2014

PUREnovation, Inc

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SENIOR THESIS APPROVAL

This Honors thesis entitled

"PUREnovation, Inc."

written by

Alex Nelson

and submitted in partial fulfillment of
the requirements for completion of
the Carl Goodson Honors Program
meets the criteria for acceptance
and has been approved by the undersigned readers.

Jeanie Curry, thesis director

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Dr. Barbara Pemberton, Honors Program Director

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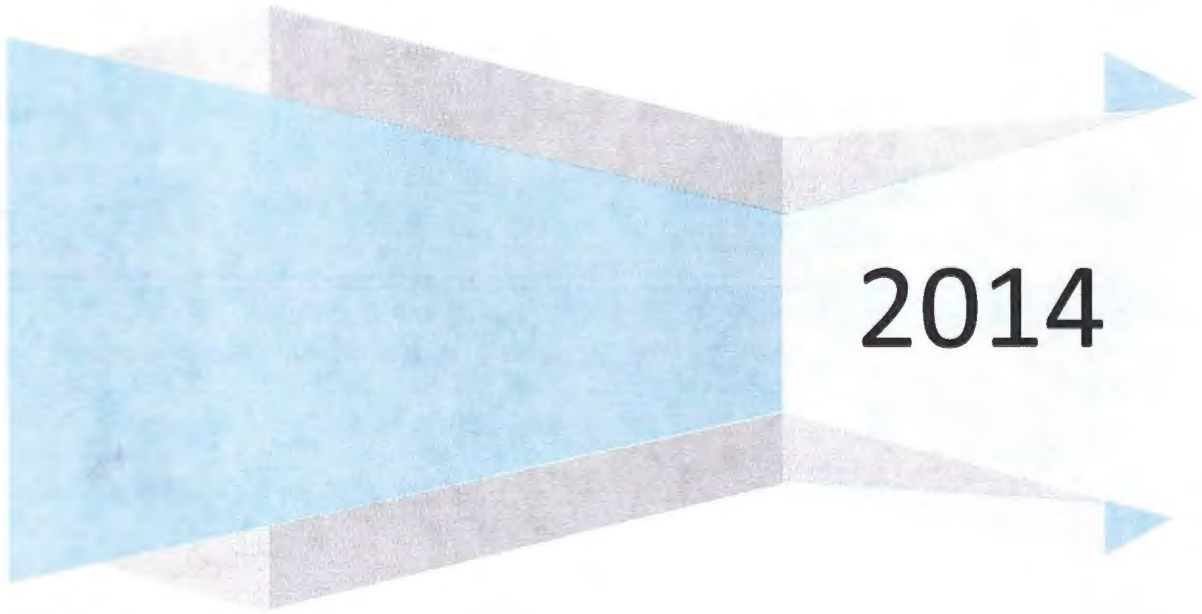
PUR novation

CONVERT TODAY. CONSERVE TOMORROW.



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Executive Summary

Natural Gas: Uniting the President and T. Boone Pickens

"Natural gas – if extracted safely, [is] the bridge fuel that can power our economy with less of the carbon pollution that causes climate change. Businesses plan to invest almost $100 billion in new factories that use natural gas. I'll cut red tape to help states get those factories built, and this Congress can help by putting people to work building fueling stations that shift more cars and trucks from foreign oil to American natural gas."

-President Barack Obama, State of the Union Address, 2014

"The only way to bring down that $130 billion OPEC price tag is by looking for a transportation fuel that will replace OPEC oil. That fuel is natural gas. Despite the stunning resurgence in domestic oil production, gasoline prices in the U.S. remain largely unchanged. That's because OPEC — a cartel we protect with our military — still largely controls world oil prices. The logical way to combat that is to inject serious competition into the transportation-fuel mix. Let's start with domestic natural gas."

-T. Boone Pickens, Op-Ed in Response to the President's State of the Union

There are nearly 8 million heavy-duty trucks that drive on our highways each and every day. These trucks account for 25% of diesel consumption in the US and 25% of all emissions with a measly 3-5 miles per gallon.

The Case for CNG	
Annual Gallons Consumed	12,000
AR Diesel Price (2/17)	3.99
AR CNG Price (2/17)	1.43
Rig Fuel Cost on Diesel	$ 47,880
Rig Fuel Cost on CNG	$ 17,160
Rigs on the Road	$ 8,000,000
US Fleet Fuel Cost Diesel	$ 383,040,000,000
US Fleet Fuel Cost CNG	$ 137,280,000,000
Annual Savings	$ 245,760,000,000

Continuing his response to President Obama's speech, Pickens states that the next step is to change the "recycling trucks that move at a walking pace through neighborhoods to the 18-wheelers that run the long haul on our interstate highways." With federal support building, states already poised to incentivize the production of natural gas, distribution of that gas, and conversion of vehicles to run on natural gas, Pickens' plan for an energy revolution that started in 2008 is being realized... TODAY.

Welcome to PUREnovation, where "converting today and conserving tomorrow" is our lifestyle. Our mission embodies the idea of providing customers the opportunity to maximize cost savings while simultaneously helping to reduce the carbon footprint in their hometown. With a management team that encompasses a wide variety of backgrounds, we possess the necessary skills and abilities to drive our mission and visions forward. Based on our values and convictions, we believe that it is of the utmost importance to serve the individuals who live in small towns and to preserve the nature of the earth that God has graciously provided for us.

The concept of our business includes the conversion of diesel and gas powered vehicles, primarily large trucks, to a cleaner fuel alternative known as compressed natural gas (CNG), while also providing fueling stations for customers to utilize. Our facilities will be conveniently located in geographically small towns that won't be affected by the nationwide rollout of CNG stations. A key criterion for us is the presence of industry in these towns. We will primarily service industry related individual consumers and fleet operators, in addition to school districts, local government vehicles, and will have the ability to convert private passenger vehicles as well. Pickens and industry experts believe that CNG can only become mainstream following the rollout of CNG infrastructure on an industrial level.

In addition to immediate savings to our consumers, our mission emphasizes the importance of reinvesting in the communities in which we are located. We will strive to provide a greener and cleaner environment for all to live and work. We will be headquartered in the "Natural State," whose legislature has incentives in place to provide for up to $4500 towards each conversion, in addition to several different programs that provide $300,000 and $400,000 in infrastructure loans respectively.

Market Opportunities	
Company	Truck Fleet
J.B. Hunt Transportation Services	12,000+
Walmart, Inc.	6500+
USA Truck	2300+
Tyson Foods	900+
CalArk International	800+
Steel, Rice, Timber, Aircraft, and Oil Companies	Many More

"As a small business owner myself, I recognize the value that CNG can provide, and I will be one of the first in line to take advantage of PUREnovation's services." -Wayne Tuggle, Tuggle Trucks

Our conversion process will leave our customers with a lifetime of savings, whether those customers are giant shipping corporations like J.B. Hunt, Wal-Mart, or Tyson Foods, or a soccer mom looking to put a thousand dollars a year toward her kid's college fund while saving the environment. From a democratic president to a republican state legislator, and from an oil tycoon to a soccer mom, people everywhere are realizing the power of natural gas and CNG savings. The question is: Will You?

Company Overview

Mission Statement

PUREnovation Inc. delivers a cost effective and fuel efficient alternative to traditional forms of transportation energy. We will lead in our market by providing professional motor vehicle fuel conversion services and a convenient location at which to refuel. This service will allow us to build long-lasting relationships with our customers by focusing on the quality of the initial service, the easily accessible refueling station, and the value we provide through low-cost maintenance and limited warranties. Our long-term mission is to achieve market saturation of CNG vehicles, with 85% of vehicles within the market running on CNG within 15 years, starting with industries and trucks, and progressing to private passenger vehicles.

Vision Statement

We will be the best small town provider of CNG conversion and the only provider of CNG in markets in which we compete. Our approach will consist of low-cost leadership strategies, in addition to the following:

- Friendly and Helpful Attitude
- Strong Business-to-Business Relationships
- Unwavering Commitment to Customer Satisfaction
- Environmentally Focused
- Leadership based on Christian Values

A Product and A Service

At PUREnovation, we are primarily a service-based organization, converting vehicles from traditional gasoline to running on cleaner, greener, and more efficient CNG. The process of converting a vehicle is a relatively simple one. Since the overall system works in much the same way, i.e. an air-fuel mixture is injected into cylinders and ignited, only a few essential changes must be made and the vehicles can still be maintained by your average repair shop, or in-house at PUREnovation. The essential components that will be replaced include one tank, fuel lines, injectors, fuel system computer, and the addition of a regulator to take the 3600 PSI of the tank to the 125 PSI that the engine needs to operate normally. For trucks, we will be installing bi-fuel systems that will replace only one gas tank with CNG, enabling owners to realize cost savings, then switch over to diesel to preserve range expectations. CNG vehicles, trucks and cars, run quieter, without sacrificing horsepower or torque, and reduce emissions by as much as 96%.

But we must also provide a product in order for our small town conversion model to be effective. Because small towns will, in general, not be participating in the CNG station boom that is happening in larger cities, we must also provide a place for our customers to come and refuel. So, onsite with our conversion center will be a full service CNG station with four large capacity main pumps, each with two nozzles, with an additional, separate smaller capacity pump for passenger vehicles to use without impeding the use of the other pumps intended for large truck use. The station will eventually include a full-time attendant in a kiosk where customers can buy convenience goods, such as snacks or drinks. While most companies lose customers after the initial service is completed, we will be able to check in with them every time they fill up, providing the personal touch expected from a business that operates in small towns.

Market and Competitive Analysis

Industry Analysis

Our industry will include the conversion, fueling, and maintenance of aftermarket alternative fuel vehicles. The market for natural gas vehicles (NGV) is currently an open business opportunity in the United States. The compressed natural gas market is a relatively immature market that has recently developed and certified the technologies necessary to convert, fuel, and maintain NGV in the last five years. The natural gas market is currently unsaturated as far as fueling stations and vehicle conversion sites throughout the nation. NGV comprise only 114,270 vehicles of the 254,212,610 motor vehicles that operate on our roads, according to the National Transportation Administration. The growth that we expect to see on an annual basis will be exponential due to the fact that growth will be driven by the need for efficient and clean energy. As the price per barrel of crude oil continues to rise and fossil fuels begin to deplete, the need for an alternative fuel source becomes absolutely critical. The barriers to entry that we foresee include meeting government standards that comply with the Clean Air Act, hiring state approved conversion technicians, and the overhead of the conversion and fueling facilities. The current compressed natural gas and vehicle conversion market is open and our business model would satisfy the needs of many private and public consumers.

Target Market

As a home-based and family-oriented business, we believe that serving those in our home state and town is important. Geographically, we will focus on small towns and cities that would not be affected by the large scale rollout of CNG stations to large towns across the continental United States, and will be starting with Arkadelphia, here in Clark County, Arkansas. As an additional criterion, we will focus primarily on those areas that have some form of industry

(logging, agriculture, etc.) and that have populations of greater than 10,000. For Arkadelphia, outside the private customers we will serve, our specific target market of interest will include all public transportation vehicles owned and operated by the City of Arkadelphia and the affiliated school district. Our main commercial target markets will include the lumber and trucking industry, the agricultural community, as well as the military installations in proximity to Arkadelphia. We feel that our proposed placement along major trucking routes will make us the natural and convenient choice for many of the companies and individual rig owners that we would serve.

As a hub for local industry, especially lumber, Arkadelphia often has loud, noisy, and smog producing older tractor trailers moving through the heart of town. Many of these trucks are owned by either individuals, or by owners operating a small fleet and renting out their services. Because our conversion will save these owners as much as $30,000 in a given year on fuel costs, they will be able to recoup the cost of the initial conversion within one year or sooner, depending on the mileage they drive.

After a nationwide CNG infrastructure is in place, more are more private customers will begin converting their "everyday driver" vehicles. Although this potential market is smaller, we will serve the residents of Arkadelphia as well as the faculty, staff and students of both universities. Within Clark County, our consumer target market will be comprised of middle to upper class residents. A secondary market will be students concerned with weekly cost savings, and those concerned with and involved in the growing green initiatives taking place on campuses across the United States. We feel that our competitive advantage as an organization will provide an increased standard of living for residents of Clark County as we reduce their fuel costs and provide a greener and cleaner atmosphere for all to enjoy the Natural State in which we live.

Competitive Environment

As previously discussed, the market for NGVs is relatively untapped, especially in Arkansas, and there are few companies that specialize in conversion, though the number of CNG fueling stations is growing rapidly. Our best estimate is that there is one true CNG converter in Arkansas, and only six CNG fueling stations. As a state rich in natural gas, it is only a matter of time before these numbers start to grow. Our primary competitor, at least in the private passenger market, is a converter in North Little Rock called Arkansas CNG Conversion Center. They are a certified dealer/installer of EPA-Certified CNG Conversion Systems. However, they only provide installation and maintenance services, and, according to their website, only convert light to heavy duty trucks with V-8 engines. While this is obviously a good target market, by not expanding to more commercial vehicles, they are losing market share that we will quickly take advantage of. In addition, we will offer a fueling station alongside our conversion service center, offering a more comprehensive package, and building loyalty and brand name that they are not.

Market Acceptance

As the cost of fuel and diesel at the pump continues to steadily climb, Americans, Arkansans, and the industries and residents of Arkadelphia need a low-cost alternative to gasoline. As a country, we are too dependent on foreign oil, and the slightest hint of a policy change, oil spill, or change in OPEC's outlook or estimates can send prices skyrocketing far beyond what American consumers have ever seen before. On average, the price per gallon equivalent of gasoline in Europe is between eight and nine dollars, with diesel costing even more. It's no wonder then, that the number of CNG vehicles in Europe is more than 58% higher than in the United States. By offering our customers a conversion shop and a fueling station together in a small town, family-friendly location, we are meeting the needs of our target market, and doing so in a cleaner, more efficient way.

Management Team

CEO: Michael Crowe

• Michael Crowe is a senior management major at Ouachita Baptist University. He has a six-year tenure with State Farm Insurance Company focusing on both the insurance and financial services. He is currently the president of the men's social club Eta Alpha Omega, a highly distinguished Ouachita Student Foundation member, a past ENACTUS officer and presenter, a Frank Hickingbotham Student Advisory Board member, and is a current Clark County Chamber of Commerce Ambassador. Michael will use the culmination of his past experiences to oversee the positive direction of PUREnovation and continue to guide and motivate the company to reach new heights in the industry.

CFO: Alex Nelson

• Alexander Nelson is a senior business finance major at Ouachita Baptist University. He has three years of experience in the financial services and insurance industry, most recently with Northwestern Mutual in Dallas as a Financial Representative. He is the current chair of the Honors Program at Ouachita, manages the Industrials Sector on the Ary Student Investment Fund, and is a member of the Student Advisory Board. Alex will manage the day-to-day financial operations of PUREnovation, and will help the CEO to make informed financial decisions.

COO: Evan Malcolm

• Benjamin Evan Malcolm is a senior business management major and a military science minor at Ouachita Baptist University. He has four years of managerial and operations experience from Calumet Refineries in Shreveport, Louisiana. Evan also has four years of Army ROTC experience and currently serves as the commander for the program. Evan will manage PUREnovation's operations and will assist the CEO in making key operational decisions.

Advisory Board

Jeanie Curry, C.P.A.

Jeanie Curry is an Assistant Professor of Accounting at Ouachita Baptist University, where she has served for 26 years. She is a graduate of Henderson State University, with a master's degree from University of Louisville, and is currently working on her doctorate from the University of Mississippi. She will assist the firm with financial matters, especially pertaining to pro-forma financial statements.

Bryan McKinney

Bryan McKinney is an attorney who has been licensed to practice law in the state of Arkansas since 1996. He currently serves as the General Counsel to Ouachita Baptist University and Dean of the university's Hickingbotham School of Business. Bryan also enjoys community involvement and currently serves as President of the Arkadelphia Promise Board of Directors. As a licensed attorney, Bryan will assist the company with legal issues and understanding state regulations.

David Malcolm

David Malcolm is a 1977 graduate of Auburn University with a bachelor's degree in Chemical Engineering. He began his career with PPG Industries as a Process Design Engineer and an Operations Supervisor, where he worked for 13 years. He then moved to a position at Ashland Petroleum (Now Marathon Oil) where he worked for six years before assuming his current position at Calumet Specialty Products LLC. He will assist PUREnovation with the scientific aspects of the business, provide insight into the energy industry, and help to ensure proper safety practices are in place.

Why Arkansas?

State Incentives

Compressed Natural Gas School Buses Grant and Loan Pilot Program

A pilot program will provide grants to four public school districts to purchase 10 compressed natural gas (CNG) school buses each during fiscal years 2014 and 2015. Each congressional district in the state may have one public school district participating in the program, and any school district in the state may apply to participate. In addition to the grants, each school district participating in the pilot program may borrow up to $1.5 million through the Arkansas Revolving Loan Fund for the purchase of additional CNG school buses. To participate in the program, each school district must either have access to a CNG fueling station or agree to construct a new public-access fueling station. (Reference Senate Bill 1146, 2013 and Arkansas Code 6-19-128 and 6-20-803)

Alternative Fuel Grants and Rebates

The Arkansas Alternative Fuels Development Program provides grants to alternative fuel producers, feedstock processors, and alternative fuel distributors. Producers may be eligible to receive $0.20 per gallon of alternative fuels produced, not to exceed $2 million. Feedstock processors may be eligible to receive up to $3 million or 50% of the project cost, whichever is less, for the construction, modification, alteration, or retrofitting of a feedstock processing facility that is located and operated in Arkansas. Alternative fuel distributors may be eligible to receive up to $300,000 or 50% of the project cost, whichever is less, for assisting with the distribution and storage of alternative fuels or alternative fuel mixtures at distribution facilities that are located and operated in Arkansas. Alternative fuels include biofuel, ethanol, compressed natural gas, or a synthetic transportation fuel.

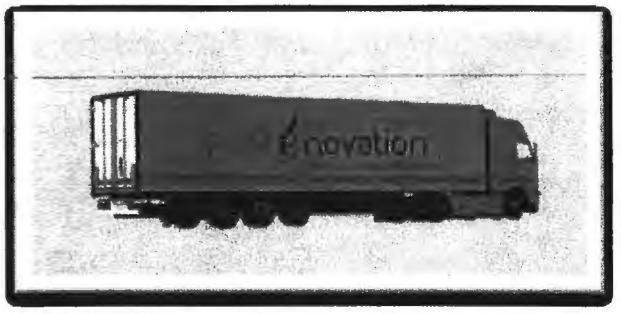
The program also provides rebates for the cost of converting diesel or gasoline motor vehicles to dedicated or bi-fuel compressed natural gas motor vehicles. The rebate amount is 75% of the conversion system and incremental conversion costs. A public entity, company, organization, or affiliate may receive up to $50,000 per fiscal year for conversion costs. Other restrictions and requirements may apply.
(Reference Senate Bill 125, 2013, and Arkansas Code 15-13-101, 15-13-102, 15-13-301 to 15-13-306, and 19-6-809)

Alternative Fuel Vehicle (AFV) and Infrastructure Rebate Program Establishment

The Arkansas Energy Office of the Arkansas Development Commission will administer a rebate program funded by the Clean-Burning Motor Fuel Development Fund. Rebates will be available for 50% of the conversion cost up to $4,500, specifically for vehicle conversions to hydrogen fuel cells, compressed natural gas (CNG), liquefied natural gas (LNG), or liquefied petroleum gas (propane). Rebates will also be available for CNG, LNG, and propane fueling stations in the amount of 75% of qualifying costs, up to $400,000. This incentive is not yet available (verified October 2013). (Reference Senate Bill 792, 2013, and Arkansas Code 15-10-901 to 15-10-904 and 19-5-1249)

Operating Strategies

PUREnovation's marketing strategy follows the basis of our competitive advantage, which is to influence and provide an outstanding service to small towns and communities. Our marketing strategy will be executed by utilizing the following methods:



- Skins for Corporate Vehicles- Wrapping vehicles in company logos and colors to represent the company within the community.
- Community Support- Sponsor and fund high school sports by improving facilities and purchasing uniforms.
- Social Media- Facebook and Twitter accounts to spread the company's image.
- Internet Services- Interactive webpage with information support and service explanation.
- City Interaction- Conduct quarterly meetings with city and town officials to discuss implementation and financing of CNG technologies.
- Service Branding- Upon completion of CNG conversions, the PUREnovation badge will be applied to the consumer's vehicle.
- Interstate Presence- Add PUREnovation filling stations to the "gas station" list on interstate sign systems.

Our service and production strategy relies on the basis of quick, professional conversions and fueling operations. Our service strategy in terms of conversions relies on our five conversion stations within our facility to turn out vehicles in an efficient manner. We plan to maintain efficiency within our conversion component by:

- Utilizing a scheduled delivery of parts and necessary equipment to remain current on inventory.
- Promote a family-friendly and positive workplace to reduce the chances of employee turnover.
- Monitor the hiring process of maintenance and conversion technicians closely to ensure a high caliber of employees.

The operational strategy concerning our CNG fueling component is to:

- Create a close and strategic relationship with fueling distributors to ensure that distribution of fuel and services are efficient.
- Utilize four underground fuel tanks and five fuel pumps with a total of eight pump nozzles dedicated to 18-wheelers with one pump dedicated to private passenger vehicles.
- Within three years establish a clerk and service component to the fueling stations.

Research and development for our service and product will be minimal due to the fact that the technologies for our market have been refined and mastered. Our company, however, will strive to improve processes and operations by:

- Rewarding technicians and employees for improving processes or systems.
- Staying current with new technologies and implementations.
- Working towards the creation and certification of a PUREnovation-patented and EPA-approved conversion kit

PUREnovation believes in supporting and improving the lives of our employees. Our administrative strategy is to offer enticing advancement opportunities and create a positive atmosphere for our personnel by:

- Offering competitive salaries to all technicians and service employees.
- Providing excellent healthcare packages for all employees.
- Supplying technicians with educational options to further their specialization.
- Allow each employee the ability to promote from within the company to assume leadership positions.

Our financial strategy is centered on the idea of minimizing costs and maximizing efficiency and profitability. We will also expand into more small cities and towns as we begin to grow. This strategy will be implemented by:

- Creating strategic relationships with fuel and equipment suppliers in order to drive down costs.
- Over time profits from PUREnovation fuel stations will allow costs of conversions to come down, which will allow for more competitive conversion prices.
- At the point in time when PUREnovation is ready to expand to another city, we will sell shares of our stock to raise capital to curb the costs of expansion.

Critical Risks

New CNG Vehicles Storm onto the Market

- Another possible risk we have addressed is the possibility of mass-produced CNG vehicles form large vehicle manufacturers. This storming of the market could possibly make our conversions obsolete. Although we know of rollouts of CNG vehicles from the big four auto makers in early 2015, and the introduction of dedicated CNG 18-wheelers, we feel that our model will still stand based on the principle of customer relationships and intentional hometown marketing, as well as our geographical advantage to the trucking industry. We plan to continue to convert gas-powered vehicles after these rollouts as well as further market to these individuals purchasing CNG powered vehicles allowing us to provide the fueling for their newly acquired transportation.

High Initial Cost for Early Adopters

- Since the technology involved in the CNG conversion process is relatively new, the upfront cost for the conversion is high. This may pose a problem for individuals seeking low-cost fueling to save on the price of their fuel, but do not have the ability to pay a large out-of-pocket expense. We have developed and implemented a financial strategy allowing customers to spread their investment over a specified period of time allowing for a lessening of the upfront costs necessary. This will give customers the option to partake in the conversion process early on and begin to reap the benefits of operating a natural gas vehicle.

Gasoline Prices

- As gas prices fall, the immediate financial impact of the CNG conversion process lessens per gallon, making it crucial for us to emphasize the other positive aspects that conversion brings. A difference of a dollar per gallon means a reduction of cost savings by hundreds, if not thousands of dollars. We will focus on the constant positive environmental impact made by our conversion process, as well as continuing the initiative to affect positive change within the community.

Pullback of Government Incentives

- Once the nationwide CNG network is completed, or funds for the projects dry up, incentives will start to disappear, cutting into our margins. By the time this occurs, however, we intend to have a large network and be solvent and debt free.

Electric Vehicles

- One possible critical risk we have assessed is the increase popularity and efficiency of electric vehicles. Currently electric vehicles must charge for long periods of time and are restricted to traveling short distances before the lengthy charging process must begin. They also experience large drops in performance ratings like horsepower and torque. The possibility of a new, more durable battery could pose an issue, as it would give people an alternative to CNG. We believe that this technology is many years down the road. Also, our business model still stands on the small-town advantage and integration we plan to facilitate. This customer loyalty will protect us from possible risks from advancing technology.

Pro-Forma Financial Statements

PUREnovation, Inc. Income Statement 31-Dec-14						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	$ -	$ 2,071,500	$ 3,075,625	$ 4,269,698	$ 5,519,146	$ 5,559,178
COGS	$ -	$ 1,330,000	$ 1,955,000	$ 2,740,000	$ 3,525,000	$ 3,525,000
Gross Profit	$ -	$ 741,500	$ 1,120,625	$ 1,529,698	$ 1,994,146	$ 2,034,178
Expenses:						
Depreciation Expense-Building	$ -	$ 32,051	$ 32,051	$ 32,051	$ 32,051	$ 32,051
Depreciation Expense-Machinery	$ -	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000
Utilities Expense	$ -	$ 9,118	$ 9,118	$ 9,118	$ 9,118	$ 9,118
Salaries Expense	$ -	$ 321,600	$ 372,700	$ 423,800	$ 438,800	$ 453,800
Marketing Expense	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 150,000
Interest Expense	$ -	$ 199,265	$ 196,250	$ 193,082	$ 189,754	$ 186,258
Insurance Expense	$ -	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Net Income/Loss	$ (150,000)	$ (190,535)	$ 140,505	$ 501,647	$ 954,423	$ 982,950
Net Income/Loss(Monthly)	$ (12,500)	$ (15,878)	$ 11,709	$ 41,804	$ 79,535	$ 81,913

- Revenue based on the following assumptions: $35,000 collected from each conversion of class 7 and 8 trucks to run on a Dual-Fuel System, and we estimate that we will complete 50 of these conversions in the first year, 75 in the second year, 100 in the third year, and 125 in each year following (having reached our capacity.) We will also collect $4000 from each private passenger vehicle cash sale with each sale supplemented by the $4500 provided by the state of Arkansas. We anticipate converting 10 vehicles in years one and two, 30 in year three, and 50 in each year following (having reached our capacity.) We will collect a $.03 profit margin from the sale of our CNG, and based on industry standards from miles driven and MPG (625 gallons used and 10,425 gallons used for cars and trucks respectively), we've computed marginal profits from fueling based on the number of our converted vehicles in the community.
- Cost of Goods Sold is based on the following assumptions: A cost of $8000 per kit installed in passenger vehicles and a cost of $25,000 for dual-fuel kits installed in Class 7 and 8 trucks
- Salaries are based on the following assumptions: Executive Salaries of $35,000, increasing by $5,000 each year, and employee salaries based on the industry average for Auto Technicians, $36,100. There are three executive Salaries payable, and 6 employees in year two, 7 in year three, and 8 in each following year (having reached our capacity.)
- Depreciation is calculated on a straight line basis with Building as a 39 year asset life and Machinery as a 10 year asset life
- Utilities are based on the following: Electricity approx. $2.28 per square foot, and water use on an average consumption of 687 gallons per day @ $1.13 per 1000 gallons from the USDOE.
- Interest Expense is calculated based on the amortization schedule

PUREnovation, Inc. Statement of Cash Flows 31-Dec-14						
Operating Activities:	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Net Profits	$ (150,000)	$ (190,535)	$ 140,505	$ 501,647	$ 954,423	$ 982,950
Depreciation	$ -	$ 232,051	$ 232,051	$ 232,051	$ 232,051	$ 232,051
Increase in Inventory	$ -	$ (205,000)	$ (115,000)	$ (90,000)	$ -	$ -
Increase in Accounts Payable	$ -	$ 321,600	$ 51,100	$ 51,100	$ 15,000	$ 15,000
Cash flows from Operations	**$ (150,000)**	**$ 158,117**	**$ 308,657**	**$ 694,798**	**$ 1,201,474**	**$ 1,230,001**
Investing Activities:						
Increase in Fixed Assets	$ (4,000,000)					
Cash Flows from Investing	**$ (4,000,000)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Financing Activities:						
Increase in Long Term Note	$ 4,000,000					
Principle PMT(LT Note)		$ (59,561)	$ (62,576)	$ (65,744)	$ (69,072)	$ (72,568)
Owner Capital Contribution	$ 1,000,000					
Cash flows from Financing	**$ 5,000,000**	**$ (59,561)**	**$ (62,576)**	**$ (65,744)**	**$ (69,072)**	**$ (72,568)**
Increase in Cash						
Beginning Cash	$ -	$ 850,000	$ 948,555	$ 1,194,637	$ 1,823,690	$ 2,956,092
Ending Cash	**$ 850,000**	**$ 948,556**	**$ 1,194,636**	**$ 1,823,691**	**$ 2,956,092**	**$ 4,113,525**
Ending Cash Monthly		**$ 79,046**	**$ 99,553**	**$ 151,974**	**$ 246,341**	**$ 342,794**

PUREnovation, Inc. Balance Sheet 31-Dec-14						
Assets:	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Cash	$ 850,000	$ 948,555	$ 1,194,637	$ 1,823,690	$ 2,956,092	$ 4,113,525
Inventory	$ -	$ 205,000	$ 320,000	$ 410,000	$ 410,000	$ 410,000
Investment in Marketable Securities		$ -	$ -	$ -	$ -	$ -
Building	$ 1,250,000	$ 1,250,000	$ 1,217,949	$ 1,185,897	$ 1,153,846	$ 1,121,795
Accumulated depreciation-Building	$ -	$ (32,051)	$ (32,051)	$ (32,051)	$ (32,051)	$ (32,051)
Land	$ 750,000	$ 750,000	$ 750,000	$ 750,000	$ 750,000	$ 750,000
Machinery	$ 2,000,000	$ 2,000,000	$ 1,800,000	$ 1,600,000	$ 1,400,000	$ 1,200,000
Accumulated depreciation-Machinery	$ -	$ (200,000)	$ (200,000)	$ (200,000)	$ (200,000)	$ (200,000)
Total Assets	**$ 4,850,000**	**$ 4,921,504**	**$ 5,050,534**	**$ 5,537,536**	**$ 6,437,887**	**$ 7,363,269**
Liabilities:						
Current Liabilities:						
Salaries Payable	$ -	$ 321,600	$ 372,700	$ 423,800	$ 438,800	$ 453,800
Note Payable- Current	$ 30,148	$ 62,576	$ 65,744	$ 69,072	$ 72,568	$ 76,243
Long term Liabilities:						
Long Term Note	$ 3,969,852	$ 3,877,863	$ 3,812,119	$ 3,743,047	$ 3,670,479	$ 3,594,236
Total Liabilities	**$ 4,000,000**	**$ 4,262,039**	**$ 4,250,563**	**$ 4,235,919**	**$ 4,181,847**	**$ 4,124,279**
Owner's Equity:						
Capital Stock	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000
Additional Capital Contribution	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000
Retained Earnings	$ (150,000)	$ (340,535)	$ (200,029)	$ 301,617	$ 1,256,040	$ 2,238,990
Total Owners Equity	**$ 850,000**	**$ 659,465**	**$ 799,971**	**$ 1,301,617**	**$ 2,256,040**	**$ 3,238,990**
Total Debt & OE	**$ 4,850,000**	**$ 4,921,504**	**$ 5,050,534**	**$ 5,537,536**	**$ 6,437,887**	**$ 7,363,269**

Thank You for Your Consideration