein Blends*
 - *Genetic-Based Custom Supplements*
- Non supplement-specific retailers
 - *Drug Stores*
 - *Discount Department Stores*
 - *Local Grocery Stores*

The list of competitors does not include supplement manufacturers unless these manufacturers specialize in retail, as CustomSupps™ does not intend to produce its own vitamin and supplement formulas. Alternately, the company expects to purchase products from manufacturing companies for resale.

Nutritional Supplement Retail Stores:

Although CustomSupps™ does not intend to have physical retail locations, the competition from nutritional supplement retail stores is important to recognize due to the large market share these firms control, and the brand loyalty they have gained over the years.

An evaluation of the supplement-specific retail stores in the United States yields an abundance of results from nationally recognized companies to local private entities. The most important in terms of competition with CustomSupps™ are the nationally recognized entities. Of these, the most prominent are GNC, Vitamin Shoppe, and Vitamin World. Together, these three stores accounted for roughly 12% of all U.S. nutritional supplement sales in 2008.

GNC Corporation:

The largest and most influential player in nutritional supplement retail is GNC Corporation, formerly known as General Nutrition Centers. GNC is based in Pittsburgh, Pennsylvania and has over 6,600 stores

throughout the United States and Canada. Of these, roughly 950 are franchise stores and 1,710 are contained within Rite Aid drugstores. In addition to these North American locations, there are GNC retail stores in 45 foreign markets across the world ⁶.

Looking at year-end 2008 financial data, GNC Corporation saw sales of \$1.66 billion, up 6.7% from 2007. Their net income totaled \$54.8 million, up an astounding 269% from the year before. GNC's private label brands account for roughly 48% of sales and include Mega Men and Pro Performance, targeted at males, and Body Answers, targeted at females. In addition, GNC provides Rite Aid with private-label vitamins and nutritional supplements ⁶.

Vitamin Shoppe, Inc:

Another influential player in the nutritional supplement retail market is Vitamin Shoppe, formerly known as VS Holdings. Based in North Bergen, NJ, Vitamin Shoppe has over 400 stores in 37 states and the District of Columbia. The company has seen extraordinary growth since 2003, and their total number of retail stores has doubled in that time. They currently expect to open new stores at a rate of 30 to 35 locations per year, and see a long-term goal of operating more than 900 U.S. stores. Financial data from 2008 shows Vitamin Shoppe with sales of \$601.5 million, up 11.8% from the previous year, and a net income of \$8.2 million ⁷.

Vitamin World, Inc:

Vitamin World is a subsidiary of NBTY (formerly Nature's Bounty). Located in Holbrook, NY, Vitamin World operates around 450 retail stores across the United States. Parent company NBTY saw revenues of \$2.18 billion in 2008 and a net income of \$153.2 million. Specific data on Vitamin World was not disclosed ⁸.

Conclusions:

The nationally recognized nutritional supplement retail stores are popular across the United States and offer all of the products CustomSupps™ expects to. They offer the ability to travel to a physical location as well as the customer service of being able to talk with an employee in person. Furthermore, the three retailers above sell online in addition to selling from physical retail locations, and many other retailers are moving towards selling online as well.

Online Nutritional Supplement Retail Sites:

The online nutritional supplement market is on the rise. While many physical stores have developed websites, as seen above, a variety of online-only retailers have also emerged in the past 10-15 years. These websites offer thousands of products at wholesale prices—often advertising up to 75% off retail prices, along with efficient shipping and 24/7 customer service. Three examples of very successful supplement websites include Bodybuilding.com, Drugstore.com, and Vitacost.com.

Bodybuilding.com, LLC:

Bodybuilding.com was established in 1999 and now has over 18,000 pages and has processed over four million orders. Bought by Liberty Media Corporation in 2008, the company is headquartered in Boise, Idaho. Based on 2007 data, the company saw sales of \$94.0 million, up 44.6% from the previous year. Additionally, the company employs roughly 110 individuals to run its operations⁹.

Although Bodybuilding.com is an online supplement retailer, they are even more competitive due to their image as an online fitness community. Their website contains a portion dedicated to the store, along with SuperSite, BodySpace, and forum sections. The SuperSite contains over 25,000 pages of bodybuilding and fitness information, and serves as an online database of articles, videos, and workout programs. Another section is BodySpace, an online social networking site with over 450,000 current members designed to help members track their progress, post profile information, and interact with other fitness-minded individuals. The final portion is the forums, where users can ask questions and start discussions about anything involving fitness. By serving as more than an online store, Bodybuilding.com has established itself as a society based on fitness information, motivation, and supplementation⁹.

Drugstore.com, Inc:

One of the largest health, beauty, prescription, and over-the-counter drugstores online is Drugstore.com. The company is headquartered in Bellevue, Washington and offers products by telephone in addition to online. 2008 sales for Drugstore.com were \$366.6 million, down 17.8% from 2007. Since its 1998 founding, the company has struggled to turn a consistent profit, and the 2008 net income was -\$8.3 million. The company has a variety of important partnerships with others such as HealthCare.com, Rite Aid, and GNC Corporation. In addition, the largest company shareholder is Amazon.com at nearly 15%, which strategically shares website technologies and has advertising agreements with Drugstore.com¹⁰.

Vitacost.com, Inc:

Vitacost.com is an online retailer that also operates through phone and mail orders. The company is based in Boca Raton, FL. Their 2008 sales reached \$143.6 million, up 44.6% from the year before. The company sells over 20,000 products including its own brand, Nutraceutical Sciences Institute (NSI) primarily to a U.S. market¹¹.

Conclusions:

Online nutritional supplement retailers are very important competitors to CustomSupps™. These companies offer the conveniences of online shopping along with fast order response times and comprehensive customer service. In addition, these websites have developed strong customer loyalty over the past few years and will continue to do so into the future. However, none of these websites provide custom packaging of daily-dose nutritional supplements.

Custom Nutritional Supplement Distributors:

Despite commanding significantly lower market shares than the physical and online retailers discussed above, custom nutritional supplement distributors, usually web-based, pose a significant threat to CustomSupps™ due to their potential to better and more conveniently meet the nutritional requirements of customers. An analysis of the custom supplement companies currently on the market yields three distinct groups: custom vitamins, custom protein blends, and genetic-based custom supplements.

Custom Vitamins:

An assortment of companies today offer the option to select from a variety of vitamin and mineral blends based on such factors as age, gender, and physical activity level. Some have taken this concept a step further and allow the customer to select the ingredients and dosages they would like in their daily vitamins, or to take surveys that aid in formulating a more customized vitamin and mineral blend. Vitaganic, formerly Mitamins, and Nutri-Herb are two examples of these companies.

Vitaganic was founded in 2005 and claims the title of being the world leader in custom-made vitamins¹². They offer customers the ability to select from a variety of base vitamin mixes and additions—including other vitamins, minerals, botanicals, and nutraceuticals. They also offer customers the option to select 3 to 5 symptoms suffered, and the company then creates an appropriate vitamin blend to meet the needs of that individual. 2008 sales were \$.32 million¹³.

Another similar company is Nutri-Herb, which expanded to the internet in 2001 and offers customers the ability to select individual vitamin and mineral supplements or to mix ingredients any way they would like into a custom vitamin formula¹⁴. The ordering process is less user-friendly than that of Vitaganic but offers the same end result.

Custom Protein Blends:

In addition to offering a variety of custom vitamin and mineral options, a few online companies today have expanded into the custom protein market. These companies allow the consumer to develop a made-to-order protein blend that better suits their individual needs. Some of the most successful companies in the custom protein market include Protein Factory Inc., True Protein, and Element Bars.

Protein Factory Inc. was founded in Brick, NJ and offers customers the ability to design a protein supplement from the ground up. Using their “Protein Lab” consumers can choose the types and percentages of proteins they want in the mix along with additional carbohydrates, fats, and supplements¹⁵. The custom formula can then be purchased by the pound. Protein Factory Inc. sales for 2008 were \$1.8 million¹⁶.

Similarly, True Protein allows users to use sliding percentage bars to add different types of proteins, carbohydrates, supplements, fats, flavors, sweeteners, and other additives to a custom protein supplement mix. Based in Oceanside, CA the company saw sales of \$0.5 million in 2008¹⁷.

Moving to custom protein bars, Element Bars allow customers to build their own bar with a distinct core, fruits, nuts, sweets, and boosts¹⁸. The Chicago, IL company achieved 2008 sales of \$0.084 million¹⁹.

Genetic-Based Custom Supplements:

The final and most customized supplements available today are genetic and metabolic-based formulas. The companies that supply these formulas use testing kits that take a physical sample from the customer which is then analyzed in a lab and used to develop a supplement to meet that individual's specific needs. GeneWize and Ideal Health are two internet based companies that supply these custom supplement formulas.

GeneWize is a specialized health, beauty, and wellness products company founded in 1994 and based in Longwood, FL²⁰. The company collects DNA data from the user using a cheek swab that is mailed to the company for analysis and used to determine vitamin supplements and skin creams that would benefit the individual customer. The approximate testing cost is \$188 and monthly custom supplements are around \$99²¹. GeneWize had sales of \$6.4 million in 2008²².

Varying slightly, Ideal Health is custom vitamin company that uses a PrivaTest, or urine based analysis, to determine deficiencies in individuals and develop custom vitamin and mineral formulas²³. The company had sales of \$3.9 million in 2008 and is based in Byfield, MA²⁴.

Conclusions:

These custom supplement distributors are the most similar companies to CustomSupps™ in the market at this point in time. Using more specialized methods to produce made-to-order supplements these companies begin to better meet consumer needs. In addition, custom supplement distributors begin to take the struggle out of buying a multitude of different products by better mixing products into single containers and packages.

Non Supplement-Specific Retailers:

The final competition faced by CustomSupps™ is by non supplement-specific retailers. These stores include general drug stores, discount department stores, and local grocery stores.

Drug Stores:

Traditional drug stores carry a multitude of vitamins and minerals but have a smaller variety of protein and other performance supplements. The major competitors are the following:

- CVS Caremark Corporation
- Walgreen Co.
- Rite Aid Corporation

Discount Department Stores:

Much like drug stores, traditional discount department stores often have pharmacies with vitamins and other nutritional supplements. Competitors include:

- Wal-Mart Stores, Inc.
- Target Corporation
- Kmart Corporation

Local Grocery Stores:

Local grocery stores across different regions of the U.S. also carry a variety of nutritional supplement products.

Conclusions:

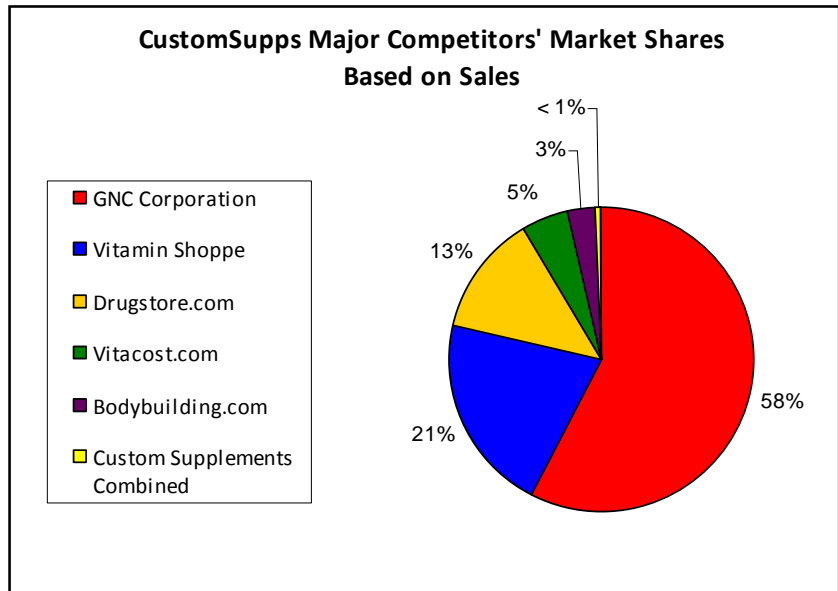
Although these companies are very large and successful chains, they do not specialize in nutritional supplements or possess the knowledge-base that many other companies in the industry do. However, due to their national presence and very competitive prices, these companies should not be ignored in the nutritional supplement industry.

Market Share Distribution:

Based on the data available from the major competitors previously listed, a market analysis based on sales can be viewed in the following pie chart:

| Company | Sales |
|------------------|-----------|
| GNC Corporation | \$1,656.7 |
| Vitamin Shoppe | \$601.5 |
| Drugstore.com | \$366.6 |
| Vitacost.com | \$143.6 |
| Bodybuilding.com | \$94.0 |
| GeneWize | \$6.4 |
| Ideal Health | \$3.9 |
| Protein Factory | \$1.8 |
| True Protein | \$0.5 |
| Vitaganic | \$0.3 |
| Element Bars | \$0.1 |

*Vitamin World not included due to Insufficient financial data
 **Non supplement-specific retailers were not included due to large sales volumes unrelated to supplements



Advantages Over Competition:

The basic advantages CustomSupps™ has over the competition are as follows:

- Customizable vitamin, protein, and performance enhancing formulas
- Individual, pre-mixed single serving packs
- Monthly supplement deliveries which can be easily modified
- Focus beyond weightlifters to encompass endurance athletes and multisport competitors

Competitive Positions:

CustomSupps™ ranks the strength of its competitors in the following order:

1. GNC and other nutritional supplement retail stores
2. Bodybuilding.com
3. Protein Factory, True Protein
4. Drugstore.com, Vitacost.com, and other online nutritional supplement retail sites
5. Other custom nutritional supplement distributors
6. Non supplement-specific retailers

GNC Corporation, Vitamin World, and Vitamin Shoppe are positioned to be the strongest competition for CustomSupps™ due to the immense market share they control. With combined sales in the multibillions, these companies have established brand recognition and are physically located everywhere across the United States. Combined with this, these companies also have significant online sales. On the other hand, these companies offer limited supplement customization options and instead require consumers to buy a variety of products in bulk and use scoops and counting to administer doses throughout the day.

Bodybuilding.com will also be a strong competitor as it is the largest fitness-only supplement retailer on the web. The site has established itself as more than just a store, and is often the first place experienced athletes go for nutritional supplement information. However, Bodybuilding.com suffers from the same problems as the nutritional supplement retail stores. The site offers products in bulk and does not meet the individual needs of consumers.

Although they account for a very small percentage of market sales, the Protein Factory and True Protein are interesting competitors because they have very similar options for protein mixes as CustomSupps™. The difference is in the packaging. These companies do deliver custom blends but fail to package these products in individual serving sizes. By mixing the product in large tubs, different elements of the blend could settle and cause serving sizes to vary nutritionally. Additionally, the burden of measuring still rests with the consumer.

Drugstore.com and Vitacost.com have larger sales volumes than Bodybuilding.com but act much more like a pharmacy than Bodybuilding.com. These sites do sell performance nutritional supplements and vitamins but the majority of sales are for over-the-counter drugs and prescription drugs, an area untouched by CustomSupps™.

The other custom nutritional supplement distributors are important competition but are lower on the list due to their extremely low market share and focus on vitamins for wealthier baby-boomers rather than performance nutritional supplements.

Finally, the non supplement-specific retailers lack the variety seen in the rest of the competition and supply the same mass produced products as the other retailers. Although these are huge companies, their impact on performance nutritional supplements is perceived as low.

Barriers to Entry:

The most problematic barrier to entry in the nutritional supplement retail industry is gaining enough market share to make operations profitable and to pull customers away from existing retail web suppliers. With the variety of supplement retailers available and the brand recognition already achieved by the largest companies, brand identification becomes the most important task for new entities.

In addition, when dealing with nutritional supplements consumers are much more worried about quality than with most other consumer goods, as poor products can be physically harmful. New companies must emphasize quality, demonstrate this quality, and rely on word of mouth reviews from users to gain esteem within the industry.

Finally, continued future emphasis on customizing supplements for individual users will further enhance barriers to entry in the nutritional supplement industry as traditional, mass produced retail supplements become obsolete.

STRATEGIC POSITION & RISK ASSESSMENT

CustomSupps™ objective is to become the premier custom nutritional supplement supplier in the U.S. and to begin to establish significant market presence among the major supplement retailers. To achieve these goals CustomSupps™ has developed a strategic position that emphasizes:

- Customizable high quality supplement formulas
- Convenient single-serving size nutritional supplements
- Easily altered monthly supplement programs
- User friendly and professional website ordering
- Strong focus on the individual needs of each customer

CustomSupps™ strategic position is based on the following factors:

- A. Current industry trends
- B. CustomSupps™ target market
- C. Competitive environment
- D. CustomSupps™ strengths
- E. Risks
- F. Pennsylvania State University Survey Data

Current Industry Trends:

The nutritional supplement industry, like all aspects of current U.S. culture, is headed towards customization and the ability to better meet the needs of individual consumers. A variety of new, customized supplement companies have formed in the past ten years and are beginning to gain recognition in the supplement industry. In addition, larger established supplement companies are developing new vitamin and mineral formulas to meet the needs of individuals in a variety of groups based on gender, age, and physical activity level. Customers today do not value one-size-fits-all formulas and instead demand companies and products that can meet their individual, very specific needs.

CustomSupps™ Target Market:

CustomSupps™ target market is health conscious individuals from a variety of different athletic backgrounds. The ties that bind these individuals are their desires to better themselves physically through training and nutritional supplement use. These consumers are willing to spend a considerable amount of money to receive this training and these supplements—ranging from roughly \$132 spent per

month by performance athletes to \$33 spent per month by regular users on supplements alone². Additionally, these consumers desire convenience and customization over price, as these are typically accompanied by increases in health, performance, and general wellbeing.

Competitive Environment:

A multitude of competitors exist in the nutritional supplement industry, but the majority of these companies focus on selling bulk supplements with no emphasis on customization. Additionally, the smaller competitors that do attempt to customize the supplement industry only focus on custom vitamins or custom protein blends, and again sell the final product in bulk quantities. These companies have essentially begun the customization process but have failed to reach its true potential in terms of developing a product that absolutely simplifies the supplement consumption process for customers.

CustomSupps™ Strengths:

CustomSupps™ excels in allowing the customer to have complete control in designing a nutritional supplement program that best suits their needs. The company also takes the frustration and confusion out of measuring, timing, and stacking various supplements by delivering individual serving sizes for consumption at specific times of the day. Essentially, CustomSupps™ is dedicated to making supplementation easier and more beneficial to the customer.

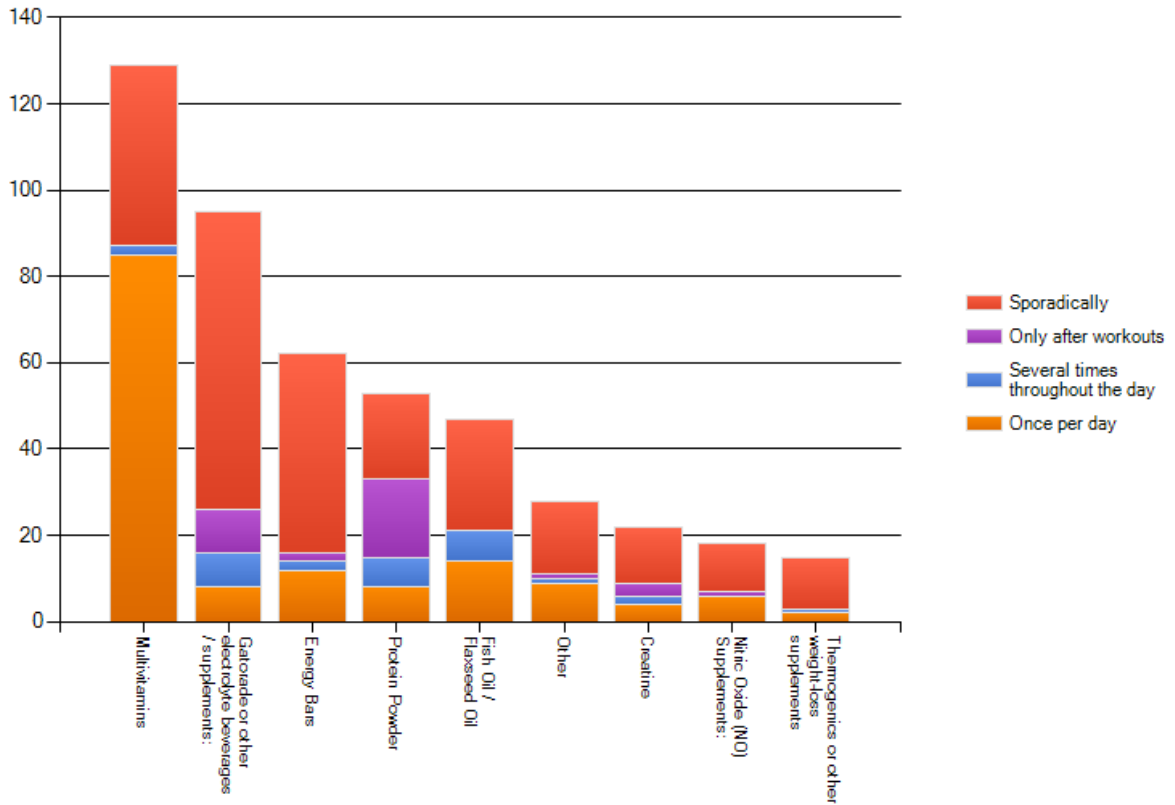
Risks:

A major risk faced by the company is the possibility that the largest nutritional supplement companies will implement similar strategies to those used by CustomSupps™ in an attempt to retain market share. In this case, these companies would most likely be able to offer lower prices due to established economies of scale. Another important risk to consider is the state of the economy. When the economy is weak, even the most health-conscious consumers begin to favor price over the convenience of various nutritional supplement options.

Pennsylvania State University Survey Data:

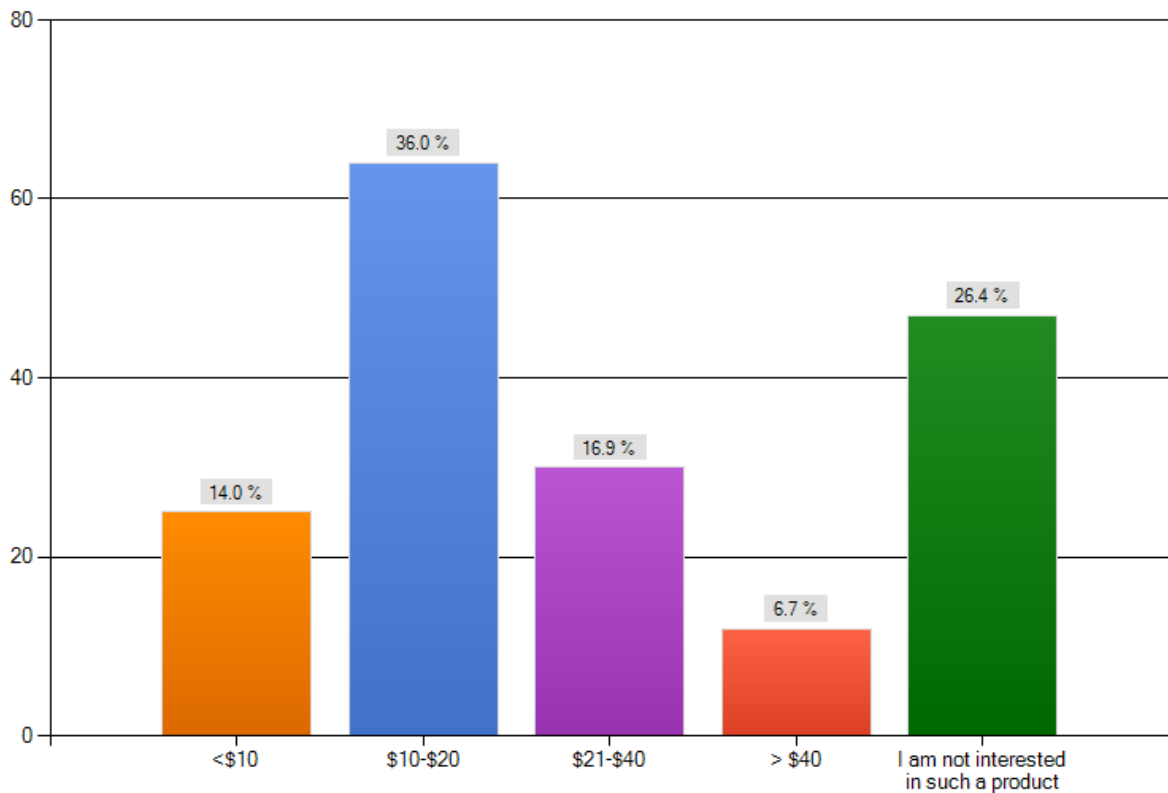
In an attempt to better understand consumers at the Pennsylvania State University, the pilot launch area for the company, a survey of 187 undergraduate students was conducted. The survey yielded very promising results. In the sample group, 37.8% of students responded that they use nutritional supplements on a regular basis and 24.3% responded that they use supplements sometimes, but not regularly. In addition, 40.1% of students claimed to be currently using 2 to 5 supplements, 2.1% claimed to be using 6 to 10, and 0.7% claimed to be using over 10, making them perfect candidates for CustomSupps™. The chart on the following page gives more details on the most widely used supplements as stated by these Penn State students:

What nutritional supplements / health products do you take, and how often?



Further analyzing these students' thoughts on nutritional supplements, 46.1% of those surveyed claimed that they were not very knowledgeable or sure that they were taking the correct supplements. Along with this, 20.5%, 23.2%, and 31.4% of students said they were very interested, interested, or somewhat interested, respectively, in a website that provided the latest news and research on nutritional supplements and proper dosing. Finally, looking at what students would be willing to pay for a service such as that provided by CustomSupps™, 73.6% of students expressed interest in the idea, as shown in the chart on the following page:

How much would you be willing to spend per month on a customized nutritional supplement plan catered to your body type, age, athletic abilities, and personal goals?



Overall, the undergraduate survey expressed that nutritional supplement use is prevalent at Pennsylvania State University, but many of these supplement users are unsure if they are using these products correctly. In addition, many students showed interest in a website such as the one provided by CustomSupps™, as well as a customized product that better caters to their individual needs.

Strategic Position:

Overall, CustomSupps™ is positioned to become an industry leader in customized nutritional supplements. By providing a completely customizable and comprehensive approach to nutritional supplements, the company will be in the best position of its competitors to truly meet the individual needs of each customer. By providing customization and convenience, the brand will distinguish itself from others by truly working in the best interest of the customers.

The largest threat to the success of CustomSupps™ comes from the ability of more established companies to implement similar programs at lower costs. The best approach CustomSupps™ can take to combat this risk is to work diligently to launch within the next year. By quickly reaching the market and beginning to establish a customer base, the company will be better situated to fight the advances of this type of competition. Additionally, looking at the risk of facing a poor economy, CustomSupps™ hopes that its launch will coincide with a rejuvenated economy following the current recession.

To achieve this strategic position, CustomSupps™ must continue to keep the interests of the customer as its first priority and constantly strive for excellence in its presentation, customer service, and the delivery of a quality nutritional supplement product.

MARKETING PLAN & SALES STRATEGY

CustomSupps™ distinguishes itself from the competition by being a customizable and convenient one stop shop to meet all of the nutritional supplement needs of the customer. In addition, the company strives to earn customer respect and confidence by distributing only high quality products and reliable customer service. The most important way CustomSupps™ must earn this reputation is through the way its customers interact with the website, the face of the company.

CustomSupps™ Website:

Because CustomSupps™ has no physical retail locations the website acts as the company storefront. Additionally, the website will act to serve a variety of other important company functions and will include a variety of information. The sections of the site consist of a home page, nutritional supplement descriptions, suggested supplement programs, user forums, an advanced supplement program developer, company history, and customer service/contacts.

Home Page:

The CustomSupps™ home page will provide basic information about the company and serve to guide the consumer to other sections of the website.

Nutritional Supplement Descriptions:

The nutritional supplement descriptions section of the site will provide the customer with a basic description of each of the supplements we offer and the uses of these products. The section will discuss nutrient timing and the ways in which certain supplements can be effectively combined for such uses as pre-workout, post-workout, morning, and evening stacks. For example, whey protein is best suited for morning and post-workout use as it is quickly absorbed into the body, while casein is best for night use as it digests slowly and will provide nutrients throughout the night.

CustomSupps™ Suggested Supplement Programs:

One of the most important sections of the website, the suggested supplement programs will serve as the expert opinion of CustomSupps™ to provide suggested nutritional supplement plans to the consumer. This section will use a computer program that serves as an interactive survey to determine the goals of the customer, their current physical condition, and the type of physical activity they participate in. The program will then suggest a range of supplement stacks from “bare-bones” to “the max”. The company will work closely with a nutritionist to develop these programs.

User Generated Supplement Program Suggestions and Discussion Forums:

This section of the website will allow CustomSupps™ users to upload supplement programs they are currently using and to discuss these programs via forum posts. Many nutritional supplement customers find the opinions of other users to be more reliable than those of the company itself, and this section

will serve as a way for the company to provide “expert advice” from advanced users without incurring additional costs.

Advanced Supplement Program Developer:

Advanced customers will also have the option to create their own supplement program or modify the suggested programs created in the previous sections. This section will allow customers to choose the number of stacks they would like per day, the ingredients in each stack, and the amount of each ingredient.

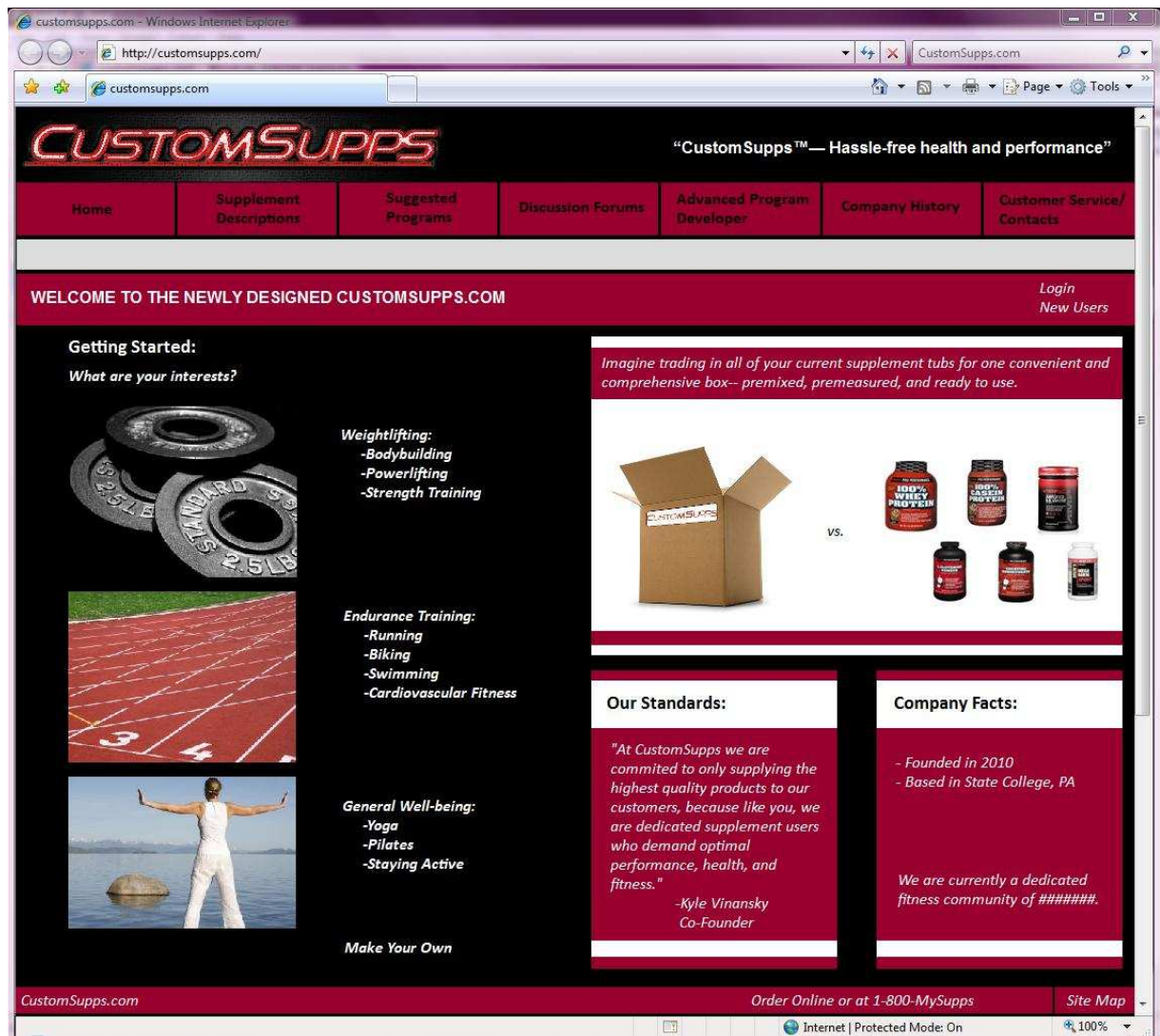
Company History:

The company history section of the site will describe the company, its origins, and the founders. By adding this more personal aspect to the image of the company, CustomSupps™ hopes to further gain the trust of the customer.

Customer Service/Contacts:

The final section of the site will be the customer service and contacts section. During the introductory period of CustomSupps™, the customer service phone line will operate from 9:00 AM to 5:00 PM due to limited staff. The phones will initially be operated by the founders, but over time sales representatives and eventually a full-time customer service employee will hold this role. In addition, there will be a customer service email address and a frequently asked questions (FAQ's) page to address other issues.

The following is a sample taken from the CustomSupps™ homepage:



General Website Goals:

The most important aspect of the website is functionality. It is of the utmost importance for the CustomSupps™ image that the site is free of errors and is comparable or superior to the professional appearance and functionality of the company's long-established competitors. A poorly designed or difficult to navigate website is a serious turnoff for new customers.

Advertising:

CustomSupps™ will use a variety of advertising techniques to establish market share and build brand loyalty. The basic strategy for reaching CustomSupps™' target market includes:

- Magazine advertising
- Website advertising
- Online social networking presence
- Trade show and event presence
- Sponsored athletes
- Alliances with Health Clubs
- Word of mouth

The focus of all of the CustomSupps™ advertising is on emphasizing the individual needs of each customer. CustomSupps™ is a brand that will be built on making the lives of the users more convenient and more customized to match their level of fitness and their personal goals. The company slogan is a firm statement of these goals:

“CustomSupps™— Hassle-free health and performance”

By focusing on the customer and maximizing CustomSupps™' exposure in a variety of venues and through advertising alongside established brands and competitors, CustomSupps™ will begin to gain recognition as a new kind of company among the major, established, and mass produced supplement companies.

Magazine Advertising:

One of the best methods to reach a large segment of the target market is to advertise in health and fitness magazines. To begin, many early adopters in the health and fitness demographic subscribe to these magazines and read them on a consistent basis. Additionally, health and fitness clubs across the nation receive free subscriptions to a variety of these magazines. In effect, these periodicals are widely available and at a minimum, paged through on a regular basis by fitness enthusiasts. Typical magazines to target CustomSupps™' target consumers include:

- *Flex and Muscular Development* (Bodybuilding)
- *Muscle & Fitness* and *Fitness Magazine* (General Fitness)
- *Men's Health* and *Shape* (Men's and Women's Health)
- *Triathlete Magazine* and *Runner's World* (Endurance Sports)

CustomSupps™ will advertise heavily in these magazines early on to begin to form a customer base soon after it begins operations. The company intends to use these sources as the foundation to secure its image in the health and fitness community.

Website Advertising:

Along with advertising in magazines, CustomSupps™ will also advertise online with the intent to target the same market using similar sources. Examples of targeted websites include the web pages associated with the magazines listed in the previous section, along with other websites such as Bodybuilding.com and Fitness.com. CustomSupps™ will also target supplement searches on search engines such as Google.com and Bing.com.

Online Social Networking Presence:

In addition to website and search engine advertising, CustomSupps™ will also advertise to target demographics using social networking sites such as Facebook and Twitter. The company will also develop profile pages on various social networking sites (e.g. Facebook), to promote the brand and develop “buzz” prior to the launch of the company website.

Trade Show and Event Presence:

Another excellent venue to promote CustomSupps™ is at health and fitness trade shows and events. The Arnold Sports Festival located in Columbus, Ohio is the largest multi-sport event in the nation and takes place every March (Arnoldsportsfestival.com). The event has a strong focus on weightlifting and bodybuilding, and allows companies to set up booths on the main event floor. All of the major supplement companies attend, and this venue serves as a great site to pass out free apparel, product samples, and information about the company. Other excellent trade shows and events include bodybuilding competitions, power lifting events, triathlons, marathons, and 5K's.

Sponsored Athletes:

As CustomSupps™ becomes more profitable over time, the firm will expand its advertising to sponsor various athletes to be spokespeople for the company. These athletes will be used in advertising campaigns, will attend publicized events, and wear the brand to further promote our products. Most likely, the company will select from professional bodybuilders, fitness models, football players, triathletes, cyclists, runners, and swimmers.

Alliances with Health Clubs:

Along with sponsoring athletes, CustomSupps™ hopes to make strategic alliances with various health clubs over time. In doing so, the company can sell individual supplement stacks at health clubs as well as promote club patrons to join our monthly program. As a benefit to sponsored health clubs, we will provide discounts and promotions to patrons of these fitness centers.

Word of Mouth:

The final form of advertising will come from word of mouth discussions between fitness enthusiasts about the company. In nutritional supplements the best way to gain popularity is to become a topic of interest in the health and fitness clubs and locker rooms. The best way to achieve this positive word of mouth advertising is to consistently deliver reliable and complete information to the consumer, to ensure rapid delivery of products, and to develop a strong brand image. By focusing on the functionality of the website and by promoting the company through strong advertising campaigns, CustomSupps™ can begin to control significant market share and establish itself as a brand of the future with a focus on the individual needs of the customer as its foremost goal.

OPERATIONS

Order Fulfillment and Customer Service:

The timely and accurate delivery of custom nutritional supplements is vital to ensure the success and growth of CustomSupps™' sales. As an online direct-ship company, CustomSupps™ must implement a lean supply chain structure that is able to quickly meet the needs of its client base. Raw ingredients will be stored and mixed at CustomSupps™' packaging and distribution facility; long term contracts will be signed with suppliers to ensure the availability of all ingredients necessary to create custom formula nutritional supplements.

Customers will be guided through a self-diagnosis survey to determine their custom treatment plan. Proprietary software will calculate the supplement formulas necessary to achieve maximum results for CustomSupps™ customers. The customer will be able to modify their survey answers if they are not satisfied with the proposed supplement regimen. Once a supplement regimen has been selected, the customer will be able to specify how often they would like to receive their supplement packs and their method of payment.

Upon receiving a customer order via the CustomSupps™ website, the required supplement packs will be picked and packaged for delivery to the customer. An inventory control and order management system will log outflows of product and will ensure that CustomSupps™ has enough raw materials on hand to meet future shipment requirements. Algorithms will be utilized in the order management software to ensure that CustomSupps™ never runs out of any ingredient necessary to fulfill a customer order. Shipments will be picked up daily via a reputable domestic carrier (FedEx, UPS, or USPS).

Efficient and responsive customer service will be critical to ensure the satisfaction of CustomSupps™' customers. CustomSupps™ will operate both an online live help (instant messaging/chat) application in addition to a call center to help facilitate customer needs. All customer service representatives will undergo extensive training to improve the experience for our customers. In the pilot phase of operation, assistance will be provided by the direct hires of CustomSupps™. With expanded growth and additional capacity requirements, CustomSupps™ may partner with a third-party call center to handle day-to-day customer service inquiries.

Research & Development:

The nutraceutical industry is undergoing extensive development as new ingredients are either found in nature or created synthetically in the lab. CustomSupps™ is committed to being at the forefront of the nutraceutical industry in providing our customers with the best customized nutritional supplement system in the world.

Prior to launch, CustomSupps™ will consult with sports nutrition experts and study past and present university research to determine the optimum mixing formulas for our target client base. The initial supplement mixes will need to be refined and new formulas will eventually be added as developments in the industry reveal new ways of enhancing performance. CustomSupps™ will also subscribe to

numerous industry publications such as *Nutraceutical World* and will attend conferences held by the American Nutraceutical Association. Though an on-staff chemist will not be a part of the original CustomSupps™ team, we anticipate that with additional growth one will need to be added to continue the process of refining CustomSupps™' proprietary mixing formulas.

Production:

All custom supplement packs will be produced at one centralized production facility. The manufacturing process is highlighted in the schematic below:



CustomSupps™ will purchase large quantities of individual nutraceutical from our suppliers to be stored at our production facility. The raw ingredients will be mixed according to proprietary formulas provided to our contract manufacturer. After being mixed, the powders will be packaged into appropriately labeled strip packs and sealed for storage until shipment.

Assembly Headquarters:

During initial operations, CustomSupps™ will utilize a contract nutraceutical manufacturer to produce, package, and ship its custom supplement packs from a central location. CustomSupps™ is looking for a contract manufacturer that has all of the following characteristics & capabilities:

- FDA Certified
- Custom Powder Mixing, Filling, and Packaging
- Inventory Storage
- Shipment/Order Management Capabilities
- Central Location to Major Transport Hub

CustomSupps™ has narrowed down its list of potential contractors and is currently in the process of negotiating rates. The company has signed non-disclosure agreements with Fusion Formulations and Vitarich.

Financial Controls:

CustomSupps™ is a Limited Liability Corporation, with Paul Russ serving dual roles as President and Chief Financial Officer (CFO). In his capacity as CFO, Mr. Russ will be for designing the financial control procedures necessary for a successful financial operation. To eliminate the potential for a conflict of interest resulting from these dual roles, CustomSupps™ will seek to hire a dedicated CFO within two years of operations commencing. CustomSupps™ will use e-commerce, database & financial management software to oversee the invoicing and collections process from its customers. In initial operations, the CustomSupps™ website will accept payment via Credit Card, Google Payments, and PayPal.

CustomSupps™ will look to establish long-term contracts with suppliers of nutraceutical ingredients and will engage in limited hedging operations to ensure the stability of input prices. The terms of payment and invoicing, such as purchasing on credit and scheduled order productions, will be determined on a client-by-client basis. This will allow CustomSupps™ to operate under an efficient financial structure that allows for the allocation of resources to the most needed areas within the firm.

Contingency Planning:

The Food & Drug Administration (FDA) currently classifies the nutraceutical ingredients that comprise CustomSupps™' custom supplement packs as dietary supplements. Under the 1994 Dietary Supplement Health and Education Act (DSHEA):

The dietary supplement manufacturer is responsible for ensuring that a dietary supplement is safe before it is marketed. FDA is responsible for taking action against any unsafe dietary supplement product after it reaches the market. Generally, manufacturers do not need to register their products with FDA nor get FDA approval before producing or selling dietary supplements. (FDA.GOV)

The FDA does require that “domestic and foreign facilities that manufacture/process, pack, or hold food for human or animal consumption in the United States” register their facility with the FDA. In the event that a CustomSupps™ contract manufacturer loses their accreditation with the FDA, CustomSupps™ will immediately work to move operations to another contractor. As the company grows, CustomSupps™ may look to have multiple production facilities to offset the risk of a production shutdown for any variety of reasons.

According to the DSHEA, it is the responsibility of the manufacturer to ensure the safety of any manufactured dietary supplement. CustomSupps™ will work closely with its contract manufacturers to ensure the proprietary mixes are safe to consume by our customers. In the unlikely event that a harmful reaction is found, CustomSupps™ will work with the FDA to issue a total recall of our product until a safe alternative is created. CustomSupps™ management will strive to stay on top of developments in the nutraceutical industry and make any necessary modifications to our supplement formulas.

CustomSupps™ will hire a General Counsel (GC) and/or work with a reputable law firm to limit and manage the legal liabilities faced by the firm. The GC will advise the company on potential legal issues and litigation. Current legislation may place additional oversight of the dietary supplement industry with the FDA or another government agency; CustomSupps™ will follow changes in legislation closely and will adapt to meet the legal requirements put in place.

MANAGEMENT & ORGANIZATION

Key Employees:

Paul A. Russ

Founder, President, and Chief Financial Officer

Mr. Russ received his B.S. in Finance and B.A. in Economics with highest distinction from the Pennsylvania State University in 2010. Prior to working with CustomSupps™, Mr. Russ served as an Investment Banking Analyst at Morgan Stanley in the Financial Sponsors Group. He also served as the Treasurer of the \$4 Million Nittany Lion Fund, a private investor student-run investment portfolio, from 2008-2009.

Considering Mr. Russ' experience with financial management, he serves as CustomSupps™' Chief Financial Officer. Since Mr. Russ is 100% committed to CustomSupps™, he is jointly responsible for all company obligations until additional employee hires are made.

Kyle L. Vinansky

Founder, Chief Strategy Officer, and Vice President of Sales

Mr. Vinansky received his B.S. in Finance and B.A. in Media Studies with honors from the Pennsylvania State University in 2010. In addition to working at CustomSupps™, Mr. Vinansky has a long history with weightlifting and has researched and used nutritional supplements for almost ten years. He has a strong understanding of the nutritional supplement, and also has extensive knowledge of the professional bodybuilding industry. In his previous work, Mr. Vinansky was the manager of 3206 Fitness Gym in Avalon, New Jersey.

Due to the broad range of knowledge Mr. Vinansky has regarding the nutritional supplement and bodybuilding industries he serves as CustomSupps™' Chief Strategy Officer and Vice President of Sales. Because Mr. Vinansky is 100% committed to CustomSupps™, he is equally responsible for all company obligations until additional staff members are hired.

Management Team:

| Individual | Role in Company | Previous Experience | Commitment to Company | Past Employment |
|---------------|--|---|-----------------------|---|
| Paul Russ | President, Chief Financial Officer | Investment Banking Analyst Treasurer (Nittany Lion Fund) | 100% | Morgan Stanley Financial Sponsors Group |
| Kyle Vinansky | Chief Strategy Officer, VP of Sales | Gym Manager | 100% | 3206 Fitness |

Projected New Hires:

By partnering with a contract manufacturer, CustomSupps™ is able to significantly reduce internal manufacturing overhead. Additionally, by outsourcing customer service to a third-party call center, CustomSupps™ can operate under a lean internal employment structure. Within the next twelve months, CustomSupps™ will need to fill the several permanent and/or temporary employee positions. The projected new hires are documented in the chart below.

| Projected New Hires: Next 12 Months | | | | |
|-------------------------------------|----------------------|--|----------------|---|
| New Hire | Title | Employment Designation (Permanent / Temporary) | Date Hired | Responsibilities |
| 1 | Web Developer | Consulting Contract | June 2010 | Develop front and backend online ordering system & CustomSupps™ Website |
| 2 | Sales Associates (3) | Permanent | September 2010 | Manage customer relationships escalated from 3 rd party call centers |

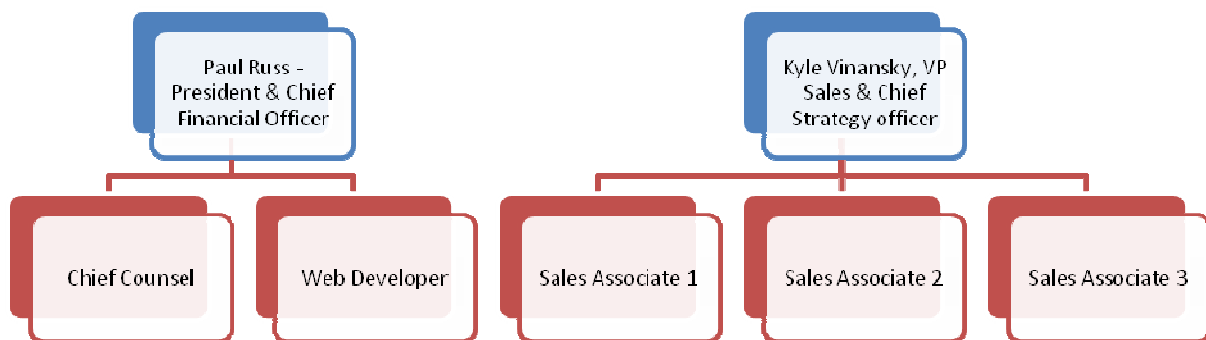
Management Structure:

Attached is CustomSupps™' management structure, outlined in web form.

Paul Russ, President of CustomSupps™, is involved with the daily operations of the company. He is responsible for directing administrative activities, quality management, customer support, and monitoring financial transactions. Mr. Russ works closely with the vice president, advisors, and the chief counsel to ensure quality and efficient management.

Kyle Vinansky, Vice President of Sales, is also involved with the daily operations of the company. He is responsible for managing the CustomSupps™ sales force and establishing relationships with contract manufacturers and suppliers. Mr. Vinansky works closely with his sales team to address customer inquiries. As the Chief Strategy Officer, Mr. Vinansky also provides strategic input on expansion and marketing efforts.

CustomSupps™ Management Hierarchy



DEVELOPMENT, MILESTONES, & EXIT PLAN

Development:

Long-Term Goals:

CustomSupps™ plans to become the market leader in custom supplement plans for consumers in the United States. With positive net income in year one of operations and positive cash flow starting in year 2, CustomSupps™ plans to use its earnings to further expand operations and increase our market share.

Our main goal is to provide customers with an easy-to-use customized supplement regimen that will enhance athletic performance and quality of life. Maintaining outstanding customer service will be among the chief goals of CustomSupps™ and our employees will constantly be trained on providing premium service to our customers.

With expanding sales and an influx of cash, CustomSupps™ may determine that an in-house manufacturing process might be needed. While maintaining strong relationships with our contract manufacturers, the company may eventually decide to invest in a production plant to produce custom supplement packs.

CustomSupps™ will also partner with local health and fitness clubs to provide on-demand supplement packs to customers pre- and post-workout. With the introduction to customizable supplements, CustomSupps™ hopes to be able to gain additional market share through positive word-of-mouth.

Strategy for Achieving Goals:

CustomSupps™ plans on achieving its long-term goals by creating a product that is well-regarded in the industry and by providing excellent customer service. With a unique product, CustomSupps™ will be able to gain market share and spend net income on research and development in the nutraceutical space.

The company will operate with a large marketing budget to try and reach our target market. Print, online, and a variety of other advertising methods will be utilized. By creating an easy-to-use website, customers will be able to order their custom supplement packs and understand the benefits of specific regimen that they are receiving.

CustomSupps™ may also in the near future partner with a sponsor to promote the use of our product. By having a famous individual advocate the benefits of CustomSupps™, sales should increase significantly.

Greater Expansion Plans:

CustomSupps™ may at some point decide to build an on-site manufacturing plant to produce custom supplement packs. If that decision would be made, the plant would be located near a major shipping hub with access to raw materials and our shipping partners.

The company may also decide to partner with local health and fitness clubs to sell variants of the custom supplement packs for pre- and post-workouts. These mass-manufactured packs would further increase the market size for CustomSupps™ and presents a new channel for distribution.

Risks Associated with Expansion:

CustomSupps™ faces several risks with potential expansion. In the event of a market disruption such as a new competitor or legislative channels, revenue projections could be significantly affected. This would result in a more difficult financing environment for the company and could potentially prevent CustomSupps™ from executing on its plan to develop an in-house production plant.

By attempting to push into the local gym and fitness club market, CustomSupps™ will be extending its supply chain and may run into inventory management issues. Instead of producing packs on demand, inventory will need to be held in order to anticipate bulk orders from clubs.

Milestones:

CustomSupps™ has begun negotiations with several contract manufacturers to price and develop custom supplement formulas for production in early 2011. We have signed non-disclosure agreements (NDAs) with Fusion Formals and VitaRich and are actively pricing formula mixes.

In Q1 2010, CustomSupps™ purchased the website domain www.customsupps.com. In addition, the company plans on further refining its custom supplement formulas and begin the paperwork to create CustomSupps™, LLC. We will also look to develop our website by partnering with a local web designer to create an easy-to-use product.

After testing sample products, CustomSupps™ is tentatively looking to start wide-scale production in Q1 or Q2 of 2011.

Exit Plan:

CustomSupps™ plans to continue operations indefinitely. After repaying our initial supplier and angel-backed loans, CustomSupps™ may look to obtain further financing to support expansion. Market demands and growth prospects may lead to either an IPO or the sale of the company to a much larger market operator.

THE FINANCIALS

The figures on the financial statements found in are based on the assumptions featured below.

Income Statement Assumptions:

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------|-----------|-----------|-----------|-----------|
| Assembly: | | | | | |
| CustomSupps units sold (12 Month Subscription) | 2,000.00 | 4,000.00 | 6,400.00 | 10,240.00 | 16,384.00 |
| Unit Mix Cost | 200.00 | 220.00 | 242.00 | 266.20 | 292.82 |
| Unit Fill Cost | 6.00 | 6.60 | 7.26 | 7.99 | 8.78 |
| Shipping from suppliers (\$/unit) | 4.00 | 4.40 | 4.84 | 5.32 | 5.86 |
| Shipping to consumers (\$/unit) | 35.00 | 38.50 | 42.35 | 46.59 | 51.24 |
| Supplies (labels, bags, boxes, etc.) (\$/unit) | 8.0 | 8.80 | 9.68 | 10.65 | 11.71 |
| Personnel: | | | | | |
| Number of workers (outside of founders) | 2 | 4 | 6 | 8 | 10 |
| Average Salary of workers | 30,000 | 33,000 | 36,300 | 39,930 | 43,923 |
| VP Sales Annual Salary | 60,000 | 66,000 | 72,600 | 79,860 | 87,846 |
| CFO Salary Annual Salary | 60,000 | 66,000 | 72,600 | 79,860 | 87,846 |
| Corporate Tax Rate Assumptions: | | | | | |
| Income Tax (%/rate) | 30% | 30% | 30% | 30% | 30% |
| Other: | | | | | |
| Marketing costs | 40,000 | 100,000 | 250,000 | 375,000 | 562,500 |
| Storage costs (\$/unit) | 3.00 | 3.30 | 3.63 | 3.99 | 4.39 |
| Misc Costs (\$/unit) | 3.00 | 3.30 | 3.63 | 3.99 | 4.39 |
| Costs: | | | | | |
| Total Unit Cost (\$/year) | 518,000 | 1,139,600 | 2,005,696 | 3,530,025 | 6,212,844 |
| Selling price of Annual Subscription (\$/12 Monthly Packs) | 599.88 | 629.87 | 661.37 | 694.44 | 729.16 |

The sales figures above reflect the estimated costs of production for a CustomSupps supplement pack and related items, with an estimated 10% annual cost appreciation due to inflation and increases in supplies. The number of CustomSupps units sold is based on demand estimates and perceived reach of CustomSupps marketing efforts.

Personnel:

CustomSupps™ will operate with 2 full-time employees during the first year of operations. In the second year, the workforce will double to plan for increased Sales volume; each additional year through year 5 will see 2 new hires. Base compensation for employees will begin at \$30,000, with assumed yearly adjustment of 10% to reward employees for their service to the company. The CFO and VP of Sales will receive annual salaries of \$60,000 with the similar salary growth structure as the rest of the employees.

Expansion:

CustomSupps™ assumes that 2,000 subscriptions will be sold in the first year of operation, 4,000 in the second year, and each additional year seeing sales growth of 60%. Costs associated with the expansion include an increase in marketing costs, the cost of materials, and shipping costs. The growth of CustomSupps™ will be financed largely through the cash flow generated through operations. After observing negative cash flow in the first year of operations due to a significant debt interest payment, CustomSupps™ will observe six-figure positive cash flow to allow the company to finance internal expansion.

Other Values:

CustomSupps™ is factoring in a 10% annual rate of customer returns due to factors such as customer dissatisfaction, competitor sales, and general macroeconomic effects. Additionally, the company is projecting a 30% corporate tax rate. In the event of legislative changes, adjustments will need to be made to many of the assumptions made in these financial statements.

Balance Sheet Assumptions:

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------------|--------------|--------------|--------------|--------------|---------------|
| Accounts Receivable (\$/year) | 1,079,784.00 | 2,267,546.40 | 3,809,477.95 | 6,399,922.96 | 10,751,870.57 |
| Loans Payable (\$/year) | 233,924.80 | 233,924.80 | 233,924.80 | 32,923.44 | 0.00 |
| Initial Owner's Equity | | | 50,000.00 | | |

Loan Amortization Schedules

| Supplier Financing - 8% Annual | | | | | |
|--------------------------------|-------------------|---------------|---------------|----------------|----------------|
| Year | Beginning Balance | Total Payment | Interest Paid | Principal Paid | Ending Balance |
| 2011 | \$ 518,000.00 | \$201,001.36 | \$ 41,440.00 | \$ 159,561.36 | \$ 358,438.64 |
| 2012 | \$ 358,438.64 | \$201,001.36 | \$ 28,675.09 | \$ 172,326.27 | \$ 186,112.37 |
| 2013 | \$ 186,112.37 | \$201,001.36 | \$ 14,888.99 | \$ 186,112.37 | \$ 0.00 |
| | | | | | |
| Angel Loan - 12% | | | | | |
| Year | Beginning Balance | Total Payment | Interest Paid | Principal Paid | Ending Balance |
| 2011 | \$ 100,000.00 | \$ 32,923.44 | \$ 12,000.00 | \$ 20,923.44 | \$ 79,076.56 |
| 2012 | \$ 79,076.56 | \$ 32,923.44 | \$ 9,489.19 | \$ 23,434.26 | \$ 55,642.30 |
| 2013 | \$ 55,642.30 | \$ 32,923.44 | \$ 6,677.08 | \$ 26,246.37 | \$ 29,395.93 |
| 2014 | \$ 29,395.93 | \$ 32,923.44 | \$ 3,527.51 | \$ 29,395.93 | \$ 0.00 |

Financing:

CustomSupps™ will obtain financing through two separate channels. Equity ownership will be financed with internal owner's capital. CustomSupps™ is looking to raise between \$100,000 and \$200,000 in angel investor convertible loans (estimated at 12% annual coupon). The company will also secure supplier-financing for goods during the first 3 years of operations (estimated at an 8% annual coupon). CustomSupps™ may in the future obtain additional equity or debt financing to pursue expansion opportunities.

Accounts Receivable and Payable:

CustomSupps™ anticipates having to make payment in full to its contract manufacturers for services rendered. Online operations will accept payment via electronic checks or credit cards billed on a recurring basis. CustomSupps™ does not foresee any cash flow problems on either end of its operations.

Inventory:

CustomSupps™ will employ a just-in-time contract manufacturing system that will eliminate the need to store inventory or replace machinery. Any excess supply of ingredients will be stored on-site by the contract manufacturer—off of CustomSupps™' books.

Statement of Cash Flows (2011-2015) - \$US

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------------------------|-----------------------|------------------------|-----------------------|---------------------|
| CustomSupps, Inc. | | | | | |
| Cash, beginning of the year | \$ 668,000 | \$ 450,777 | \$ 458,507 | \$ 867,710 | \$ 1,868,950 |
| Cash flows from operating activities | | | | | |
| Net Income Less Interest Income | \$ 16,701 | \$ 241,655 | \$ 442,126 | \$ 1,001,240 | \$ 1,647,882 |
| Plus: | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Increase in Accounts Payable | - | - | - | - | - |
| Less: | - | - | - | - | - |
| Increase in Accounts Receivable | - | - | - | - | - |
| Increase in Inventory | - | - | - | - | - |
| Net cash provided (used) by operating activities | \$ 16,701 | \$ 241,655 | \$ 442,126 | \$ 1,001,240 | \$ 1,647,882 |
| Cash flows from investing activities | | | | | |
| Cash received from sale of capital assets (plant and equipment, etc.) | - | - | - | - | - |
| Cash received from disposition of business segments | - | - | - | - | - |
| Cash received from collection of notes receivable | - | - | - | - | - |
| Cash paid for purchase of capital assets | - | - | - | - | - |
| Cash paid to acquire businesses | - | - | - | - | - |
| Other | - | - | - | - | - |
| Net cash provided (used) by investing activities | - | - | - | - | - |
| Cash flows from financing activities | | | | | |
| Cash received from issuing stock | - | - | - | - | - |
| Cash received from long-term borrowings | - | - | - | - | - |
| Cash paid to repurchase stock | - | - | - | - | - |
| Cash paid to retire long-term debt | \$ (233,924.80) | \$(233,924.80) | \$ (233,924.80) | \$ (32,923.44) | \$ - |
| Cash paid for dividends | - | - | - | - | - |
| Other | - | - | - | - | - |
| Net cash provided (used) in financing activities | \$ (233,924.80) | \$(233,924.80) | \$ (233,924.80) | \$ (32,923.44) | - |
| Increase (decrease) in cash during the period | \$ (217,223) | \$ 7,730 | \$ 409,203 | \$ 1,001,240 | \$ 1,647,882 |
| Cash balance at the beginning of the period | \$ 668,000 | \$ 450,777 | \$ 458,507 | \$ 867,710 | \$ 1,868,950 |
| Cash balance at the end of the period | \$ 450,777 | \$ 458,507 | \$ 867,710 | \$ 1,868,950 | \$ 3,516,832 |

Income Statement (2011-2015) - \$US

CustomSupps, Inc.

Financial statements in U.S. dollars

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2011-2015 CAGGR% |
|-------------------------------------|----------------------|----------------------|----------------------|------------------------|------------------------|------------------|
| Revenue | | | | | | |
| Gross Sales | \$ 1,199,760 | \$ 2,519,496 | \$ 4,232,753 | \$ 7,111,026 | \$ 11,946,523 | 77.64% |
| Less: Sales Returns and Allowances* | \$ 119,976 | \$ 251,950 | \$ 423,275 | \$ 711,103 | \$ 1,194,652 | |
| Net Sales | \$ 1,079,784 | \$ 2,267,546 | \$ 3,809,478 | \$ 6,399,923 | \$ 10,751,871 | 77.64% |
| Cost of Goods Sold | | | | | | |
| Add: Purchases | \$ 518,000 | \$ 1,139,600 | \$ 2,005,696 | \$ 3,530,025 | \$ 6,212,844 | 86.10% |
| Less: Ending Inventory | | | | | | |
| Cost of Goods Sold | \$ 518,000 | \$ 1,139,600 | \$ 2,005,696 | \$ 3,530,025 | \$ 6,212,844 | 86.10% |
| Gross Profit (Loss) | \$ 561,784 | \$ 1,127,946 | \$ 1,803,782 | \$ 2,869,898 | \$ 4,539,027 | 68.60% |
| Operating Expenses | | | | | | |
| Salaries and Wages | \$ 180,000.00 | \$ 264,000.00 | \$ 363,000.00 | \$ 459,195.00 | \$ 614,922.00 | 35.95% |
| Rent/Storage | \$ 6,000.00 | \$ 13,200.00 | \$ 23,232.00 | \$ 40,888.32 | \$ 71,963.44 | 86.10% |
| Shipping to Consumers | \$ 70,000.00 | \$ 154,000.00 | \$ 271,040.00 | \$ 477,030.40 | \$ 839,573.50 | 86.10% |
| Shipping from Suppliers | \$ 8,000.00 | \$ 17,600.00 | \$ 30,976.00 | \$ 54,517.76 | \$ 95,951.26 | 86.10% |
| Marketing and Advertising | \$ 40,000.00 | \$ 100,000.00 | \$ 250,000.00 | \$ 375,000.00 | \$ 562,500.00 | 93.65% |
| Total Expenses | \$ 304,000.00 | \$ 548,800.00 | \$ 938,248.00 | \$ 1,406,631.48 | \$ 2,184,910.20 | 63.73% |
| Net Operating Income | 257,784 | 579,146 | 865,534 | 1,463,267 | 2,354,116 | 73.84% |
| Other Income | | | | | | |
| Gain (Loss) on Sale of Assets | | | | | | |
| Interest Income | | | | | | |
| Interest Expense | \$ 233,925 | \$ 233,925 | \$ 233,925 | \$ 32,923 | \$ 0 | |
| Total Other Income | \$ (233,925) | \$ (233,925) | \$ (233,925) | \$ (32,923) | \$ 0 | |
| Net Income Before Taxes | \$ 23,859 | \$ 345,222 | \$ 631,609 | \$ 1,430,343 | \$ 2,354,116 | |
| Provisions for taxes on income | \$ 7,158 | \$ 103,566 | \$ 189,483 | \$ 429,103 | \$ 706,235 | |
| Net Profit After Tax | \$ 16,701 | \$ 241,655 | \$ 442,126 | \$ 1,001,240 | \$ 1,647,882 | 215.17% |

* - Allowance of 10% for returns/cancellations

Balance Sheet (2011-2015) - \$US

CustomSupps, Inc.

| Assets | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------------------|----------------------|----------------------|------------------------|------------------------|
| Current assets | | | | | |
| Cash and cash equivalents | \$ 450,776.63 | \$ 458,506.95 | \$ 867,709.91 | \$ 1,868,950.06 | \$ 3,516,831.57 |
| Prepaid Rent | \$ 6,000.00 | \$ 13,200.00 | \$ 23,232.00 | \$ 40,888.32 | \$ 71,963.44 |
| Accounts receivable | - | - | - | - | - |
| Inventories | - | - | - | - | - |
| Deferred income taxes | - | - | - | - | - |
| Total current assets | \$ 456,776.63 | \$ 471,706.95 | \$ 890,941.91 | \$ 1,909,838.38 | \$ 3,588,795.01 |
| Other assets | | | | | |
| Property, plant, and equipment at cost | - | - | - | - | - |
| Less accumulated depreciation | - | - | - | - | - |
| Property, plant, and equipment (net) | - | - | - | - | - |
| Long-term cash investments | - | - | - | - | - |
| Equity investments | - | - | - | - | - |
| Deferred income taxes | - | - | - | - | - |
| Other assets | - | - | - | - | - |
| Total other assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total assets | \$ 456,776.63 | \$ 471,706.95 | \$ 890,941.91 | \$ 1,909,838.38 | \$ 3,588,795.01 |

Liabilities

| | | | | | |
|---|----------------------|----------------------|----------------------|---------------------|------------------|
| Current liabilities | | | | | |
| Loans payable and current portion long-term debt | \$ 233,924.80 | \$ 233,924.80 | \$ 233,924.80 | \$ 32,923.44 | \$ - |
| Accounts payable and accrued expenses | \$358,438.64 | \$186,112.37 | - | - | - |
| Income taxes payable | - | - | - | - | - |
| Accrued retirement and profit-sharing contributions | - | - | - | - | - |
| Total current liabilities | \$ 592,363.44 | \$ 420,037.17 | \$ 233,924.80 | \$ 32,923.44 | \$ - |
| Other liabilities | | | | | |
| Long-term debt | \$ 98,770.33 | \$ 65,846.89 | \$ 32,923.44 | \$ - | \$ (0.00) |
| Accrued retirement costs | - | - | - | - | - |
| Deferred income taxes | - | - | - | - | - |
| Deferred credits and other liabilities | - | - | - | - | - |
| Total other liabilities | \$ 98,770.33 | \$ 65,846.89 | \$ 32,923.44 | \$ - | \$ (0.00) |
| Total liabilities | \$ 332,695.13 | \$ 299,771.69 | \$ 266,848.25 | \$ 32,923.44 | \$ (0.00) |

Owners Equity

| | | | | | |
|-------------------------|---------------|----------------|---------------|-----------------|-----------------|
| Capital Surplus/Deficit | \$ 107,380.06 | \$ (69,719.86) | \$ 181,967.26 | \$ 875,674.78 | \$ 1,940,913.50 |
| Retained Earnings | \$ 16,701.44 | \$ 241,655.12 | \$ 442,126.40 | \$ 1,001,240.15 | \$ 1,647,881.51 |

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Academic Vita

PAUL RUSS
paulruss@gmail.com

EDUCATION

The Pennsylvania State University, The Schreyer Honors College

University Park, PA

Dual Degree: B.S. Finance, B.A. Economics

Class of 2010

Minors: Business Law, History

Thesis: Business Plan for Nutritional Supplement Company

Honors: National Merit Finalist Scholarship, Helen Eakin Eisenhower Senior Award, Mitte Foundation Scholarship, Schreyer Academic Excellence Scholarship, PSECU Financial Literacy Scholarship, Phi Beta Kappa Honors Society, Beta Gamma Sigma Honor Society, Omicron Delta Kappa Leadership Honors Society, Appearance on CNBC's *Mad Money with Jim Cramer*

PROFESSIONAL EXPERIENCE

Morgan Stanley

New York, NY

Summer Analyst, Equity Financing Products (EFP) – Prime Brokerage Rotational Program

May – July 2009

- Designed Hedge Fund Capital Raising business plan for presentation to senior management
- Created standalone EFP revenue model incorporating cash & synthetic financing products for EFP Sales
- Performed due diligence for Morgan Stanley's 1st Private Equity Capital Raise for an external Latin American Infrastructure Fund
- Developed market share model to project short, debit, and equity balances for use by EFP Sales and Client Service

Summer Analyst, SPARX (Strategy, Projects, Analysis, Reporting, and Cross-Platform Integration)

June – August 2008

- Led initiative to develop new functionality within Atlas Financial Reporting Application for internal clients
- Performed analyses to verify integrity of MSCI-BARRA financial accounting system spinoff
- Tested functionality of Genesys financial reporting system and developed test cases for clients

Foot Locker Corp.

Camp Hill, PA

Financial Analyst Intern, Logistics & International Trade Departments

May – August 2007

- Developed processes to automate Forecast Models, saving over 30 man-hours per month
- Performed Cost & Carrier Analysis to improve Freight Forecasts, reducing monthly costs by \$20K
- Implemented a historical off-site storage cost automated report system for the VP of Logistics

LEADERSHIP EXPERIENCE

Nittany Lion Fund LLC. & Penn State Investment Association

University Park, PA

Executive Board – Treasurer, Fund Manager

November 2007 – Present

- Oversee 40 Fund Managers of the \$3.5 million student-run Nittany Lion Fund
- Led a team of 20 analysts in qualitative and quantitative research to manage \$100,000 Telecommunications sector
- Refine overall investment and organizational strategy for the Fund to enhance responsiveness to market conditions
- Responsible for weekly, quarterly, and annual reports to investors highlighting the performance and activity of the Fund

Penn State Dance MarATHON Team Founder & Executive Chair

August 2008 – Present

- Founded philanthropic fundraising group to raise funds for the Four Diamonds Fund supporting childhood cancer research
- Coordinated multiple fundraising trips across the tri-state region to raise over \$26,000
- Developed corporate marketing plan to initiate sponsorship and matching programs with the Fund's holdings

Leadership Jumpstart

University Park, PA

Project Manager

August – December 2008

- Organized and executed a campus-wide sustainability and environmental awareness fair
- Awarded 1st Place at 2007 Penn State Undergraduate Research Exhibition

ACTIVITIES

University Park Distinguished Speaker Series Committee, Executive Chair

Schreyer Honors College, Scholar Assistant

Teach for America, Campus Campaign Manager

Penn State Student Activity Fee Board, University Park Campus Representative

Mitte Society, Secretary, Business Roundtable Liaison, Habitat for Humanity Build in New Zealand

SKILLS & INTERESTS

Software: Bloomberg, PeopleSoft Financials, MS Access (Advanced), MS Excel (Advanced), Basic VBA for MS Applications

Hobbies: Running, Cooking, Travel, Entrepreneurship

Languages: Russian