

# HomePreferred

*Helping Boomers and Seniors Age In Place*



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## Executive Summary

Home Preferred is the first retail chain designed to serve the more than 100 million U.S. baby boomers and their loved ones who want to age in place – to stay in their homes for as long as they desire, with choice and control, dignity and independence. Providing a variety of home, health and technology products and services to meet the desires of this rapidly expanding market, Home Preferred helps customers create individualized age-in-place solutions in response to immediate needs or as part of long-term, age-in-place strategy designed to address evolving conditions.

Home Preferred products and services will be offered through a nationwide network of stores, staffed by seniors and designed to make the sales process a peer-group interaction. The emphasis will be on not just commodities but experiences – end-to-end solutions for complex, evolving needs. The store environment will combine traditional self-serve product presentations, kiosk-style information pods and individualized advice and project consulting services. The stores will act as resource and community hub, helping customers answer the questions *“What do I need to do, how do I do it – and can you do it for me?”*

The baby boom generation, now at the peak of their income, wealth and spending power, are the key to growth opportunities in the retail sector. Home Preferred is currently raising \$4 million to open its pilot store and begin taking advantage of an existing \$190 billion market. The business has the opportunity to consolidate fragmented markets and establish itself as a category leader, bringing vendors and suppliers new business and creating opportunity-rich relationships that will pay off repeatedly over time. Corporate gross revenues are projected to reach \$300 million by 2015.

As a business and as a social force, Home Preferred will transform the lives of the largest, wealthiest and fastest-growing segment of the U.S. population. Its purpose-driven mission will lead to both individual customer fulfillment and wider social change, allowing boomers to remain active in their homes and stay connected to their families and communities as they and their loved ones age. The business offers opportunities to create an entirely new sector for vendors and suppliers and to create deep links with consumers and communities. The Home Preferred concept has already drawn a broad range of experts to join its management and launch team, eager to help create not only a new retail and service sector but also a new way to view aging: the age-in-place lifestyle.

## The Problem: A New Future for Aging Boomers

For a generation whose social and emotional experience has been defined by possibility and opportunity – not to mention the fetishization of youth – aging is a difficult prospect to face. Contemporary American culture denies and fears the truth that we all age, unnecessarily complicating a difficult process rather than helping people cope with its challenges. In addition, baby boomers have witnessed the considerable challenges faced by their parents as they have aged – many as primary caregivers. For many, the experience has left an indelible mark.

So far, the market has not responded to boomers' needs around aging: It is difficult for individuals to find comprehensive solutions to complex problems when no two situations are the same. The options are out there, but navigating a fragmented market can be confusing and overwhelming, especially in the aftermath of a crisis. To compound these difficulties, many products and services designed to support aging are made for institutional use – for "old" people. While they may be useful, the aesthetics and assumptions of these offerings can sap vitality and reinforce feelings of helplessness. There are few real options for homeowners who wish to incorporate age-in-place solutions into their homes in ways that don't detract from the environments they have spent years refining to suit their personal tastes.

This discrepancy suggests that the market is at a tipping point, one at which boomers will begin to confront the deficiencies and demand more – more choices, more respect, more options for living vital lives in the homes they love. Yet no single company can produce all the disparate products and services required, given the sheer size and complexity of the market, which encompasses sectors such as construction, consumer electronics, telecommunications, healthcare and home security. Though each of these verticals is represented by established businesses, none addresses critical issues that will confront boomers – the largest and wealthiest segment of the population – over the coming decades.

In the next few years boomers will demand a touchstone for aging, a location where all of the information and resources they need can be found in one central place. Most of all, they will need a place where they can speak with another person who genuinely cares about the challenges they and their loved ones face as they age, and with whom they can weigh their options and make confident decisions about their future.

## Our Solution: Create a Brand Boomers Can Trust

Home Preferred aligns customers, communities, employees, vendors and service providers to create a social force. The primary goal of Home Preferred is to deliver meaningful services to each of these constituencies – empowering boomers to maintain control over their lives and the lives of their loved ones and to create environments of ease in their own homes. Home Preferred will inspire them by designing a place where possibilities, and eventualities, can be thoughtfully redefined. Home Preferred is more than a retail chain. It is a business, and a social force, that can unite disparate elements – a single point of convenience that can anticipate and solve the challenges of America's millions of baby boomers.

The age-in-place lifestyle has quickly moved beyond concept to become a market, and the opportunity is significant. Numerous studies show that as the baby boom generation enters retirement the current groundswell of interest in age-in-place products and services will increase exponentially. To that end, our target is not just over-55 adults, but also those who have parents in need of care or are considering home remodels for themselves.

Home Preferred will transform the lives of older Americans by helping them transform their homes. Products and services will be offered through a nationwide network of Home Preferred stores, staffed by boomers and seniors and designed to make the sales process a positive peer-group interaction. The emphasis is not simply on selling products in a retail setting, but providing satisfying experiences that will encourage repeat customers.

Home Preferred is predicated on a holistic vision that aims to create end-to-end solutions for its customers' complex, evolving needs. A compelling, comfortable retail environment will combine traditional self-serve product presentations, kiosk-style information pods, and individualized advice and project consultations with connections to service providers, professionals and social service and community organizations. Our stores will serve individuals and their communities on a variety of levels:

- **Home Modifications:** Products to support the age-in-place lifestyle are available, but are difficult to source and install in the home. Home Preferred will offer a complete range of solutions – from basic, easy-to-install products that customers can tackle themselves to small-scale home modification projects installed by a Home Preferred handyman/installer or, for more complex jobs, an associated age-in-place certified contractor.
- **Technology:** The availability of technology to provide for home safety, virtual monitoring and home health and wellness is on the rise. Cell phones and communication devices offer people of all ages

increased security and connectivity. New platforms and providers are continually entering the market, but potential customers have no place to experience the technologies, make direct purchases or find training and support. Home Preferred will offer just such an environment.

- **Art of Aging products:** Universal design is transforming the look and feel of products for everyday living, from bicycles that shift automatically to gardening gloves that massage your hands while you work. Home Preferred will offer products that allow customers to stay engaged with favorite activities as they age.
- **Services:** Home Preferred will offer personalized services to suit the age-in-place lifestyle – from in-home assessments and planning to branded installation and support services, from certified contractor referrals to easy access to a wide range of essential community resources.

Home Preferred will establish itself as *the* branded solution that creates the easiest path through aging. Our customers will experience an environment that creates ideas, provides assurance, solves problems, is information rich, has knowledgeable employees and offers an efficient means to navigate challenging processes. Home Preferred will also address the “trust factor”: Many consumers report a fear of dealing with home modification projects in general and contractors in particular. Our referral network of contractors and practitioners will be trained and certified by Home Preferred. We will provide a caring, high-quality personalized experience for each customer and project. For our target market, a quality experience is more important than the lowest price. In delivering that experience, Home Preferred will generate not only profits but also referrals and a community of loyal ongoing customers.

## Market and Societal Trends Create the Context for Home Preferred

A confluence of social and market trends for the age-in-place lifestyle puts Home Preferred in a strong position to define and create an entirely new business sector.

### Consolidating the Products and Services Boomers Demand

Home Preferred will address the issues raised by boomers as they age – and, in so doing, consolidate and capture a massive yet fragmented market. According to extensive research conducted by the Home Preferred team, it is a market representing more than \$190 billion per year:

- **Home Modification = \$71B.** Seventy-five percent of remodelers report an increase in inquiries related to aging in place. The National Association of Home Builders estimates the age-in-place remodeling market at \$20-\$25 billion – about 10% of the \$214 billion home-improvement industry. The Age Lab at MIT conservatively predicts that by 2010 the age-in-place market will grow to between \$64 and \$83 billion per year. Older baby boomers are expected to contribute more than 21% of all homeowner remodeling expenditures in 2015; boomers are apt to choose professional installers for many of their projects.<sup>1</sup>
- **Technology = \$34B.** The market for “healthcare unbound” technology is projected to reach \$34 billion by 2020.<sup>2</sup> Revenues generated through custom integration/installation of home automation and control products are projected to reach \$9.8 billion in 2007 and grow to 11 billion in 2008.<sup>3</sup> The U.S. market for alarm systems, services and installations is expected to reach \$19.6 billion in 2011, up from \$17.5 billion in 2006.<sup>4</sup>
- **Art of Aging = \$11.2B.** Total U.S. home-care revenue neared \$7.2 billion in 2005, and is projected to grow an average of 7% per year from 2006 to 2011, with total sales projected at near \$10 billion in 2010.<sup>5</sup> Some 48 million consumers (33 million baby boomers and 15 million “matures”) say they are going to give nature a helping hand by purchasing anti-aging products in the next 12 months, with spending totaling more than \$4 billion.<sup>6</sup>

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<sup>1</sup> *Foundations for Future Growth in the Remodeling Industry*, Joint Center for Housing Studies at Harvard University, 2007

<sup>2</sup> Forrester Research, *Healthcare Unbound*

<sup>3</sup> Parks Associates and EH Publishing

<sup>4</sup> SBI Research

<sup>5</sup> *U.S. Market for Home Care Products 2007*, Kalorama Information

<sup>6</sup> *The Realities of Aging Naturally*, Focalyst Research

- Services = **\$71B**. According to Mary Furlong, author of *Turning Silver into Gold*, "Eldercare is one of the key business opportunities over the next several decades." Chip Baird of North Castle Partners sets the current size of the market at \$71 billion; that does not include ancillary services like respite care.

### A Large and Wealthy Population Dominating the Next 30 Years

America is at a significant turning point as baby boomers approach their senior years and confront a new stage of life. The crest of the baby boom generation – those born between 1946 and 1964 – are now approaching their mid-50s. Today there are 80 million boomers in the U.S., some 26.8% of Americans according to the MetLife Mature Market Institute. The 2000 U.S. Census reported 46 million Americans over the age of 60. By 2030, that population will have grown to 91 million, representing 37% of the total adult U.S. population.<sup>7</sup>

In addition, those age 45–54 have the highest average household income (\$68,028 before taxes) and the highest household spending (\$50,101) of any age group.<sup>8</sup> The annual estimated spending power of boomers is more than \$2 trillion; the average American boomer household spends about \$45,000 per year.<sup>9</sup>

### The Dawn of the Age-in-Place Movement

The Department of Housing and Urban Development has recognized that “assistance and support that would enable a homeowner to age in place undoubtedly represents the single largest category of housing need for elderly Americans.” More than 80% of boomers and seniors own their own homes and more than 80% state that they want to continue living in their homes as they grow older<sup>10</sup>. The Department of Housing and Urban Development reports the home ownership rate for individuals age 62–74 at 81.2%; between the ages of 75 and 84, home ownership remains high at 76.9%. Older Americans have invested significant time and money in their homes and are deeply attached to the network of loved ones and community relationships they have built around them.

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<sup>7</sup> US Department of Commerce, *Statistical Abstract of the United States: 2004–2005*, *The National Data Book*

<sup>8</sup> U.S. Bureau of Labor Statistics

<sup>9</sup> MetLife Mature Market Institute

<sup>10</sup> AARP

## Aging in Place and Remodeling Go Hand in Hand

One of the primary questions homeowners will face is how their current homes can accommodate them as they age; many will also face the challenge of caring for aging parents in their homes. This situation raises several concerns:

- Homeowners and their loved ones or visiting friends losing accessibility to their homes (stairs) or mobility within their homes (kitchens and bathrooms)
- Homes becoming unsafe for aging occupants (lighting, narrow doorways, steps, etc.)
- Lack of technology to enhance safety and enable occupants to communicate easily with family and health-service providers.

Boomers, now at the peak of their income, wealth and spending power, are the key to growth opportunities in this sector. It makes both financial and emotional sense for them to improve an existing home for safe livability rather than to move into a retirement or nursing community prematurely. Yet most homes are not properly outfitted to meet boomers' changing needs. The majority of housing stock in America has been built since the 1950s, and today few homes are "age-in-place friendly."

The National Association of Home Builders (NAHB) recognizes this trend. Over 1,000 member companies have earned its Certified Age In Place Specialist (CAPS) designation through a program that trains remodelers to incorporate age-in-place design, hardware and devices into existing homes.

## Once Children, Boomers Become Guardians

As the first generation to move away from their hometowns en masse, boomers are now faced with the challenge of taking care of elderly parents who are often geographically distant while at the same time considering how best to manage their own aging. No longer actively raising kids, this so-called "sandwich generation" now cares for an older generation that has reaped the benefits of life-extending healthcare advances.

A recent survey by AARP and the National Alliance for Caregiving estimated that there are more than 33 million people over 18 who care for people over 50; 69% of these help one person, while 22% work with two. The survey also estimates that 33 million adult children are bringing their parents home when it becomes unwise to have them live elsewhere, and notes that baby boomers spend, on average, nearly \$5000 per year on goods and services for those in their care.

## Too Young to Retire, Too Old to Hire

The first generation to work primarily outside the manufacturing and farm sector is the first to continue working part time in retirement – AARP reports that some 80% of boomers plan to do so. The “part-time retirement” vision is driven by several factors. Retired boomers want to maintain an income stream to underwrite a higher level of leisure. They also want to stay engaged in the world and remain mentally and physically active, having read that a “use it or lose it” outlook is key to aging well. Finally, boomers want to feel integrated – to retain the sense that they are needed, contributing and important in their daily lives. All of these factors point favorably to a broadening pool of motivated, intelligent and engaged part-time workers in numbers not seen until now.

## New Distribution Models for Vendors

In its research, Home Preferred consistently met with enthusiastic interest from vendors and service providers for one reason: Home Preferred creates a fundamentally new distribution channel for products and services. This represents a massive opportunity for vendors and service providers who have been searching for a way to reach the boomer market. Home Preferred will be the first single-point retail environment through which vendors can deliver goods and services to boomers and their aging parents, while at the same time understanding their needs, desires and spending habits.

## Building Communities

The challenges associated with aging are not simply the domain of individuals; they grow exponentially when one looks at entire communities. Like many boomers, the towns, cities and counties in which they live do not address aging until they are forced to by circumstance. While some municipalities are planning ahead, many local governments do not have the time, resources, experience, coordination or imperative to do so. Home Preferred will offer a “drop-in” solution for communities across the country by establishing a location where peers help peers, neighbors help neighbors and local social service organizations know they have a partner that will help them reach the boomer community to address and anticipate their needs and concerns.

## A Retail Solution for the Age-In-Place Movement

Boomers have dominated retail thinking for decades, and there is every indication that they will continue to do so as they age. As long-term cycles come to a close and new market forces emerge, Home Preferred is perfectly positioned to take charge of retail needs for the boomer market.

### Practical and Inspirational

The retail environment is a critical component of Home Preferred – it allows consumers to see and touch products in a milieu designed to reproduce actual living situations. Home Preferred merchandising professionals will continually reevaluate product and service offerings to select – or create – the best, most effective options. Products will be presented in an environment that allows customers to envision a full, satisfying life of continued independence and control.

Home Preferred will recruit and partner with top-flight industrial, home décor and fashion designers to create designer-curated displays and cross-branded merchandise that couples affordability with high style and high function, tapping into boomers' expectations for luxury, thoughtful design, and quality. It will present a vision of the age-in-place home as contemporary and stylish – not tennis ball walker glides but electric bikes, not aluminum toilet-seat frames but well-designed, comfortable bath suites. Art of aging products and home health, monitoring and communications technology will be displayed with a wealth of information on features and compatibility in easy-to-read formats.

### Meeting Customer Needs Through Multiple Avenues

To serve customers with a wide variety of needs, Home Preferred will offer a range of product sales, both in-store and online, and a variety of services, with options ranging from DIY (do-it-yourself) to complex consultation and referral programs involving multiple providers. Under the trusted Home Preferred brand, we will consolidate a network of professionals and vendors and ensure – through training and certification – their ability to communicate with customers and deliver services at a high and consistent level. The result is one-stop shopping that instills customer confidence and provides a true personalized solution at all points of the age-in-place journey.

## Product Sales

Home Preferred retail sales, including in-store retail and e-commerce, will address a wide range of customer needs and price points in three major areas:

- **Home Modification** – from functional and stylish specialty fixtures, rails and grips to universal design in complete kitchen and bathroom remodels
- **Technology** – such as state-of-the-art health monitoring/screening equipment, home monitoring and security installation, cell phones, and computer and software sales and support
- **Art of Aging Products** – including lifestyle accessories for gardening, fitness, hobbies, etc., designed to help boomers stay engaged and energized by the activities they love.

Appendix A offers a detailed product listing for these segments; see Appendix B for sample products from each category.

## Services Revenue

Because aging in place means different things – and demands different solutions – for each customer, personalization is at the heart of the Home Preferred experience. Stores will offer one-time and ongoing services designed to give customers a wealth of options including in-home age-in-place and safety assessments; access to a network of preferred age-in-place contractors; and easy access to nonprofit, social service and community resources.

For each project requiring installation, customers can choose from several options:

- **“Do it myself.”** For simpler projects, customers can buy products in the store and handle installation themselves.
- **“Do it for me.”** Alternately, for simple installations not requiring permits, customers can purchase products in the store, then schedule a visit from a Home Preferred installer who can provide expert assistance and customer satisfaction.
- **Contractor referrals.** For projects requiring more complicated, multi-trade work, or work that requires permitting, Home Preferred will make referrals to approved age-in-place-certified contractors with the required expertise. A Home Preferred project manager can also shepherd the project from pre-construction conference to final quality control assessment, ensuring customer satisfaction. In exchange for highly qualified leads, contractors pay Home Preferred an initial

affiliation/certification fee and a commission for each project. In turn, customers get one-stop convenience and the security of working with a trusted, branded partner who can handle projects from conception to completion.

In addition, Home Preferred customers will have access to expert consultation in a number of areas:

- **In-home consultations.** Many customers will choose to start, or continue, their age-in-place planning with a visit from the Home Preferred assessment team. For a nominal fee (applicable to any related purchase), a specialist will visit customers and perform a walk-through assessment of the living space and immediate and eventual needs. Customers may purchase items and have them installed on the spot, or use the assessment as a jumping-off point for more extensive projects over time. All assessments include a detailed recommendation report; customers are automatically entered into the Home Preferred system for future discounts, specials, etc. This input also helps us track customers as they age and make appropriate offers and suggestions.
- **Technical support.** Where customers need support to use products or services – for example, a “senior cell phone” or a blood monitor that automatically uploads daily readings to a physician – our “geek squad” will provide clear, respectful information and training, either at home or in the store.
- **In-store services.** Taking advantage of comfortable, private meeting areas in each store, customers can schedule consultations with experts in areas such as age-in-place design, medical directives, estate planning, etc. In addition, stores will offer classes in popular subjects from home organization to traveling in retirement.
- **Referral services.** Customers can get referrals to local resources, including legal, medical, and social-service professionals; groups and classes; and nonprofit services.

## Branding and Marketing to Boomers

Home Preferred will work to establish a corporate culture that supports our brand – one that prizes convenience shopping in a friendly, knowledgeable and respectful environment where customers can receive personalized and caring support. This message will be the basis of all marketing and sales strategies.

Home Preferred seeks to appeal to boomer women, those most often responsible for making household decisions and most likely to take on the role of caregiver. Boomer women are often skeptical of traditional advertising, but do respond favorably to values inherent in the Home Preferred model: trust and authenticity. Another important factor is that busy, educated boomer women tend to be more interested in do-it-for-me rather than DIY solutions – a core offering of Home Preferred.

We anticipate that our customers will share several key life stages and transition points – boomers planning for the future and determining their own needs as they age, independent seniors who want to stay that way, and adult children helping their parents make challenging decisions. A health crisis will often trigger the need to visit Home Preferred. In such times, customers are looking above all for caring and supportive help – an offering at the heart of the Home Preferred mission.

Because of the often sensitive nature of the needs associated with aging, trust gained by word of mouth, or “viral marketing”, is particularly important. Seniors – perhaps more so than other strata of our society – possess a powerful social network built over a lifetime. A key ingredient of our marketing will be ensuring a positive experience at Home Preferred stores. Traditional marketing methods will be used to establish brand identification and drive traffic to stores; Home Preferred will leverage local print and television advertising, public relations and various sponsorship opportunities, and will participate in community events. We will also have a targeted and aggressive online marketing program, as boomers use the Web as much as any demographic for information and shopping.

## Competitive Landscape

Currently, there are no direct competitors for Home Preferred. In the 1990s, two companies, MedMax and Centrex Life Solutions, attempted to offer age-in-place products to older customers. MedMax (1996–99) grew to 12 stores; Centex (1997–1998) opened two prototypes. Each failed in large part due to a focus on products, not lifestyles: MedMax simply extended the pharmaceutical store model to include anti-aging and durable medical equipment, while Centex offered an overly-broad range of products with little connection to, or support from, the parent company's core business.

By contrast, Home Preferred is designed to serve a life stage and set of age-in-place needs, and has no direct existing retail competitor. What competition does exist comes from a variety of vendors supplying services and products in a fragmented delivery market.

### Anticipated Competition

Home Preferred anticipates competition in several areas:

- **Established silo stores:** A "silo" product provider (Home Depot, Lowe's, CVS, Walgreens) may decide to broaden its product offerings, either online or in stores, to include a wider range of age-in-place products. This model, however, can compete only on price and does not provide the customer experience of a Home Preferred store – an array of products and services under one roof plus personalized assessments and a certified network of service vendors supporting the age-in-place lifestyle. The Home Preferred customer receives respect, connection with knowledgeable peers, and a complete, personalized solution incorporating products, services, and outside resources.
- **Smaller startups:** Currently, a number of smaller companies address specific segments of the market Home Preferred intends to capture, but none offers a unified product and service model. For example, Home Safety Services (homesafety.net) covers everything from babyproofing to "senior safety" and emergency preparedness. Its two vans complete an average of three jobs per day, charging \$90/hour for assessments plus installation and equipment fees.
- **The Internet:** While there is significant use of the Internet to research and buy age-in-place products and services, online product distribution does not address the customer's need for personalization or provide comprehensive solutions. A shopper may purchase a bathroom grab bar and other safety gear online, but have difficulty deciding on the right set of products for the space

and user, or locating a trained and trusted installer. Online services include Handyman.com, a contractor referral website; Comfort Keepers (comfortkeepers.com), an in-home care provider; and Caring.com, a website geared towards assisting adult children caring for aging parents.

Rather than considering the businesses above as traditional "competition," Home Preferred views them more as potential partners. Due to its pioneering position in the age-in-place market, Home Preferred will be at the forefront of entirely new business models; we plan to aggressively pursue mutually beneficial partnerships, store-in-store offerings and a strategic M&A program.

### **A Successful Retail Model to Emulate: The Container Store**

Perhaps the single largest barrier to realizing the Home Preferred vision is the ability to scale operations based on the blueprint provided by its initial proof-of-concept store. Several large chain stores, such as Home Depot, Lowe's, and Wal-Mart, have proven that it can be done over time. However, one example stands. From its strategic roll-out and merchandising to its ability to attract significant repeat business that generates consistent, sustained growth to its position as a national leader in employee satisfaction, The Container Store is truly unique.

In 2006 The Container Store generated \$491 million in revenue – and estimates \$600 million for 2007. A retail concept that initially seemed farfetched has grown into a mass chain that has engineered sustained 20–25% annual growth. Their 41 stores average 25,000 sq. ft. in size, and generate \$470.02/sq. ft. Primary customers are college-educated women from households earning an average of \$75,000 per year – virtually the same demographic Home Preferred intends to pursue. The Container Store also contains costs by keeping its workforce satisfied – it loses only 28% of its full-time salespeople each year, compared with an industry average of 73.6%. Such an example proves that through strategic growth and merchandising, employee and customer satisfaction, and top-flight management, Home Preferred business can succeed and thrive.

## Business Model and Philosophy

Home Preferred seeks to leverage not just products or store infrastructure but ongoing, mutually satisfying customer relationships. The strategic focus is on value aggregation around a specific target customer – pooling demand, rather than supply, to acquire and grow profitable relationships. Home Preferred intends to invest early in personnel, training and customer interactions, with the ultimate payoff being an all-encompassing foundation of trust, quality and efficiency.

Boomers have grown weary of old sales models. Companies that hope to appeal to them must move from simply “telling and selling” to building real and lasting relationships. Our emphasis is not just on acquiring new customers, but on empowering choice and independence while helping customers move from initial need to long-term planning.

### The Home Preferred Difference

Home Preferred is a company founded to serve society as it builds stakeholder value. We believe that we can design our organization to pay employees well, produce significant return for investors, have highly satisfied customers and suppliers, and be welcomed into communities we seek to enter.

The company will be established on a Shareholder Relationship Management (SRM) business model, whereby the corporation is in service to all stakeholders without favoring one over another. This new model is exemplified by companies such as Whole Foods, Patagonia and Southwest, which consistently perform better than their peers in the public markets. Each SRM business is driven by a mission that customers embrace, suppliers share and communities support.

At Home Preferred, our definition of corporate success takes into account environmental and social performance as well as financial achievement. We expect to be measured on the “triple bottom line” scorecard – people and planet as well as profits.

## Financial Model, Use of Proceeds and Milestones

Home Preferred is seeking \$4 million of initial investment to create a pilot store in the San Francisco Bay Area and establish an online presence. To thoroughly vet its concept, the Home Preferred team undertook an exhaustive, top-down market analysis that determined the percentage of the population that already purchases the types of products and services we intend to offer.

The team then used these percentages to calculate several types of average in-store purchases based on markets of various sizes. It was determined that in a market comprised of 165,000 boomer/senior homeowners, a 10,000–12,000 sq. ft. store could produce revenue of \$500/sq. ft. with \$3.9 million in yearly revenue within three years. Currently more than 250 counties in the U.S. meet these criteria.

The team then engineered a store expense model to determine if the store envisioned could maintain and grow profitability. A strongly viable result emerged; we then developed a corporate model, consolidating the models to demonstrate that Home Preferred has an opportunity to achieve the following results:

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Stores</b>								
<b>New Stores</b>	1	3	6	20	15	10	5	0
<b>Total Stores</b>	1	4	10	30	45	55	60	60
<b>Revenues</b>	1,525.0	9,500.0	29,300.0	81,518.0	177,109.1	253,885.6	310,718.8	346,411.9
<b>GM</b>	702.9	4,293.3	13,241.6	36,840.5	80,041.1	114,738.8	140,423.5	156,554.4
<b>Operating income</b>	(30.7)	813.7	3,576.1	9,005.3	28,710.3	45,813.7	59,858.7	70,366.1
	-2%	9%	11%	10%	15%	17%	18%	19%
<b>Depreciation Addback</b>	100.0	500.0	1,400.0	4,000.0	7,500.0	10,000.0	11,600.0	12,400.0
<b>Store Buildout</b>	(1,000.0)	(3,000.0)	(6,000.0)	(20,000.0)	(15,000.0)	(10,000.0)	(5,500.0)	(1,500.0)
<b>Inventory</b>	(423.2)	(423.2)	(866.4)	(1,220.0)	(17,740.0)	(24,312.0)	(2,666.2)	(2,923.9)
<b>HQ Expense</b>	(2,292.9)	(4,333.1)	(5,858.9)	(6,766.0)	(8,068.8)	(8,955.4)	(9,869.2)	(10,866.5)
	-150%	-46%	-18%	-8%	-4%	-3%	-3%	-3%
<b>EBITDA</b>	\$(3,646.8)	\$(6,442.5)	\$(7,749.2)	\$(14,980.7)	\$(4,598.5)	\$12,546.4	\$53,423.3	\$67,475.7
	-239%	-68%	-24%	-17%	-2%	5%	16%	19%
<b>CumCash Requirements</b>	\$(3,646.8)	\$(10,089.3)	\$(17,838.5)	\$(32,819.3)	\$(37,417.8)	\$(24,871.4)	\$28,551.9	\$96,027.6

Of the initial \$4 million investment:

- \$1M will go to direct retail expenses including leases, inventory, design and build-out
- \$2M will cover corporate startup expenses, salaries, programs, IT development and branding
- \$1M covers 9–12 months of operational run rates, allowing time to test, refine and prove the concept.

Following second-round funding, three more stores will open in the surrounding area in 2009, with an eye toward regional partnerships. By 2012, the company will require an additional \$35 million in capital to open 60 stores nationwide. By 2015, revenues are projected to exceed \$300 million.

Please see Appendix C for additional financial data.

### Milestones and Next Steps

Home Preferred is established as a California corporation and has developed the collateral required to present the opportunity to early-stage investors. We have completed preliminary research demonstrating that this opportunity can be turned into an exciting reality, and have raised more than \$100,000 in seed capital. Home Preferred now seeks \$4M to energize corporate operations and design and open and operate a proof-of-concept store. The following table summarizes a schedule of the tasks and milestones slated for the coming year. Efforts are well underway toward completion of the first three milestones:

Completion Date	Task/Milestone
July 2008	Close \$500,000 round; continue negotiations with investors
August 2008	Finalize contracts for management team
September 2008	Complete initial product selection and merchandising strategy
September 2008	Begin store design
October 2008	Complete service program and select initial vendors
November 2008	Complete initial store design
December 2008	Close Series A financing round
January 2009	Sign initial leases
February–April 2009	Store build-out
May 2009	Open proof-of-concept store

## Management and Advisors

The passion, experience and vision of Home Preferred founder John Kalb has generated a concept that enjoys wide support from a number of nationally recognized experts representing the retail, technology and customer care industries. For many on the team, the drive to make Home Preferred a reality stems from personal experiences as caregivers for aging parents. They understand the needs of the market Home Preferred hopes to capture because they are members of that very market.

The Home Preferred team is designed to take advantage of both vertical expertise in retail management and horizontal expertise in aging, universal design, home modification, and new technologies. Please see Appendix D for a preliminary organization chart.

### Management

**Founder and CEO John Kalb** is a visionary executive with a history of developing significant business opportunities for companies such as Ampex, Warner Brothers, Compaq, EMC, Cisco and Hitachi. He has served on the board of many Internet and media companies, and led multiple investment rounds as a VP at Dakin Securities. In the 1980s and 90s, he helped launch the multimedia industry, first as a producer of high-end interactive environments for clients such as National Geographic and several Presidential Libraries and then as a VP of software publishing for ICOM Simulations, the foundation for Viacom New Media. Based on his experience as the single parent of a son with cerebral palsy, John has a deep understanding of the demands, frustrations and joys of caring for a special-needs individual at home.

**CFO Chester Hurtado** is the founder of two companies – TradeWorks Management Services, which offers accounting and finance expertise to companies from startups to multinationals, and Prescience. At Prescience, Chester was CFO and led the company to a successful acquisition. He has served as CFO of Kapow Technologies and Blue Titan Software, and held senior financial positions at Information Access Corp. and Symantec, as well as at Bankserv and SPL WorldGroup, B.V., where he led the IPO process.

**Louis Tenenbaum** is the nation's leading authority on aging in place. Louis consults and trains on universal design, aging in place and home modifications. His message resonates with businesses, policymakers and consumers and he has appeared on national news and lifestyle television and in publications such as *BusinessWeek* and the *Washington Post*. He heads the business advisory council of the Rehabilitation Education Research Center on Universal Design at the SUNY Buffalo School of Architecture.

**Ivy Ross** is a senior executive who has worked to grow global brands for Fortune 500 companies in retail, direct mail and manufacturing. Most recently Chief Creative Officer for the Disney Store, she has held executive positions in product design and development overseeing visual, merchandising and new-store design for Old Navy, Mattel, Calvin Klein and Coach. She was chosen by *BusinessWeek* as one of the five top innovators working inside a corporation. She attended Harvard Business School and FIT.

**Lisa Berman** has served as president and CEO of the Picture People and VP of Sales and Operations for Guess?, the Limited and Pottery Barn. Accomplished in both aggressive growth and turnaround opportunities for private and public entities, she has helped companies tap unrealized potential in talent, expense, merchandising and marketing.

**Karen Leland** co-founded Sterling Consulting Group, an international management consulting firm specializing in customer service, business communications and organizational development for clients such as American Express, IBM, Avis, AT&T and Marriott Hotels. She is coauthor of the best-selling *Customer Service For Dummies* and *Watercooler Wisdom: How Smart People Prosper in the Face of Conflict, Pressure and Change*.

**Jason Popko** has a background in consultative sales and account management. Caring for an elderly parent led him to focus on the convergence of business, technology and elder-centered design, and to work toward improving how aging is viewed and experienced in our culture.

## Advisors

**Vincent E. Altruda** has more than 30 years of retail experience. As president of Borders Group Worldwide, he grew 19 stores to over 200 stores nationwide in five years and opened 70 international locations. As director of stores for Barnes & Noble Booksellers, he supervised store operations for the entire retail division. A graduate of Providence College, he began his career managing W.T. Grant stores and served as a district, region and area manager for CVS Corporation.

**Kenneth Nisch** is president and chairman of JGA, a leading design and architectural firm that helps retailers – such as Borders, Brookstone, Coca-Cola, Dell, Godiva, Jaguar, Wellpoint, The North Face and Saks – realize visual marketing potential and attain niche leadership. His insights are integrated into conceptual development and image positioning for retail operators, manufacturers and brand marketers. Former International Vice President of the Institute of Store Planners, he also serves as a board director to several retail companies.

**Derick TeeKing** has expertise in retail concept development, merchandising and marketing strategies, and operational and organizational change. He has held senior retail positions at Reebok, Polo Ralph Lauren and Tommy Hilfiger, and consulted for companies such as Nike and Brooks Brothers. He has advised Sage Capital and Gordon Brothers in retail acquisitions, and assisted the retail division of Sony Pictures Entertainment, Warner Bros., MCA/Universal Studios and MGM.

**Sharon P. Whiteley** is CEO of ThirdAge, an online media, marketing and consumer insight company focused on mid-lifers. She has founded five successful companies, serving as CEO of Crimson Solutions and president and chief creative officer of Contempo Colours. As principal in a firm that developed specialty shopping centers, she was instrumental in the success of landmark urban centers including Boston's Faneuil Hall Marketplace. She founded 8Wings Ventures, a private equity group that invests in early stage enterprises, and coauthored *The Old Girls' Network: Insider Advice for Women Building Businesses in a Man's World*.

**Lois Drapin** is the founder of Drapin & Co, an advisory firm for companies and investors in the pharmaceutical, technology and health sectors. She was a founding partner of OriginalThought LLC, a consulting firm focused on consumer experience in health, technology and financial services. In 2004, she co-founded Healthcare Unbound, the first tradeshow dedicated to remote healthcare monitoring at the Center for Business Innovation's National Summit and Exhibition. She has held senior executive positions at Synetec, CareInsight Medical Manager and WebMD.

## Appendix A:

### Home Preferred Products, Categories and Service Offerings

Division	Category	Class
Home Modification	Age In Place	Grab bars
		Rails and grips
		Ramps
		Thresholds
		Lifts
		Showers/bath/sauna
		Toilets
		Sinks
		Adjustable counters
		Wall cabinets
		Faucets/dispensers
		Handles and pulls
		Doors and power operators
		Entryway
		Window treatments
		Closets
Home Modification	Appliances	Cooktops
		Dishwashers
		Washer/dryer
		Ovens
Home Modification	Lighting	Path through the house
		Security/safety
		Task lighting
		Light switches
Technology	Mobility Aids	Fall detection and prevention
		Wander management
	Monitoring/Control	Stove
		Smoke
		Doors
	Health and Wellness	Telemedicine
		Health monitors
		Pill dispenser

Division	Category	Class
Technology	Cognition	Stimulation and entertainment Reminder systems Assessment systems
	Computer Assist	Hardware Software
	Social Connect	Phones Cell phones Monitoring Senior-friendly e-mail and Web systems
Art of Aging	Universal Design	Gardening tools
		Handyman tools
		Cleaning tools
		Pets
		General home devices
		Furniture
		Temperature and environment
		Mobility
		Hobbies inside and out
		Fitness
		Clothing
		Information products
		Personal comfort
Art of Aging	Caregiver Support	Bathroom
		Kitchen
		Bedroom
		Bath and bathing
		Bedroom
		Dressing and grooming
		Kitchen and dining
Services	Age In Place	Safety tour and report
		Age-in-place feasibility
		Handyman services
		Design studio
		Contractor management
		Downsizing
		Clutter-busting
		Elderproofing
	Technology	Technology “geek squad”
	Legal	Five wishes
	Legal	Will and trust
	Financial	Financial review

## Appendix B:

### Sample Products – Art of Aging



**Row 1:** Rechargeable candles (\$40); luxury scooter (\$3900)

**Row 2:** Bionic gardening gloves (\$40); gel grip entertaining set (\$30); folding trekking pole (\$50)

**Row 3:** Brain-health software (\$150); automatic-shift bicycle (\$500); talking sports watch (\$59); easy-read scale (\$75)

## Sample Products – Home Modification



**Row 1:** Designer grab bar (\$55); barrier-free shower (\$1500)

**Row 2:** Visual temperature feedback faucet head (\$18); automated toilet lift (\$2625);  
all-in-one washer/dryer (\$1150)

**Row 3:** Ergonomic door handles (\$12–\$20); stepless door ramps (\$30–65)

## Sample Products – Technology



**Row 1:** Digital locator tags (\$69); body composition analyzer (\$3950)

**Row 2:** Talking pillbox with daily alarms (\$25); senior cell phone (\$65); home monitoring system (\$249)

**Row 3:** Voice-activated PDA (\$119); computerless e-mail/photo receiver (\$149); TV listening system (\$229); "health buddy" system (\$349)

## Appendix C: Financial Data

### Financial Summary

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Stores</b>								
<b>New Stores</b>	1	3	6	20	15	10	5	0
<b>Total Stores</b>	1	4	10	30	45	55	60	60
<b>Revenues</b>	1,525.0	9,500.0	29,300.0	81,518.0	177,109.1	253,885.6	310,718.8	346,411.9
<b>GM</b>	702.9	4,293.3	13,241.6	36,840.5	80,041.1	114,738.8	140,423.5	156,554.4
<b>Operating income</b>	(30.7)	813.7	3,576.1	9,005.3	28,710.3	45,813.7	59,858.7	70,366.1
	-2%	9%	11%	10%	15%	17%	18%	19%
<b>Depreciation Addback</b>	100.0	500.0	1,400.0	4,000.0	7,500.0	10,000.0	11,600.0	12,400.0
<b>Store Buildout</b>	(1,000.0)	(3,000.0)	(6,000.0)	(20,000.0)	(15,000.0)	(10,000.0)	(5,500.0)	(1,500.0)
<b>Inventory</b>	(423.2)	(423.2)	(866.4)	(1,220.0)	(17,740.0)	(24,312.0)	(2,666.2)	(2,923.9)
<b>HQ Expense</b>	(2,292.9)	(4,333.1)	(5,858.9)	(6,766.0)	(8,068.8)	(8,955.4)	(9,869.2)	(10,866.5)
	-150%	-46%	-18%	-8%	-4%	-3%	-3%	-3%
<b>EBITDA</b>	\$(3,646.8)	\$(6,442.5)	\$(7,749.2)	\$(14,980.7)	\$(4,598.5)	\$12,546.4	\$53,423.3	\$67,475.7
	-239%	-68%	-24%	-17%	-2%	5%	16%	19%
<b>CumCash Requirements</b>	\$(3,646.8)	\$(10,089.3)	\$(17,838.5)	\$(32,819.3)	\$(37,417.8)	\$(24,871.4)	\$28,551.9	\$96,027.6

## Individual Store Performance

Store Assumptions											
Gross Size	10000	Sales psf	\$500.00	Buildout	\$ 1,000,000	Rent/CAM	\$50.00	GM	55%	Discount rate	10%
Yr 0 open	Oct	Sales growth	6%	Depr Yrs	5	Rent incr	2%	Turnover	4	Avg Sale	\$ 35.00
								</			

## Chain Scalability

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Store Count</b>								
New Stores	-	3	6	20	15	10	5	-
Total Stores	1	4	10	30	45	55	60	60
Chain Year	Year 0 2008	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015
Revenues	1,525	9,500	29,300	81,518	177,109	253,886	310,719	346,412
COGS	835	5,207	16,058	44,677	97,068	139,147	170,295	189,858
GM	690 45%	4,293 45%	13,242 45%	36,841 45%	80,041 45%	114,739 45%	140,424 45%	156,554 45%
Store Expenses	720 47%	3,480 37%	9,666 33%	27,835 34%	51,331 29%	68,925 27%	80,565 26%	86,188 25%
Operating Income	(31) -2%	814 9%	3,576 12%	9,005 11%	28,710 16%	45,814 18%	59,859 19%	70,366 20%
<b>EBITDA</b>	<b>511</b> 34%	<b>2,880</b> 30%	<b>8,429</b> 29%	<b>23,350</b> 29%	<b>48,745</b> 28%	<b>65,274</b> 26%	<b>77,750</b> 25%	<b>85,787</b> 25%
Cash Flow before O/H	(1,335)	(3,252)	(4,477)	(17,339)	8,676	36,352	59,667	78,245
Corp Support	(1,745)	(1,386)	(2,511)	(5,674)	(11,449)	(16,285)	(20,676)	(23,371)
Professional/Design fees	(250)							
Cash Flow after O/H	(3,330)	(4,639)	(6,988)	(23,014)	(2,773)	20,068	38,991	54,874
Cumulative Cash Flow	(3,330)	(7,969)	(14,957)	(37,971)	(40,744)	(20,676)	18,315	73,189
Store Construct	(1,000)	(3,000)	(6,000)	(20,000)	(15,000)	(10,000)	(5,500)	(1,500)

## Corporate Expenses

	2008	2009	2010	2011	2012	2013	2014	2015
Headcount	712,500	1,881,250	3,669,375	4,128,438	4,541,281	4,995,409	5,494,950	6,044,445
Strategic Development	754,000	1,040,000	264,000	290,400	319,440	351,384	386,522	425,175
Operations	28,000	90,000	99,000	108,900	119,790	131,769	144,946	159,440
Marketing	325,000	405,000	767,800	1,087,849	1,837,855	2,116,274	2,361,210	2,622,748
Website/Ecommerce	144,000	378,000	400,000	425,880	453,468	483,815	517,196	553,916
General & Administrative	329,400	538,800	658,680	724,548	797,003	876,703	964,373	1,060,811
<b>TOTAL HQ EXPENSES</b>	<b>2,292,900</b>	<b>4,333,050</b>	<b>5,858,855</b>	<b>6,766,015</b>	<b>8,068,837</b>	<b>8,955,354</b>	<b>9,869,197</b>	<b>10,866,535</b>

## Appendix D: Preliminary Organization

