

Business Plan

Class 10

Clean Room Supplies
Finishing and Distribution



Class 10

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I. The Business

Introduction

Class 10 will provide and distribute clean room apparel and supplies from low-operating-cost facilities in Thailand and China to users and suppliers in Asia, the United States and Europe.

Class 10's Asian production facilities will produce high-rated (Class 10) finished supplies at a low cost, enabling us to charge lower prices than competitors while gaining a significant profit: a standard latex glove that has been processed to clean room standards commands a 40-50% margin.

This plan outlines a new clean room supply business named **Class 10**. It explains what kind of business this will be, why there is an opportunity, and how we will respond to that opportunity with a profitable new venture.

We chose the name **Class 10** to reflect the quality of our products and the exacting standards our facilities will operate under. Class 10 is a clean room industry technical standard denoting one of the primary classifications and business areas, and is therefore instantly recognizable to anyone in the clean room industry. We plan to build **Class 10** as a brand name in this industry, beginning with the Asian market.

An important part of clean room supply production is having a supply of water that has been treated to exact specifications. To ensure that appropriate clean room standards are met, General Electric will supply **Class 10's** ultrapure water treatment equipment and processes.

The products themselves will be manufactured locally in Asia under **Class 10's** supervision, and finished to clean room standards at **Class 10's** own facilities. **Class 10** will also offer subcontracting and finishing services to other suppliers.

Background

Clean room supplies and apparel are those that have been laundered and packaged in a facility meeting clean room standards. The goods make a one-way trip through the facility, entering at one end, undergoing a stringent washing process with ultrapure filtered water, are dried either in the same machine or a separate dryer, and are then sealed in airtight packages. The washing process removes both particles and residues from the supplies, and the items emerge as finished clean room supplies ready for distribution.

The use of clean rooms is now expanding in the US, Asia, and Europe, and the demand for clean room apparel, masks, gloves, swabs, wipes and other supplies is on the rise. Nothing can happen inside a clean room unless the workers are appropriately attired and supplied with the proper equipment. Clean rooms are commonly associated with the pharmaceutical and computer industries, and with the recent outbreaks of avian flu they have become a familiar sight on the evening news report.

Today, clean rooms have become widespread throughout industries where prevention from contamination and/or exacting standards need to be met. These industries include:

- pharmaceutical research, testing and manufacture,
- biotechnology research and testing laboratories,
- engineering research and testing laboratories,
- electronics development, manufacture and finishing,
- semiconductor manufacturing,
- nanotechnology research and development,
- automobile finishing,
- food-related industry,
- consumer goods manufacturing and finishing,
- nuclear technology and power generation.

These businesses also demand that the component parts they use are manufactured in clean rooms, driving the use of clean rooms down through the supply chain.

This expanding demand is generating opportunities for new providers of finished clean room supplies – especially those who can compete with the high-priced supplies produced inside the US.

Clean rooms operate under standards that limit the number of dust particles in the air and water; the lower the class number, the lower the particulates and the higher the clean room standard, so that Class 10 is a higher standard than Class 100.

Users of clean rooms are under pressure to reduce manufacturing defects and meet consumer demand for higher quality, lower cost products. These pressures have led many clean rooms to adopt the high-level Class 10 standard.

The Market Opportunity

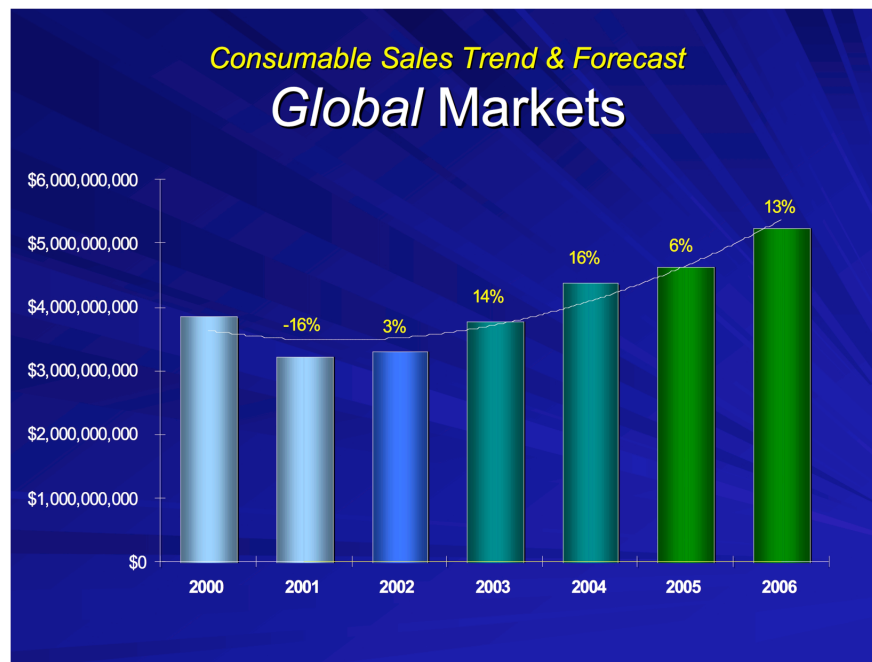
Clean rooms are now being used by many industries, and are being considered by a wider variety of end users who wish to achieve a more consistent product, reduce defects, and achieve standardized results. Firms who manufacture within clean rooms are demanding that the parts they use also be made inside clean rooms. Many of these clean room manufacturing facilities are being located in Asia, at the same time clean room use in the US and Europe is also rising.

These businesses all seek to speed their processes and get products to market as quickly as possible, especially where international delivery is a concern.

Producers of clean room supplies are limited in number, with 10-15 major market participants in the US. In Asia, market participants are believed to be even lower in number; exact figures are not currently available.

The market opportunity for **Class 10** is to provide clean room supplies at a lower cost than competitors, and with more timely delivery – particularly in the Asian marketplace.

The McIlvaine Company's 2004 *Industry Analysis of the Cleanroom Industry* projected a \$5.25 billion market for clean room consumables in 2006, up from a low point of \$3.2 billion in 2001, as shown in this chart:



Description of the Business

Customer priorities for clean room products are specific clean room ratings, quality, timely delivery, and low cost. **Class 10's** business model leverages the lower costs of production and finishing in Thailand and China to supply three primary markets:

- Domestic markets in Thailand and China,
- Export markets in Asia, the US and Europe via distributors (importers),
- Subcontracts for US and European manufacturers.

Class 10 will finish and distribute its own products domestically in Thailand and China under the **Class 10** brand name, and through local distribution networks that we will develop. We will also provide subcontracted finishing services on a regular basis to local customers in Thailand and China.

Once **Class 10's** distribution is established, we will open a trading arm to act as an agent for manufacturers in the US, Europe and Asia, where we can represent their products.

Having facilities in both Thailand and China will enable local distribution to clean room clients in both countries, and will help balance out fluctuations in the two economies.

Services and Products

Class 10 will purchase base products (masks, apparel, gloves, swabs, wipes, etc.) from Asian manufacturers and bring them to **Class 10's** facilities for washing and finishing. After finishing (cleaning, processing and packaging) the profit margin on these products jumps from 10-20% to 40-200%.

Class 10 will seek to introduce innovative distribution methods such as “pick-n-pay”, or just-in-time delivery directly to the distributors’ clients. Just-in-time delivery will offer both distributors and clients the advantages of reduced handling (and therefore reduced losses), lower costs and timely delivery. Creative financing will also be an option for **Class 10's** clients, offering the incentive of making business more efficient for them.

Additionally, **Class 10** will seek out subcontracts from clean room supply manufacturers and produce products to their specifications, packaged under their brand name. This will be an attractive option for US manufacturing firms, particularly those who are supplying to firms in Asia.

As a small, independent firm with an entrepreneurial focus, **Class 10** will also be able to move quickly when introducing new products and services. For example, worldwide concerns about a potential Bird Flu pandemic presents an immediate opportunity for the creation of Flu Safety Kits for business or personal use. With the widespread exposure of civilians to unsanitary conditions in such natural disasters as Hurricane Katrina, we can also expect to see similar kits become a standard part of home and business disaster preparedness.

Marketing and Sales

Class 10 will market our services to clients through four primary means:

1. Existing business relationships of John Grassi and Larry Liu Bin within the industry, and through the local Chambers of Commerce.
2. Locating our services within the Industrial Estates, in direct proximity to clients. China and Thailand both use Industrial Estates, similar in concept to an American business park, to locate industries of a similar nature in one area where they can be serviced with infrastructure tailored to their needs, such as specialized water supplies, waste removal, and so on. This brings a concentration of clients to a single geographic location. Locating within these business parks alongside our clients will make traditional, relationship-based marketing efforts in Asia much simpler.
3. Traditional Western marketing techniques such as office visits, direct mail, trade shows, approval samples, etc. Many of these methods are new to China in particular, and will distinguish **Class 10** from competitors.
4. Direct sales via **Class 10's** website.

Larry Liu Bin will build and manage an experienced local sales force to take inquiries resulting from the marketing efforts on to closing, contracting and delivery.

Competition

Class 10 faces competitors who are also our greatest potential clients. These firms are localized in the US and European markets, with some firms specializing in serving one geographic area, or in supplying a particular product. Our strategy in dealing with competition will be to turn them into our clients.

United States

Allegiance

Allegiance distributes its gloves exclusively through VWR. Spun off from Baxter International in 1996, Allegiance has a strong hold in the clean room disposable gloves market.

Best Manufacturing

Best Manufacturing was one of the first glove manufacturers to introduce the nitrile glove. Although a smaller player in the overall market, Best is strong in the nitrile gloves segment, a market that shows great promise.

Hi-Tec

Hi-Tec sells reusable apparel and has grown considerably over the past few years. The company has captured a significant share of newer, nontraditional markets. Hi-Tec also custom-designs products for end users.

Kimberly-Clark/Safeskin

Kimberly Clark has traditionally been a supplier to the healthcare market. However, the purchase of Safeskin in 1999 allowed the company to enter the clean room and laboratory markets and strengthens its hold in the gloves market.

Uniclean

UniClean is a full service clean room laundry provider specializing in garment rental and processing. UniClean operates Class 1 facilities in Nashua, NH, Maplewood, NJ and Portland, OR, and offers nationwide service through 100+ parent company affiliated locations. On-site analysis of customer clean room garment requirements, sterile and non-sterile service, full reusable and consumable product lines.

VF Workwear/Fibrotek

VF Workwear's acquisition of Fibrotek is the only recent major acquisition in the apparel market. Fibrotek manufactures reusable apparel, while VF Workwear, a division of VF Corporation, is a growing division supplying occupational and protective clothing.

VWR International

VWR serves the industrial, government, life science, education, electronics and pharmaceutical markets as a leading worldwide distributor of scientific equipment, supplies, chemicals and furniture. VWR uses strategic partnerships

with manufacturers to supply over 750,000 products to the scientific community worldwide.

White-Knight

White Knight offers disposable and reusable apparel, appealing to a wider range of end users from electronics to healthcare.

Worklon

Worklon, a manufacturer of reusable garments, is one of the strongest players in the clean room apparel market. Worklon can meet standards in all clean room class ranges, and is able to custom-design apparel lines to meet special end-user requirements.

Europe

SSL International and Ansell lead the European market. However, SSL's leading position is heavily influenced by the dominant market share it has in the large UK market. Ansell is the market leader in all of the other major European countries.

Semperit has emerged as a major player in the European surgical gloves market and is second to Ansell in Germany, Italy and Spain. It is particularly strong in Germany and experienced significant growth there in recent years.

Allegiance is also a significant player, although it has had most success in France, which is currently a growth market. It is also relatively strong in Italy and Spain.

Other players in the market include Beiersdorf and B Braun. Kimberly-Clark also has a very small market share with its Safeskin brand, and it is likely that its share will increase.

Japan

In Japan the significant players in the market are: Sankyo Kagaky Kyogo, JMS which distributes Ansell Medical and Toray Medical, Allegiance, Fuji Latex, Okamoto, Utsunomiya Seisaku, Top and WRP.

Organizational Structure & Personnel

Managing Director: John Grassi

John Grassi has set up two medical glove facilities in Thailand, and has relationships with many of the potential clients for **Class 10**. He has been directly involved with the management of 27 facilities in Vietnam. John has set up new businesses and been involved in financing, manufacturing, logistics and distribution of various products originating in Asia and going to over 50 countries.

As an experienced, entrepreneur, John will personally lead **Class 10** through the start-up process, setting up the facilities and operations, hiring personnel, negotiating contracts, and prospecting new business.