



US Highland Business Plan v1.0  
Executive Overview

September 2015

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## NOTICE

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## US Highland

US Highland’s reorganization plans will expand its current single and twin small engine research and development operations by adding three new operating entities: apparel sourcing services, product distribution services, and U.S. distribution of motorsport helmets.



### Lahalla Sourcing and Ventures USA, Inc. (“Lahalla”)

Following the consummation of a joint venture agreement with M&M Sourcing, a new US Highland subsidiary (“Lahalla”) will be formed to provide apparel sourcing services to U.S. apparel brand companies and retailers.

Under the joint agreement, Lahalla Sourcing and Ventures USA will be able to provide a wide range of sourcing and production services to U.S. brand companies and retailers. End-to-end, turnkey solutions using M&M’s offshore sourcing and managed by Lahalla Sourcing and Ventures USA will also be offered under the joint agreement.

#### *Sourcing and Production Services*

Lahalla Sourcing and Ventures USA provides supply chain management services to U.S. brand companies and retailers for offshore sourcing and production of apparel items. Lahalla increases client competitiveness by removing supply chain cultural and geographic barriers and reducing production and facilitation costs across a wide range of simple to complex apparel designs.

Lahalla Supply Chain services include:

- Identification of the most cost-efficient vendor(s) for material procurement and production of client-specified apparel quality, volume, and service level within the global supply chain
- Negotiation, monitoring and management of production costs
- Management of supply chain sourcing, production, packaging, shipping, logistics and customs declarations

Lahalla Client Support Services include:

- Line Assortment Planning for full or partial apparel lines
- Graphics Design and Artwork
- Product Sampling of apparel items and product lines
- Quality Control and Inspection (for production sourced in Bangladesh)

### *End-to-End Sourcing Services*

Lahalla end-to-end sourcing services provide clients with the management of the entire apparel supply chain from design concept to consumer point of purchase. Turnkey supply chain management services target startup brands and brands experiencing market growth beyond that which can be managed by internal resources. Lahalla end-to-end services expand client scalability to deliver on-time and on-budget regardless of market demand fluctuations.

By combining various Lahalla sourcing and production services to create client turnkey solutions, Lahalla will oversee and manage the entire sequence of client supply chain requirements including all stages of design, raw material procurement, garment construction, packaging, shipping, warehousing, distribution and delivery to the retail point of sale.

### *Apparel Sourcing Services Pricing Model*

Due to the variances in garment design, quality, service levels, volumes and other factors, apparel sourcing services will be priced on a Request-for-Quote basis. Bangladesh inspection services will also vary by garment and volume but will typically range between 3% and 5% of order value.

Clients can choose to order FOB (Free on Board) or have Lahalla deliver product to a specified location within the United States. If ownership transfers within the country of origin, FOB pricing will not include procurement, logistics, duties or taxes which will be the responsibility of the client.

## Client Status

Lahalla is in the final stages of negotiations with Chasing Butterflies, LLC, a Playa del Rey California firm that has trademarked a diaper bag line of products as “Cee Cee and Ryan” sold through Nordstrom, Inc. website. Currently, Cee Cee and Ryan production is managed using internal resources. Under the proposed agreement Lahalla will provide end-to-end turnkey supply chain sourcing and production services for the entire Cee Cee and Ryan product line.

### Cee Cee and Ryan Diaper Bags



The Lahalla agreement will allow the Cee Cee and Ryan branded line to be rapidly expanded to include:

- Other types of custom designed bags
  - New diaper bag designs
  - “Kids” bags and backpacks
  - Parental business bags
- Infant and toddler clothing
  - Diaper shirts and “Onesies”
  - Romper clothing, bibs, hats and other accessories
- Children’s Clothing
  - Shirts and pants
  - Jackets, hoodies, hats and other accessories

According to the US Department of Commerce, Imports of US apparel revenues grew 6.4% from \$77 billion in 2012 to \$82 billion in 2014.

## US Highland Sales and Distribution Corp.

US Highland Sales and Distribution Corp. will be formed as a new US Highland operating subsidiary to provide sales and distribution services to offshore companies entering or expanding their finished goods presence in the U.S. marketplace.

### Product Distribution Services

US Highland Sales and Distribution third party services include product development, market positioning, marketing and sales, logistics, and development of U.S. distribution channels.

### Client Status

Rhino Workwear USA, a newly formed company, and US Highland Sales and Distribution Corp. are currently negotiating a Distribution Services Agreement. Under the agreement Rhino Workwear will supply finished goods to US Highland Sales and Distribution Corp. to be marketed, sold and distributed in the United States.

Sales and marketing will target uniform outlets, stores, hospitals and government agencies requiring generic or private labeled uniforms. Targeted end users include nurses, doctors, dentists and hygienists, construction workers, janitors, mechanics and schools.

Rhino Workwear products include scrub tops and bottoms, lab coats, chef clothing, coveralls, hoodies, women’s yoga clothing and other standard or customized uniforms, workwear and teamwear garments.

### Selected Rhino Workwear USA Products



Scrub Bottoms



Scrub Tops



Lab Coats



School Uniforms

Rhino Workwear USA future products include stain resistant Teflon coated pants and shirts, cotton spandex heavy twill, coveralls and hoodie style workwear. According to Frost & Sullivan, the North American workwear market was \$9.4 Billion in 2012 and with a continuing 2.2% CAGR is forecasted to be \$10.5 Billion by 2017.

## Highlon, Inc.

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Upon the completion of its acquisition, Highlon, Inc. will become a wholly owned subsidiary of US Highland. The acquisition will include Highlon, Inc. as a minority equity owner of Shark Helmets USA (approximately 10%). The majority owner of Shark Helmets USA will be Shark Helmets France, a privately held manufacturer of premier motorcycle helmets and the sole supplier to Shark Helmets USA. Following US Highland's acquisition of Highlon, Inc., Shark Helmets USA will be the exclusive wholesale distributor to 196 active dealers across the U.S.

According to Power Sports Business, motorcycle accessory U.S. sales (including helmets) in 2014 were \$1.2 billion. Shark Helmets USA 2014 revenues were \$1.2 million. During 2015 sales are expected to decline to approximately \$1 million due to lack of inventory. Inventory replenishment is being accelerated by air freight until manufacturing can fulfill Highlon Inc.'s outstanding orders. Assuming sufficient inventory is available and maintained for U.S. distribution, Highlon, Inc. forecasts \$3 million in revenues by 2016 growing to \$10-12 million by 2020.

## Highlon, Inc. Products

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Shark Helmets France designs and manufactures helmets that ensure the highest level of performance and safety standards are met or exceeded. Shark Helmets USA currently carries 60% of the more than 100 helmet models produced by Shark Helmets France. Product selection for U.S. distribution is based on Highlon's determination of which helmets have the best sales potential and which meet federal and state U.S. safety requirements.

Shark Helmets USA's "Evoline Series 3" line of helmets currently account for 50% of sales. The "Shark Raw" model accounts for an additional 45% of U.S. sales. The remaining 5% of sales are derived from the "Explore R", "Race R Pro" and "Race R Carbon" helmets pictured on the next page.



### **Shark Helmet USA Products**



Evoline Series 3



Shark Raw



Eplore R



Race R Pro Carbon



Race R Pro

### **Powersport Engine Platforms**

US Highland small displacement metric engine research and development will continue as an independent operating entity to create next generation engines and parts for sale and licensing to original equipment manufacturers and Do-it-Yourself consumers. Additionally, US Highland will develop custom engines and parts against client specifications. The close relationships with leading designers in Sweden will remain intact. Power Sports Business estimates that U.S. motorcycle parts and accessory sales were \$1.45 billion in 2014.

### **Management**

US Highland CEO Josh Whitaker and the US Highland Board of Directors have accumulated more than 70 years in sourcing and product distribution. Josh has twenty years of experience with major brand corporations serving as Director of Marketing for KTM Motorcycles, Director Off Road Segment for Tucker Rocky Distributing, and Marketing Manager at Red Bull Energy Drinks. As CEO, Josh is responsible for US Highland strategy and day-to-day operations.

Josh is past president of Moverati, a social networking media production company, and has served as an interactive marketing partner at Loomis, a challenger brand agency. Whitaker also was a partner of Highlon Distribution Inc., a US distributor of Shark Helmets, and the Managing Partner of To Create Action, a consumer product branding firm.