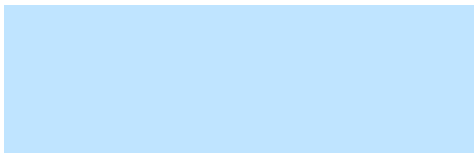


# THE SUM IS MORE THAN THE PARTS

**Bert Shlensky**  
**Left and Right Brain Consulting**  
**914-576-1763**  
[Bshlensky@aol.com](mailto:Bshlensky@aol.com)



# Mission Statement

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- **The Sum Is More Than The Parts represents an innovative integrated approach to provide improved returns, creativity, innovation, value and marketing to a difficult Home Furnishings Market.**
  
- The key components to ensure success are:
  - ▣ Recognize the difficult Home Furnishings Market and developing unique solutions.
  - ▣ Merge 3-5 downward trending but profitable companies to improve excellence, reduce costs and improve total return on investment.
  - ▣ Retain the sales, marketing and merchandising expertise of these companies, capitalizing on their strengths in a Product Management Structure.
  - ▣ Integrate best practices in sourcing, showrooms, distribution, IT, and administration to provide 2-5% cost savings.
  - ▣ Capitalize on synergistic opportunities with regards to new products, sales and marketing practices.
  - ▣ Develop an integrated marketing ,direct marketing and PR approach to the Consumer.

# Realize the Threats of the Home Furnishings Market

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## **The trends of the home furnishings market are highly favorable towards consolidation of moderately performing companies.**

- The total market is declining at a rate of 2-5% per year .
- However , it still represents over \$20 billion annually and is highly fragmented.
- Private Label, direct sourcing and lower cost products continue to erode opportunities for independent companies with traditional overhead structures.
- The retail landscape continues to shrink with companies like Linens and Things ,Boscovs' , Mervyns , Sears, K-Mart etc. downsizing or closing .
- Cost and price become more important as the marketing focus requires more efficiency.
- The industry needs more attention to innovation, international opportunities ,consolidation and efficiency as well a greater focus on growing markets like baby boomers and the internet .

## Many suppliers have failed to deal with these realities and are faced with continuing declines

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- The industry declines have little prospect for recovery.
- Structural cost and operating efficiencies need to be paramount in companies' planning.
- Companies need to be competitive to enter private label and direct import opportunities which now represent 20-30% of retailers' purchases .
- Innovation in terms of operational aspects like sourcing , designing in China, reducing lead times etc. need to be developed.
- Direct ship and internet opportunities need to be consolidated into marketing plans.
- Most important companies need to recognize the crises impact of recent events and react rather than wait for “a return to the good old days. “

# Consolidating Reduces Costs

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- We combine management expertise with Venture Capital Financing to consolidate costs and maintain Product, Sales, and Merchandising Services.
- All backroom services such as administration, planning, distribution, IT, and sourcing will be consolidated into a single service organization.
- By consolidating practices we reduce your costs 3-5%.
- For example, New York showroom expenses are virtually obsolete; California or Nevada distribution centers are much more efficient, and virtually all these companies would like stronger overseas sourcing organizations.
- While merchandising and sales functions need to remain autonomous, there are opportunities to share sales leads, introduce accounts to new products and develop greater innovation in the industry.
- In summary, we will free companies up to execute their marketing and product excellence while providing improved services with lower costs.

# Partner Benefits

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- This program provides an opportunity for our partners to retain and control the marketing of their product.
- It provides a fair initial selling price as well as the opportunity to share in the growth of the total entity.
- It provides expertise and minimal expense in executing the program. For example, many of the support functions can be housed in underused facilities of the partners.
- It provides marketing and internet development cost efficiencies for our partners.
- There is limited commitment required.

# Our Mantra is Pay as You Go

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- Our goal is to purchase profitable companies at fair prices.
- We expect owners to retain a portion of the total company to provide incentives for their success and the opportunity to share in the gains of the total company.
- For example , if we merged four \$20 million companies earning 4% operating profit we would earn about \$ 3.5 million at inception.
- Our plan is to grow sales a modest 5% annually and reduce expenses 3%. Thus, in three years we would have a \$90 million company earning over \$6 million.
- At a constant 5 times earnings, which is conservative, the value of the company would increase from about \$17 million to over \$30 million or about 30% annually.
- We believe the equity infusion would be minimal as a result of fair purchase prices, working capital loans and some equity retention by the original owners.
- Most of the expense reductions can be executed through reduction and consolidation rather than capital investment.

# The Success = Expansion Opportunities

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- These are projected to be implemented on an incremental and pay-as-you-go basis.
- Other related products can be easily added as the program succeeds.
- Weaker companies with successful marketing niches can be added as product line extensions.
- Cost savings estimates are conservative and do not include any major efficiencies throughout the company. Sourcing, inventory management systems, distribution and sales expenses are major target areas for significant economies and innovation.
- The inclusion of different companies provides an opportunity to consolidate branding and licensing opportunities.
- There are huge international opportunities for both sales and sourcing that need a larger entity to both research and execute .

# We Offer A Unique Breadth Of Skills To Implement These Opportunities

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- The program is headed by Bert Shlensky and a venture capital partner who have over 30 years' experience in operating companies and venture capital financing.
- They have worked extensively in consolidating underperforming businesses and developing profitable enterprises.
- In addition, we include a number of outsourced experts in areas like systems, distribution, sourcing, web marketing and operations
- A major aspect of the consolidation is using the best practices and expertise of our partners in as many across the board opportunities as possible.
- We offer a creative approach to business problems which relies on professional skills, serving multiple clients, and executing profitable solutions.
- Most important we will provide an objective look and develop creative solutions to realities and changes facing the Home Furnishings Industry.

# Summary

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- It is the total Integration of Innovative Elements that Will Bring About Success
- China, direct marketing, Home Furnishings expertise and an independent structure make the total equal to more than the sum of the parts.
- Bert Shlensky and his team have both the experience and expertise to integrate this program into a successful investment. It is the integration and execution of the various elements that will provide success.
- Finally, the attractive financial results are a function of expanding on the expertise of our partners to develop competitive advantages, innovation and operational excellence.