

Titan Roof Tiles, Inc.



Executive Summary

Titan Roof Tiles, a division of Titan Brick, Inc.

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Introduction

NOTE: Titan Roof Tiles is currently a division of Titan Brick, Inc. but will soon be incorporated and become a subsidiary of Titan Brick, Inc. The executive summary below is written as if Titan Tiles is already incorporated as a subsidiary.

The purpose of this plan is to showcase the specialized manufacturing company that has a patent pending roof tile product that will be used in conjunction with new housing construction and roof repairs. Titan Roof Tiles, Inc. (“the Company”) is a Virginia (although registered in Delaware) based company that intends to aggressively manufacture and distribute this roofing product throughout the United States and abroad. Titan Roof Tiles, Inc. is a wholly owned subsidiary of Titan Brick, Inc. (“The Parent Company”). The business was founded by Don Blalock and Corey Park.

The Titan Roof Tile Product Line

The Titan Tile is a patent pending, proprietary new product that could potentially change the roofing tile industry forever. It’s a completely new composite that’s unlike any other material in the industry.

Titan Tiles are potentially greener and more cost effective than most or all other tiles on the market today. This is because our tiles are 90% dirt and do not have to be fired. Titan Roof Tiles can be marketed for a lot less than fired clay roof tiles which have an energy intensive manufacturing process.

Many clay tiles or barrel tiles may cost \$6 to \$12. Management feels that an automated factory could produce the Titan tiles for only 30 to 40 cents each. Plus, the unique Titan tile material can be molded into just about any tile shape and can be coated with any color.

In addition, Titan Roof Tiles should require very little maintenance. From the onset of operations, the business will aggressively seek to partner with companies that are focused on providing installation of green friendly construction materials. Additionally, the Company will work closely with government entities and builders to purchase and install Titan tiles in the buildings they are constructing.

The Financing

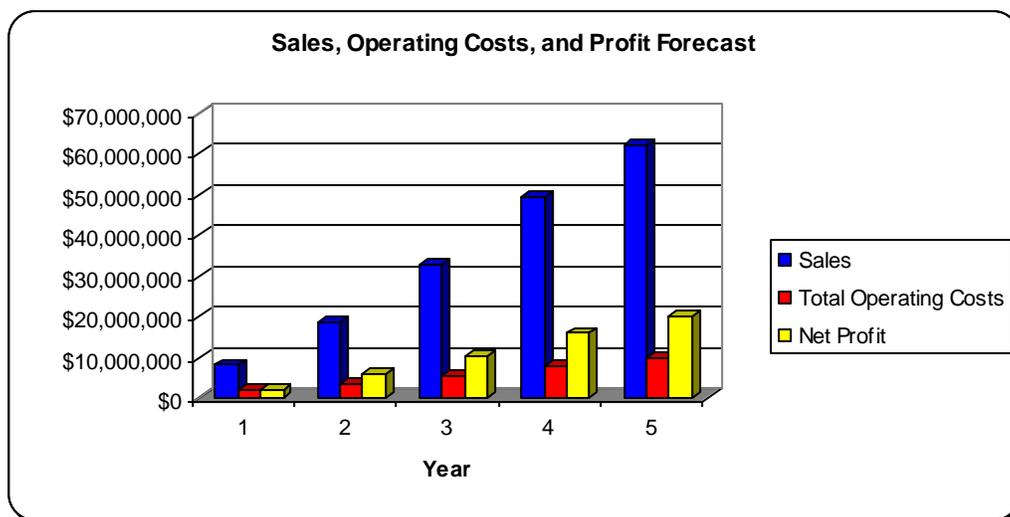


At this time, the Company is not seeking an outside investment in order to launch operations. Over time, the Parent Company will make a capital injection of \$847,000 into the business. In the future, the business would be an excellent candidate for a working capital line of credit secured by inventory as well as highly predictable purchase orders.

Sales Forecasts

Titan Roof Tiles, Inc. anticipates an exceptional rate of growth upon the commencement of operations. Below is a chart that exemplifies Management's vision for growth during the first five years of operations.

Proforma Profit and Loss (Yearly)					
Year	1	2	3	4	5
Sales	\$8,191,800	\$18,841,140	\$32,971,995	\$49,457,993	\$61,822,491
Cost of Goods Sold	\$2,621,376	\$6,029,165	\$10,551,038	\$15,826,558	\$19,783,197
Operating Income	\$5,570,424	\$12,811,975	\$22,420,957	\$33,631,435	\$42,039,294
Total Operating Costs	\$1,901,652	\$3,488,127	\$5,513,925	\$7,843,547	\$9,693,628
EBITA	\$3,668,772	\$9,323,848	\$16,907,031	\$25,787,888	\$32,345,666





The Future

After the business commences manufacturing operations, the Company intends to aggressively expand its sales, distribution and manufacturing capabilities across the U.S. and international markets. Of course roof tiles are used in every country in the world and with our tiles being made of 90% dirt; almost every country will have the primary raw materials needed to manufacture Titan Tiles.

Titan Roof Tile Products

As discussed in the executive summary, the Parent Company has pioneered insulative compressed earth roof tiles and bricks. Both products have a molded texture that is smooth to the touch and very exact, which will allow us to interlock the tiles so they will not dislodge during high winds. They are fire retardant and help insulate the structure. Waterproof bricks and roof tiles will replace many systems now used in the construction industry, because they are stronger, longer lasting and should cost less.

Key Advantages:

- The tiles can be produced from a small fraction of the cost of most tiles that require firing.
- Titan roof tiles can be manufactured in the traditional Slate (flat) or barrel (curved) style.
- Factory painted to any color (paint doesn't just stick to the tiles; it actually bonds to the tile for very long life).
- By conserving heat/cold within a structure, the tiles are energy efficient.
- Any style can be manufactured for qualified projects (requires a simple change of molds).
- Multi-color tiles and tiles that look like wood shake will be available.
- Titan roof tiles are fire retardant to 1,800 degrees.
- Stronger than fired clay tiles (should not break when walked on).
- They will not corrode and therefore require little maintenance.
- Guaranteed to be water resistant.
- Are made using a very green manufacturing process and will meet the new green building codes that are sweeping the country.

Titan Roof Tiles will primarily target the 6 key sales and distribution channels in the building materials industry. Because of its exclusive status as the only company to



manufacture these compressed earth products, management feels the competition will be consistently held at bay.

Installing Titan roof tiles offers the user an energy efficient system that will not fail and should outlast most all other types of roofing. Titan roof tiles are a true system that meets the demands of today's architectural designs and will continue to provide these desired features in the future. Waterproof compressed roof tiles are a non-deteriorating material and can survive freeze/thaw cycles that fired clay tiles can not. This opens up the entire country for sales, where fired clay tiles can only be used in the southern parts of the US. Titan roof tiles can be manufactured in the traditional design look of the curved Spanish terra cotta, a flat slate style and even take on the look of wood shake roofs.

Strategic Analysis

Industry Analysis

Below is an overview of the industries in which Titan Roof Tiles will operate:

Roofing Tile Manufacturing

Within the United States, there are approximately 2,480 manufacturers and distributors of roofing tiles. In each of the last five years, annual revenues have exceeded \$15.4 billion. Annual payrolls in each of the last five years have exceeded \$1.4 billion. There are approximately 35,000 people employed by the industry.

The roofing industry is expected to increase substantially over the next five years as new housing starts continue to improve. Additionally, the number of households that have roofs reaching the age of 25 is starting to increase. As such, management believes that many homeowners will want to use the long lasting, cost effective Titan Roof Tiles when they need to replace their roofs. As such, the estimated year on year growth rate for the industry is expected to be 3% to 4% per year during the next five years.

Roof Contracting Industry

According the U.S. Economic Census, roofing installation contractors generated gross revenues of \$36 billion dollars. The industry employs more than 350,000 people and outputs gross annual payrolls of \$9.7 billion dollars.

An average of \$35 billion to \$42 billion in insured homeowners claims are filled annually in the United States. Of those claims, 54% of the claims filed were for hail, wind, and water damage to the home as a result of roof failure. On average, between \$18.9 billion to \$22.6 billion of these annual insurance claims is due to roof related failure cost.



Various reports show that most asphalt systems begin to fail for one reason or another within 5 to 17 years, regardless of their limited warranties. This is due largely in part to the fact that asphalt is not very durable. Asphalt can be torn easily; it cracks, buckles and in general is a poor material to use against nature’s elements and in conjunction with the typical installation practices.

Roofing contracting and maintenance is only something that a trained and licensed professional can perform, and as such, the demand for roofing contractors is expected to remain strong regardless of the general economic condition. This will ensure that Titan Roof Tiles will be able to remain profitable and cash flow positive at all times.

Customer Profile and Target Market Analysis

In regards to the distribution business, there are more than 1,000,000 active contracting and construction related businesses in the United States that could become potential buyers of the Titan Roof Tiles product line. Management has outlined the “average” demographics of customers that will continually purchase Titan Roof Tiles from the business:

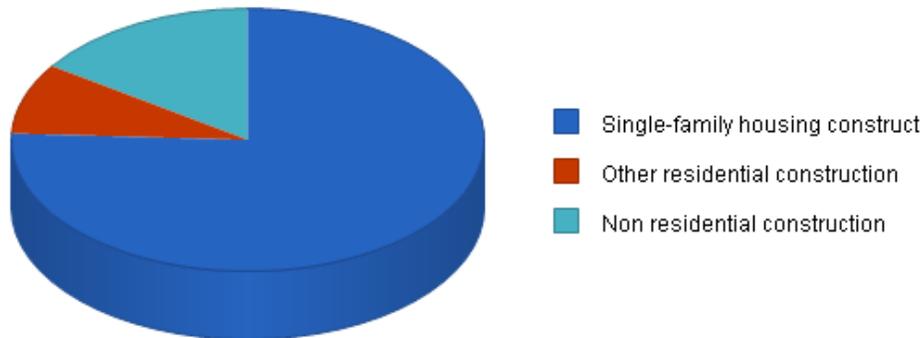
- Annual revenues of \$500,000 to \$50,000,000 per year
- Operates as a roofing contractor, home builder, general contractor, home remodeler, or green focused builder within the United States
- Will spend \$10,000 to \$200,000 per month with the business.

Market Analysis

		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Single-family housing construction	4%	218,276	227,007	236,087	245,530	255,351	4.00%
Other residential construction	3%	25,201	25,957	26,736	27,538	28,364	3.00%
Non residential construction	2%	44,505	45,395	46,303	47,229	48,174	2.00%
Total	3.61%	287,982	298,359	309,126	320,297	331,889	3.61%



Market Analysis (Pie)



Competitive Analysis

Competition in the market is difficult. There are many national level roofing tile manufacturers, distributors, and wholesalers that provide similar products on a regular basis. The primary competitive advantage that Titan Roof Tiles, Inc. will have is the highly unique nature of the Company's roofing tile products. As discussed in the third section of the business plan, a substantial amount of research and development has gone into the patent pending Titan Roof Tiles product line. Primary competitors that operate within the roofing tile manufacturing market include, but are not limited to:

- **Entegra Roof Tile** – This business specializes in the production of concrete roof tiles. However, their market is limited as concrete roofing tiles can only be used in specific climates whereas Titan Roof Tiles can be used in any type of construction and climate.
- **Ludowici** – This business specializes in the development of highly aesthetic roofing tiles that are primarily made out of clay. Much like Entegra Roof Tile, these products can only be used in certain climates. Additionally, due to the fact that these tiles have to be fired and are made to order; the costs are extremely high. These products are typically used in houses and building projects that have a budget exceeding \$1,000,000. As such, their competitive threat to Titan Roof Tiles is moderate at best.



- **Boral Roofing** – This California based business manufacturers a broad line of roof tiles that are primarily made out of clay. They have received very strong ratings for the quality of their roof tiles and the longevity of which the tiles last. They offer approximately 25 different roof tile products. They have an extensive distribution network and a recognized brand name. However, Titan tiles offer many advantages over clay tiles as they do not break easily and cost less to produce as Titan does not have to fire the Titan Tile.
- **EcoStart, LLC** – This New York based competitor is considered to be one of the leading environmentally friendly roofing tile manufacturing companies. However, they have carved a specific niche for their product in that they only specialize in steep slope roofing products. They do offer an extensive 50 year warranty for their products. As this is a highly specialized manufacturer of roofing tile products – they will only be a modest competitor to that of the Company.
- **The Tapco Group (d/b/a Inspire Roofing Products)** – This is another competitor that operates within the roofing tile market. However, it should be noted that despite their well recognized name – their product line is considered somewhat mid-level. They do not offer a number of products that are environmentally friendly and their warranty is only limited as it relates to their roof tiling products.

Financial Plan

Underlying Assumptions

The Company has based its projected proforma financial statements on the following:

- Titan Roof Tiles, Inc. will settle most short term payables at the end of the month.
- The Parent Company will inject \$847,000 of capital (over time) into the business to for operations.
- The Company is projecting to have an average annual growth rate of 70% per year.

Financial Highlights, Projected.

- Projected positive cash flow and profitability in each year of operation.
- Could experience strong recurring streams of revenue from the purchase orders solicited for Titan Roof Tile products.
- Strong gross margins from the distribution of Titan Roof Tile to the demographics discussed in the fifth section of the business plan.

Economic Analysis



The Company's revenues are moderately sensitive to changes in the economy. Should the housing market not improve (especially for new home developments and home remodeling) then sales of Titan Roof Tile may wane. However, the business will be economically insulated on two fronts. First, the business will generate extremely high gross margins from the sales of its product line. Second, the replacement of roofing is required by homeowners and building owners from time to time and as such the business will be likely be able to remain profitable and cash flow positive at all times.

Source of Funds

Financing	
Equity Financiers	
Parent Company Capital Infusion	\$847,000.00
Total Equity Financing	\$847,000.00
Banks and Lenders	
Total Debt Financing	\$0.00
Total Financing	\$847,000.00

Projected Financial Proformas

Profit and Loss Statement

Proforma Profit and Loss (Yearly)					
Year	1	2	3	4	5
Sales	\$8,191,800	\$18,841,140	\$32,971,995	\$49,457,993	\$61,822,491
Cost of Goods Sold	\$2,621,376	\$6,029,165	\$10,551,038	\$15,826,558	\$19,783,197
Gross Margin	68.00%	68.00%	68.00%	68.00%	68.00%
Operating Income	\$5,570,424	\$12,811,975	\$22,420,957	\$33,631,435	\$42,039,294

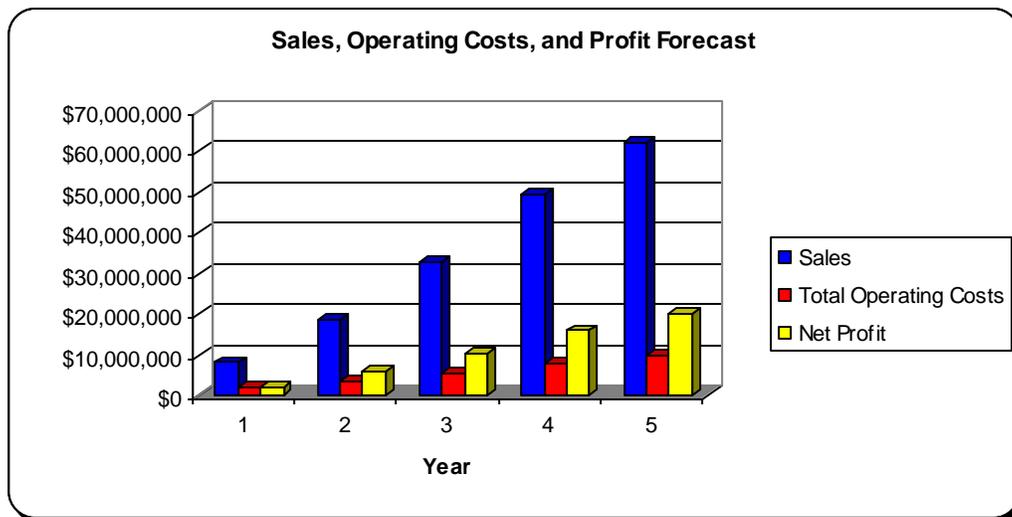
Expenses					
Payroll	\$747,500	\$999,100	\$1,265,123	\$1,546,209	\$1,843,021
General and Administrative Costs	\$180,220	\$414,505	\$725,384	\$1,088,076	\$1,360,095
Marketing Expenses	\$253,946	\$584,075	\$1,022,132	\$1,533,198	\$1,916,497
Equipment Maintenance Costs	\$41,778	\$96,090	\$168,157	\$252,236	\$315,295
Insurance Costs	\$122,877	\$282,617	\$494,580	\$741,870	\$927,337
Professional Fees and Licensure	\$50,000	\$57,500	\$66,125	\$76,044	\$87,450
Distribution Costs	\$360,439	\$829,010	\$1,450,768	\$2,176,152	\$2,720,190



Miscellaneous Costs	\$32,767	\$75,365	\$131,888	\$197,832	\$247,290
Payroll Taxes	\$112,125	\$149,865	\$189,768	\$231,931	\$276,453
Total Operating Costs	\$1,901,652	\$3,488,127	\$5,513,925	\$7,843,547	\$9,693,628

EBITA	\$3,668,772	\$9,323,848	\$16,907,031	\$25,787,888	\$32,345,666
Federal Income Tax	\$1,210,695	\$3,076,870	\$5,579,320	\$8,510,003	\$10,674,070
State Income Tax	\$183,439	\$466,192	\$845,352	\$1,289,394	\$1,617,283
Interest Expense	\$0	\$0	\$0	\$0	\$0

Net Profit	\$2,274,639	\$5,780,786	\$10,482,359	\$15,988,491	\$20,054,313
Profit Margin	27.77%	30.68%	31.79%	32.33%	32.44%



Common Size Income Statement

Proforma Profit and Loss (Common Size)					
Year	1	2	3	4	5
Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	32.00%	32.00%	32.00%	32.00%	32.00%



Operating Income	68.00%	68.00%	68.00%	68.00%	68.00%
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Expenses

Payroll	9.12%	5.30%	3.84%	3.13%	2.98%
General and Administrative Costs	2.20%	2.20%	2.20%	2.20%	2.20%
Marketing Expenses	3.10%	3.10%	3.10%	3.10%	3.10%
Equipment Maintenance Costs	0.51%	0.51%	0.51%	0.51%	0.51%
Insurance Costs	1.50%	1.50%	1.50%	1.50%	1.50%
Professional Fees and Licensure	0.61%	0.31%	0.20%	0.15%	0.14%
Distribution Costs	4.40%	4.40%	4.40%	4.40%	4.40%
Miscellaneous Costs	0.40%	0.40%	0.40%	0.40%	0.40%
Payroll Taxes	1.37%	0.80%	0.58%	0.47%	0.45%
Total Operating Costs	23.21%	18.51%	16.72%	15.86%	15.68%

EBITA	44.79%	49.49%	51.28%	52.14%	52.32%
Federal Income Tax	14.78%	16.33%	16.92%	17.21%	17.27%
State Income Tax	2.24%	2.47%	2.56%	2.61%	2.62%
Interest Expense	0.00%	0.00%	0.00%	0.00%	0.00%

Net Profit	27.77%	30.68%	31.79%	32.33%	32.44%
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Cash Flow Analysis

Proforma Cash Flow Analysis - Yearly					
Year	1	2	3	4	5
Cash From Operations	\$2,274,639	\$5,780,786	\$10,482,359	\$15,988,491	\$20,054,313
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
Operating Cash Inflow	\$2,274,639	\$5,780,786	\$10,482,359	\$15,988,491	\$20,054,313

Other Cash Inflows

Equity Investment	\$847,000	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$100,000	\$115,000	\$132,250	\$152,088	\$174,901
Total Other Cash Inflows	\$947,000	\$115,000	\$132,250	\$152,088	\$174,901

Total Cash Inflow	\$3,221,639	\$5,895,786	\$10,614,609	\$16,140,578	\$20,229,213
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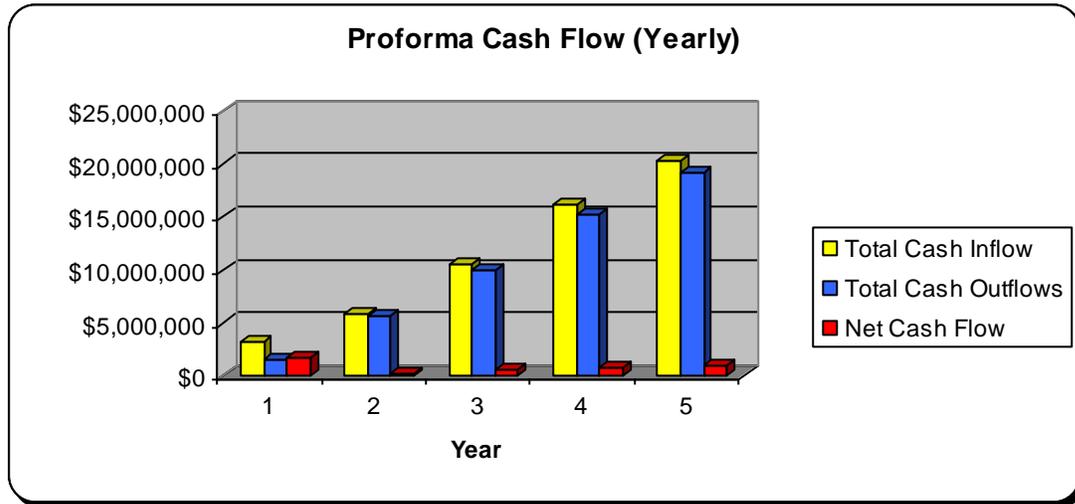
Cash Outflows

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$80,000	\$88,000	\$96,800	\$106,480	\$117,128
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$712,000	\$3,757,511	\$6,813,534	\$10,392,519	\$13,035,303
Dividends	\$682,392	\$1,734,236	\$3,144,708	\$4,796,547	\$6,016,294



Total Cash Outflows	\$1,474,392	\$5,579,747	\$10,055,041	\$15,295,546	\$19,168,725
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Net Cash Flow	\$1,747,247	\$316,039	\$559,568	\$845,032	\$1,060,488
Cash Balance	\$1,747,247	\$2,063,286	\$2,622,854	\$3,467,886	\$4,528,375

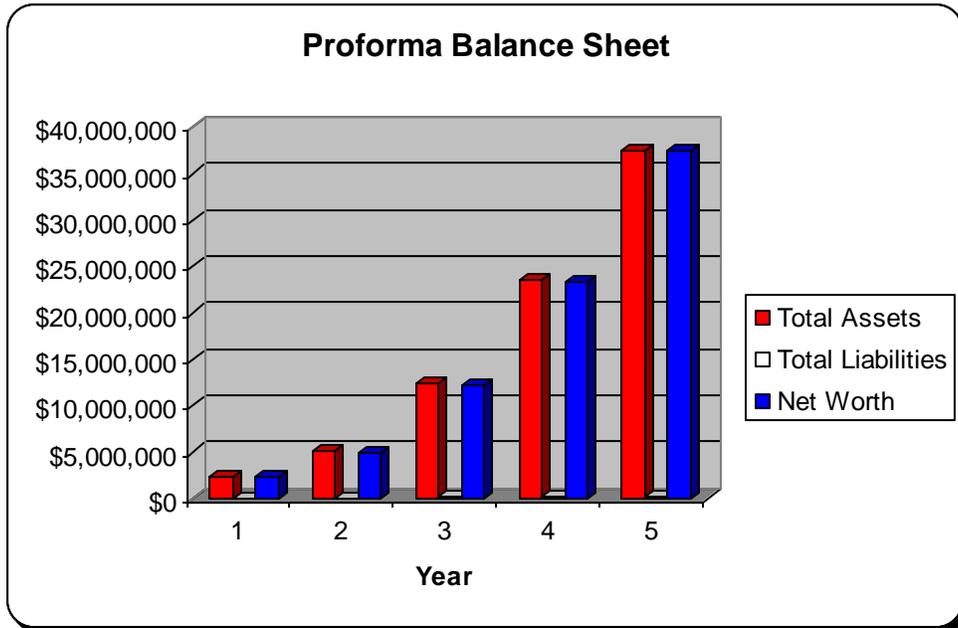


Balance Sheet

Proforma Balance Sheet - Yearly					
Year	1	2	3	4	5
Assets					
Cash	\$1,747,247	\$2,063,286	\$2,622,854	\$3,467,886	\$4,528,375
Amortized Startup and Expansion Costs	\$332,000	\$2,774,382	\$7,203,179	\$13,958,316	\$22,431,263
Inventory	\$80,000	\$455,751	\$1,137,104	\$2,176,356	\$3,479,887
FF&E	\$300,000	\$1,239,378	\$2,942,761	\$5,540,891	\$8,799,717
Accumulated Depreciation	(\$50,857)	(\$1,525,714)	(\$1,576,571)	(\$1,627,429)	(\$1,678,286)
Total Assets	\$2,408,390	\$5,007,083	\$12,329,327	\$23,516,021	\$37,560,956

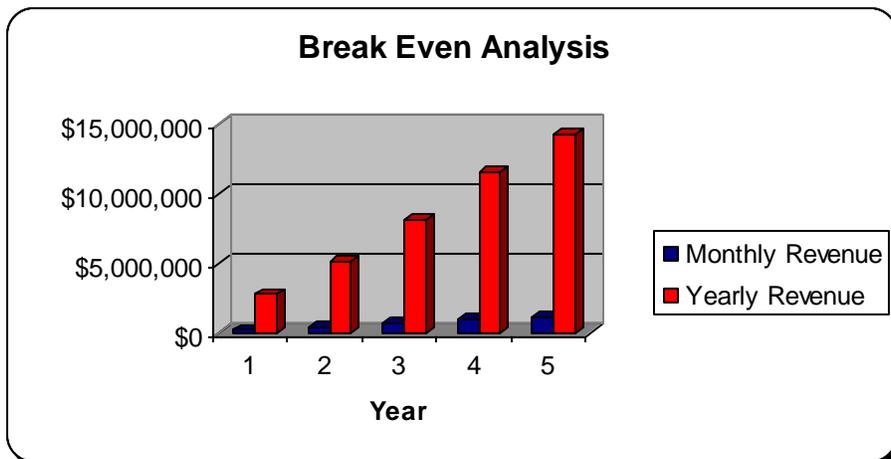
Liabilities and Equity					
Accounts Payable	\$20,000	\$47,000	\$82,450	\$128,058	\$185,830
Long Term Liabilities	\$0	\$0	\$0	\$0	\$0
Other Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$20,000	\$47,000	\$82,450	\$128,058	\$185,830

Net Worth	\$2,388,390	\$4,960,083	\$12,246,877	\$23,387,964	\$37,375,126
Total Liabilities and Equity	\$2,408,390	\$5,007,083	\$12,329,327	\$23,516,021	\$37,560,956



Breakeven Analysis

Monthly Break Even Analysis					
Year	1	2	3	4	5
Monthly Revenue	\$233,046	\$427,467	\$675,726	\$961,219	\$1,187,945
Yearly Revenue	\$2,796,547	\$5,129,599	\$8,108,714	\$11,534,627	\$14,255,335



Business Ratios



Business Ratios - Yearly					
Year	1	2	3	4	5

Sales

Sales Growth	0.0%	130.0%	75.0%	50.0%	25.0%
Gross Margin	68.0%	68.0%	68.0%	68.0%	68.0%

Financials

Profit Margin	27.77%	30.68%	31.79%	32.33%	32.44%
Assets to Liabilities	120.42	106.53	149.54	183.64	202.13
Equity to Liabilities	119.42	105.53	148.54	182.64	201.13
Assets to Equity	1.01	1.01	1.01	1.01	1.00

Liquidity

Acid Test	87.36	43.90	31.81	27.08	24.37
Cash to Assets	0.73	0.41	0.21	0.15	0.12

General Assumptions

General Assumptions					
Year	1	2	3	4	5
Federal Tax Rate	33.0%	33.0%	33.0%	33.0%	33.0%
State Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%
Personnel Taxes	15.0%	15.0%	15.0%	15.0%	15.0%