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MotoTrend AutoSports (Bernie Spotman)

Sample Business Plan 2014

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MotoTrend AutoSports

Section #1 Executive Summary

MotoTrend AutoSports will be wholly owned and operated by Mr. Bernie Spotman. MotoTrend AutoSports Ltd. will be a franchisee of the MotoTrend AutoSports Franchise. MotoTrend AutoSports is a proposed Ontario based company which will provide a wide array of automotive parts and accessories services which include:

- Performance Parts sales & installation
- Customization services & Installation
- Wheel & tire repair & installation
- Audio / Alarm sales & installation services
- Auto Maintenance Plans
- Window tinting and Vinyl service
- Detailing services for auto dealers Vehicle detailing services
- Commercial Vehicle conversions including mining vehicles
- Vehicle Detailing Packages

This company will be located at;

MotoTrend AutoSports
1801 Riverside Drive
Anytown, Ontario

MotoTrend AutoSports has identified its target market as the residential automotive aftermarket within Anytown and Surrounding Area. The primary function of MotoTrend AutoSports is to provide automotive parts, accessories and tire services to the aftermarket automotive market in Anytown and the surrounding areas.

In Canada, the automotive parts, accessories and tire store industry is an evolving and dynamic services sector comprised of companies that provide aftermarket automotive services which:

- Provides autosport performance products;
- Accessories;
- Enhances the look and performance of residential vehicles;
- Provides standard mechanical services

In total, the Canadian automotive part, accessories and tire store industry is represented by over 6,046 companies. Firms in this industry remain relatively small. Of the 6,046 companies in this sector, 65% had fewer than 100 employees while 35% had fewer than 5 employees.

Overall revenues for automotive parts, accessories and tire stores sector have increased 3.8% per year, on average for years 2002 to 2012. As of 2002, industry revenues have increased from \$5.3 billion to \$7.4 billion representing a 3.8% increase. Between November 2012 and November 2013 there has been an increase in overall revenue by 10.5%. This represents a growth rate that is roughly two times that of the Canadian economy (1.9% growth rate). Compared to the rest of the economy, which grew by 2.6%, the automotive parts, accessories and tire store sector has grown by 3.8%.

Based on this data, there is a clear indication that consumer spending trends in this industry is continuing to build.

MotoTrend AutoSports sales strategy is two tiered. First the company will plan on achieving first year direct sales of \$392,011. This is a very realistic projection based on the market research conducted. Due to the type of service provided, competition and barriers to entry are minimal.

Secondly, the company will plan to achieve a more profitable level of sales equal to or better than \$490,014 in years two and \$612,517 in year three. Thirdly, the company plans to more aggressively promote its services with higher profit margins to allow for maximized profits.

The initial start-up expense for MotoTrend AutoSports includes: capital \$185,303; marketing \$10,000; and business support \$3,000. Capital funds will be used to purchase materials and supplies, equipment, and the initial franchise fee. Marketing funds will be used to for a Digital Strategy (Mobile website design, website seo), direct marketing campaigns, online advertising, media ads and signage. Business support funds will be utilized to hire an accountant. The costs and financing table below summarizes the proposed costs and how John Henry proposes to finance these costs.

Costs and Financing			
Costs		Financing	
<u>Capital Costs</u>		<u>Capital Financing</u>	
Working Capital	\$14,053	Mr. Bernie Spotman Equity (15%)	\$27,795
Equipment	\$105,000	ADPC (40%)	\$74,121
Materials/Stock	\$16,250 -	Commercial Financing (45%)	<u>\$83,387</u>
Franchise Fees	<u>\$50,000</u>	Total Capital Financing	\$185,403
Total Capital Costs	\$185,303		
<u>Marketing Costs</u>		<u>Marketing Financing</u>	
Start Up / On-going Activities	<u>\$10,000</u>	ADPC (60%)	\$6,000
Total Marketing Costs	\$10,000	Funds from Operations (70%)	<u>\$4,000</u>
		Total Marketing Financing	\$10,000
<u>Business Support Costs</u>		<u>Business Support Financing</u>	
Accounting / Management support	<u>\$3,000</u>	ADPC (75%)	\$2,250
Total Business Support Costs	\$3,000	Funds From Operations (25%)	<u>\$ 750</u>
		Total Business Support Financing	\$3,000
Total Project Costs	\$198,403	Total Project Financing	\$198,403

In order to properly fund the start-up of MotoTrend AutoSports, Mr. Bernie Spotman has designed a financing package that consists of personal equity, federal assistance and traditional borrowing. Mr. Bernie Spotman will invest \$27,795 or 15% of the project's total capital costs. ADPC will be approached to invest \$74,121 or 45% of the project's total capital costs and the remaining balance of \$83,387 will be financed by a commercial bank over a 5 year term. Bridge financing will be sought from the same institution to ensure cashflow is manageable. ADPC will be asked to contribute 60% and 75% towards the business' marketing and business support costs respectively. The remaining funds will come from revenue generated by the business.

SECTION 2.0 MANAGEMENT PLAN

Section 2.1 Ownership Structure

MotoTrend AutoSports will be owned and operated by Bernie Spotman. The company will be a franchisee of the MotoTrend AutoSports Franchise within its target market of Anytown and surrounding area.

This business structure well suits the type and nature of the business and will give Mr. Bernie Spotman the freedom he needs to make this project a success.

Section 2.2 Management Team

Mr. Bernie Spotman will draw upon his specialized experience to manage the overall operation and direction of the business to ensure its present and future success. For over 20 years, Mr. Bernie Spotman has invested time and money into becoming an accomplished heavy equipment operator in the mining sector with numerous years maintaining that equipment. Some of the key highlights of Mr. Bernie Spotman's employment history, education and relevant experience include:

- Over 20 years' experience of underground mining
- Experienced loader and welder
- Vast experience using bulldozers, back hoes and scoop tram
- Experience in maintaining mechanical equipment including engines and parts
- Numerous years' experience as a mechanic

As identified, Mr. Bernie Spotman has accumulated a number of specialized industry skills, and managed projects and jobs which will assist him in the successful management of this business. A detailed resume for Mr. Bernie Spotman is included in attachment #1.

As the owner of the company, Mr. Bernie Spotman will be required to fulfill the following key duties and responsibilities. They are:

- Overall management of MotoTrend AutoSports;
- Establish and maintain client relationships;
- Maintain strategic alliances and partnership with key partners;
- Human resource management;

- Project/job management and direction;
- Oversee day to day activities of the business;
- Help deliver and complete services of the company;
- Maintain the business' assets and buildings

In addition, the head franchise will provide management and business support training to Mr. Bernie Spotman in order to ensure a successful launch and operation.

Bernie Spotman will also employ his son, Jake to help manage in the daily operations. Jake Spotman has been directly involved in the automotive industry for more than 4 years.

He has also been involved for the past 10 years as an avid hobbyist, enhancing personal as well as other friends' vehicles with aftermarket modifications.

Jake will be required to fulfill the following key duties and responsibilities. They are:

- Sales/counter service clerk
- Management/overseeing weekend mechanics and tire crew
- Help with the day to day operations

Mr. Bernie Spotman will hire a local and experienced accountant to provide and prepare all financial reporting requirements of the company. This will include:

- Provide updates to lending institutions and government agencies including monthly reports and filing of ADPC Claims;
- Management of new marketing and administrative techniques;
- Provide quarterly financial statements
- Formalization of accounting systems to provide the necessary annual revenues and expense reports

The estimated cost for those specialized service is \$3,000.00. Once these systems are in place, Mr. Bernie Spotman will take over these key functions.

Mr. Bernie Spotman will determine the business' administrative and technical needs on an on-going basis. When sufficient work exists to maintain salaried staff in either realm, the appropriate personnel will be hired. A detailed summary of the additional human resource needs for the company is identified in the operations section of this plan.

SECTION 3.0 INDUSTRY & MARKET ASSESSMENT

Section 3.1 Industry Definition

The following section will provide comprehensive facts regarding the automotive detailing Industry in Canada.

MotoTrend AutoSports will belong to and operate within what is defined as Canada's Automotive and Repair Services industry. Under the North American Industry Classification System (NAICS), there are two definitions for both industries as follows:

1) 441310 Automotive Parts and Accessories Stores

"This Canadian industry comprises establishments primarily engaged in retailing new, rebuilt and used automotive parts and accessories; both retailing automotive parts and accessories and repairing automobiles; and retailing automotive accessories that generally require installation." (NAICS 441310 Statistics Canada)

2) 441320 Tire Dealers

"This Canadian industry comprises establishments primarily engaged in retailing tires and tubes. These establishments also typically provide complementary services, such as tire mounting and wheel balancing and aligning." (NAICS 441320 Statistics Canada)

3.2 Industry Overview

The automotive parts/accessories and tire industry is a stable industrial sector comprised of companies and organizations that provide products and services in the following areas:

- Retailing and repairing tires
- Tire stores selling primarily to other businesses but also selling to household consumers
- Tires (new or used), retail
- Air-conditioning equipment, automobile, sale and installation, retail
- Automobile accessory dealers, retail
- Automotive accessories and parts, second-hand, retail store
- Automotive parts and accessories stores selling primarily to other businesses but open to the public
- Battery dealers, automobile, retail
- Sound systems, motor vehicle, retail
- Speed shops, retail
- Used automotive parts, retail

The following information was gathered and published by Statistics Canada regarding the automotive parts/accessories and tire services industry in Canada.

Industry Structure and Growth

The information contained in this sub-section was gathered and published by Statistics Canada regarding the landscaping services industry in Canada.

- Within Canada, approximately 78% of all automotive parts, accessories and tire store establishments are profitable. On average, these businesses (profitable) generated net profits

of \$57,800. Gross margins for the automotive parts, accessories and tire stores industry group was 36.1% in 2010 while cost of sales was approximately 63.9% of sales. The bulk of the costs are made up of purchases, materials and sub-contracts.

- Overall revenues for automotive parts, accessories and tire stores sector have increased 3.8% per year, on average for years 2002 to 2012. As of 2002, industry revenues have increased from \$5.3 billion to \$7.4 billion representing a 3.8% increase. Between November 2012 and November 2013 there has been an increase in overall revenue by 10.5%. Based on this data, there is a clear indication that consumer spending trends in this industry is continuing to build.
- Revenue data ranges between \$30K (low end) to \$5 M at the high end.
- Within Canada, average gross sales are between \$30K – \$375K at the low end and \$375K - \$5 M at the high end. In Ontario, average gross sales are between \$30K - \$275K at the low and \$275 - \$5 M at the high end
- A key characteristic of businesses within this industry is that the companies within the lower half of the industry or those that generated between \$30k and \$275k in sales annually generated the highest margins (52%). At the high end (275K – 5 M) generated 32% in gross margins. Simply put, the larger the company the lower the profit margins. A key reason for this is that management and equipment costs are fixed and therefore, the profitability of individual companies is dependent on demand volume and operations' efficiency. Therefore, smaller companies can easily compete with larger ones, except when providing services to larger clients.
- Ontario is home to the largest automotive aftermarket valued at 6.39 billion dollars. According to the Automotive Industries Association of Canada, the aftermarket potential in Ontario is valued at \$11.57 billion dollars. In addition, untapped potential for Canada in the aftermarket automotive market grew from \$11.91 billion dollars in 2010 to \$14.03 billion dollars representing an increase of 17.8%. (www.aiacanada.com).
- According to the Automotive Industries Association of Canada, the average Canadian underspent \$207 on each of 3 annual service visits in 2012. In addition, there were 11.68 million neglected service jobs in 2012. According to an automotive study completed by AutoFile, the average Canadian spent \$800 per year on automobile maintenance. The actual potential for automotive servicing is \$1,007 per year. (Source: [www.autofile.ca/News/373/Canadians-spend-about-\\$800-year-on-vehicle-maintenance](http://www.autofile.ca/News/373/Canadians-spend-about-$800-year-on-vehicle-maintenance))
- The growth of the automotive aftermarket in Canada is expected to increase annually by 3.5% annually (www.aiacanada.com)

- It's important to note that used vehicle sales represent 65.6% of all vehicles sold in Canada in 2011.
- Canada's automotive parts, accessories and tire stores industry in 2012, represented over 6,046 companies with Ontario accounting for just over 1,500 Companies. Firms in this industry remain relatively small. Of the 6,046 companies in this sector, 65% had fewer than 100 employees while 35% had fewer than 5 employees.

The automotive part, accessories and tire store establishments employs a skilled workforce with the majority of workers between the ages of 25 and 44 years of age.

According to a report entitled "The 2013 Canadian Automotive After Market Demand Study" by the Automotive Industries Association of Canada, it concluded that:

"This examination of the current and potential states of the automotive aftermarket in Canada reveals that several billions of dollars in untapped revenue are available within the Canadian market, and that this amount has grown in recent years. The key to unlocking this extra revenue for the aftermarket supply chain lies with the street level automotive service providers, who deal with Canadian car owners on a day-to-day basis. Being aware of the neglected maintenance areas and being able to effectively communicate the benefits of maintaining these vehicle parts/systems to the consumer will go a long way in helping the industry to achieve its full potential. Whether it is through targeted advertisement on behalf of the parts manufacturers or face-to-face communication with customers in a service bay, it is through conversation and education that additional market revenue will be realized and a safer fleet of vehicles in Canada will be achieved.

Given the fact that overall revenues for the automotive parts/accessories and tire industry services sectors continue to rapidly grow, there is a rather large potential for future growth opportunities. Barrier to entry for retail companies are relatively low considering the size of the average automotive parts/accessories and tire company in Canada (Under 10 employees).

3.3 Target Market

MotoTrend AutoSports have identified their target market area as the city of Anytown and surrounding areas. More specifically, Mr. Bernie Spotman's company will target one key segment of this market area, which is:

1. Residential Automotive Market within Anytown and Surrounding Area– Primary Market

Contained below are summaries of the aforementioned target market of the company.

1. Residential Automotive Market within Anytown and Surrounding Area – Primary Market

The City of Anytown

The customer's range for the products and services being offered are specific to, but not limited to:

- Between the ages of 18 – 65
- Enthusiasts
- General automotive clients
- Bargain hunters

Anytown is located approximately 294 kilometers northwest of Sudstow, Ontario. Anytown covers a land mass that is approximately 2,979 square kilometers. As of 2011 the registered population was 43,165 with approximately 17,811 private dwellings occupied by usual residents in Anytown in 2011. Of these members 21,420 are male and the remaining 21,745 are female. Statistics Canada reports that the median age of the male population is 40.7 years with approximately 29,740 between the ages of 18 to 65.

Approximately 23,825 individuals are employed or just over 55% of the total population. The average personal income per household is \$42,865 with a combined average income of \$81,099. According to statistics Canada (www.Anytownedc.com), Anytown has the second lowest mortgage costs of 8 major metropolitan areas of Ontario at \$7,629. In addition, Anytown also has third largest after mortgage net incomes of 8 major metropolitan areas in Ontario. Anytown has an average after mortgage net income of \$46,061 representing the third largest after mortgage net income areas of Ontario.

The Ministry of Natural Resources (oee.nrcan.gc.ca) reports that the number of average vehicles owned per household in Ontario is 1.45. The average number of households in Anytown is approximately 17,811. Given the available data, there are roughly 25,825 privately owned residential vehicles in Anytown.

Ideally, Mr. Bernie Spotman will target those families who:

- Own one plus vehicles per household
- Are employed and have a medium levels of disposable income
- Between the ages of 18 and 65
- Take pride in maintaining their vehicles

The potential market size is approximately 25,825 vehicles in the city of Anytown.

Surrounding Communities

Mr. Bernie Spotman will target 6 surrounding communities which as follows:

- Capote
- Matthewson
- Rocky Falls
- Commanda
- Kirks Lake
- Kaputsang

The following information has been compiled using data from Statistics Canada

Community	Population	Pop between 18 -65	Number of Dwellings
Capote	2,116	1,440	1,046
Matthewson	2,410	1,620	1,172
Rocky Falls	4,510	2,020	2,245
Commanda	3,064	2,120	3,045
Kirks Lake	8,133	5,350	3,760
Kaputsang	7,638	5,000	3,495
Total	27,871	17,550	14,763

The Ministry of Natural Resources (oee.nrcan.gc.ca) reports that the number of average vehicles owned per household in Ontario is 1.45. The average number of households in the surrounding communities is approximately 14,763. Given the available data, there are roughly 21,406 privately owned residential vehicles in the surrounding areas of Anytown.

Total size of the potential residential market size: 47,231 vehicles

3.4 Market Summary and Calculation

This sub-section will combine the data presented in the previous sub-section with expenditure data from Statistics Canada along with conservative assumptions to calculate the overall size of the automotive parts, accessories and tire store establishments market within Anytown (And surrounding areas) by market segment. In particular:

- 30% of the market in Anytown and surrounding areas will require automotive parts, accessories and tire products and services.
(http://www.canadapost.ca/cpo/mr/assets/pdf/business/autoindustryaftermarket_en.pdf).
- The average Canadian spends \$332 (www.statscan.ca) on automotive parts, accessories and tire.
- The actual market size for the automotive parts, accessories and tire store industry for Anytown and surrounding areas is 47,231 (\$332) x .30 = \$4,704,208.

The table below summarizes the size of each market segment in units, expenditure on landscaping and property maintenance services per year and the overall size of each segment in dollars.

Market Summary and Calculation				
Market Segment for Anytown and Surrounding Areas	Size in Units	Annual Expenditure on Service (automotive parts, accessories and tire store)	Percentage of Service Centers Used (automotive parts, accessories and tire store)	Total Size of Market
Residential Market Size Anytown	25,825	\$332	30%	\$2,572,170
Residential Market Size Surrounding Areas	21,406	\$332	30%	\$2,132,038
Total	47,231	\$332	30%	\$4,704,208

As identified in the table above, the market for the automotive parts, accessories and tire store market for Anytown and the surrounding area is \$4,704,208.00. This calculation is very conservative and does not take into account the service demand stemming from other services such as towing.

Within the first year of operation, it is estimated that MotoTrend AutoSports will generate approximately \$392,011 in sales. This represents a market capture of 8%. If Mr. Bernie Spotman operates 7 days a week for 50 weeks each year this represents a daily sales figure of \$1,568 for 300 days.

3.5 Competitive Environment

Within the automotive parts, accessories and tire industry in Ontario, the competitive environment is moderate with a few large competitors is garnering a rather large market share. However, MotoTrend AutoSports is proposing to enter a market that segments its products and services to specialized auto shops. The main advantage that MotoTrend AutoSports has over its competition is its unique wholeness. That is, no other automotive service companies in Anytown and the surrounding communities offer a “one stop” shop that is comparable to MotoTrend AutoSports.

In the vicinity of the proposed location, there are several repair and tire shops with only one aftermarket specific shop that is remotely going after the market. This mentioned aftermarket shop is currently booked four to six weeks in advance to get work done and currently only have three suppliers for their products. The shop struggled at first, largely due to their location, as they tried to find their niche in the market place but since focusing more on truck caps, they have gotten busier.

There are eight source of potential replacement parts competition located in Anytown; Action Van and Truck World, Innovation Audio and Clean Ride; Benson Auto Parts; Maslack Supply; Carquest Auto parts; Uptown Auto Parts; Napa Auto parts.

Competitive Summary

The following companies are considered MotoTrend AutoSports main competitors.

Action Plus

875 Algo Blvd E
Anytown, ON
705-260-5845

Strengths:

- An existing company with an established track record and clientele
- Nice website template
- Are developing social media

Weaknesses:

- They only have 3 suppliers compared to our 145 suppliers
- Our company has better products
- Our supplies are more competitively priced
- They have no real on-site marketing strategies or specials
- They are in a bad location
- It takes them too much time to receive products and fill special orders
- Their shop only has one bay causing many customers to go out of town for service
- No optimized mobile website

Into It Audio

78 Algo Blvd E
Anytown, On
705-396-0494

Strengths:

- Strong market presence is the regional 'market leader' for audio and 12 volt accessory
- An existing company with an established base and clientele

Weaknesses:

- This company small and is run and operated solely by the owner
- They are in a poor location with no parking available
- They offer no on-site marketing or specials
- No optimized mobile website

Clean and Cool Ride

39 Wilsons Ave
Anytown, On
705-296-1235

Strengths:

- Specializes in automotive detailing
- They have an excellent clientele base
- They have a nice website

Weaknesses:

- Very un-impressive store look & location
- They are a very small business
- They have limited space and have long waiting list
- No optimized mobile website

Bens Auto Sports Parts

687 Algo Blvd E
Anytown ON
(705) 295-2867

Strengths:

- Specializes in automotive Replacement parts
- They have an good clientele base
- They are well established

Weaknesses:

- Very un-impressive store look & location
- They stock a lower quality product
- They are poorly located
- No optimized mobile website

Maclacky Auto Supply Ltd

25 River Dr
Anytown ON
(705) 329-9865

Strengths:

- Specializes in automotive Replacement parts
- They have a good clientele base
- Well established
- Recognized name and reputation

Weaknesses:

- They stock amid grade product
- Small business geared only to replacement parts
- Costs of products are above average
- No optimized mobile website

Sir Carsalot Auto parts

9865 River Dr
Anytown ON
(705) 296-9131

Strengths:

- Specializes in automotive Replacement parts
- They have a good clientele base
- They have a nice looking store
- They are well located

Weaknesses:

- They only sell stock replacement parts
- Their store is small
- They have an above average waiting for service
- No optimized mobile website

Uppity Town Auto Parts

968 Spice St
Anytown ON
(705) 269-9832 – Very poor website and no mobile presence

Strengths:

- Specializes in automotive Replacement parts
- They have a good clientele base
- Well established

Weaknesses:

- Store look is outdated
- They are poorly located in comparison to other dealers
- They stock a lower end product
- No optimized mobile website

No Problemo Auto parts

36 Banner Ave

Highhat, ON
(705) 698-8542 – They have an optimized website.

Strengths:

- Specializes in automotive Replacement parts
- Well established and well known in other locations
- They have a fair clientele base
- Optimized mobile website

Weaknesses:

- Small store with unimpressive interior
- They have poor service
- They are extremely poorly located
- They have poor marketing strategies

The competition in Anytown and surrounding area is dominated by one player: Action Plus. The fact that the other two competitors listed have been in business for a number of years, is confirmation that the market does exist, is healthy and capable of sustaining a well-run business. Out of the three major players, not one business encompasses all aspects of MotoTrend AutoSports business. One business specializes in audiotronics; one specializes in detailing, while the other business has limited access to specialty products.

MotoTrend AutoSports will capitalize on the lack of service from current automotive garages because no local shops compete directly with the core concepts of MotoTrend AutoSports.

SECTION 4.0 MARKETING PLAN

4.1 Services and Pricing

MotoTrend AutoSports will utilize pricing strategies that will allow for the opportunity to remain competitive and allow for the opportunity to gain work designed to build reputation and trust. The following price breakdown will be the client charge out rate; obviously it will depend on the nature of the work required:

<u>Service</u>	<u>Hourly Rate</u>
Commercial Vehicle conversions including mining vehicles	\$65
Performance Parts sales & installation	\$95
Customization services & Installation	\$95
Wheel & tire repair & installation	\$29.99/tire
Audio / Alarm sales & installation services	\$95

Auto Maintenance Plans	\$49.95-149.95
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Window tinting and Vinyl service	\$95
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Detailing services for auto dealers Vehicle detailing service	\$95
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Vehicle Detailing Packages

Standard Pack	\$109.99
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Gold Pack	\$129.99
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Platinum Pack	\$149.99
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The pricing structure above is very conservative and considered entry level pricings. This pricing strategy is competitive compared to its mainstream competition.

The following table illustrates the average time needed to complete a job in each of MotoTrend AutoSports core services.

Average Time	
Service	Time Required for Job
Commercial Vehicle conversions including mining vehicles	10 hours per job: Estimated 4 jobs per month Billable hours = 40 hours per month on average
Performance Parts sales & installation/ Customization services & Installation	Major jobs: 8 – 12 hours per job 20 estimated jobs per month: Billable hours = 160 - 240 hours per month on average Minor jobs: 2 – 8 hours per jobs 100 – 140 estimated jobs per month: Billable hours = 200 – 1,120 hours per job
Wheel & tire repair & installation	45 minutes to 1 hour per job. Billable hours = 10 jobs per day
Audio / Alarm sales & installation services	1 – 6 hours per job: Estimated 1 – 3 customers per day.
Auto Maintenance Plans	45 minutes to 1 hour per job. Billable hours = 5 jobs per day
Window tinting and Vinyl service	1 – 8 hours per job (depends on job). Billable hours = 4 jobs per month
Detailing services (Standard Pack, Gold Pack, Platinum Pack)	2 – 6 hours per job (depends on job). Billable hours = 1 – 2 cars per day

4.2 Distribution Strategy

MotoTrend AutoSports will deliver all services on site. Services will be assessed on site and product fulfillment will take place in the shop.

The distribution strategies of the business are very time and cost effective and well within the industry norm.

4.3 Suppliers

MotoTrend AutoSports will benefit from the franchisor's supplier relationships, and will be bound by them for its inventory selection. The MotoTrend AutoSports Franchisor has established relationships with all leading automotive detailing, performance and add-on parts manufacturers and suppliers, with well over 10,000 part channels, supplying over 1 million individual parts through the franchisor's Canadian distribution network.

Products will be either stocked locally or available as "next day / quick delivery" ordered parts. This will provide MotoTrend AutoSports the flexibility to control its investment in inventory when starting, while at the same time offering a wide range of parts to its retail customers and wholesale mechanical shop clients.

4.4 Promotional Plan

In terms of promotion, the MotoTrend AutoSports needs to meet a certain level of activity and market reach given the geographical spread of its primary markets. The business' primary markets can be reached by using the local mediums to attain solid market reach. However, for the business' to effectively penetrate the established auto parts markets, other forms of advertising mediums will be needed to successfully reach full market exposure. The incremental and on-going promotional strategy of the MotoTrend AutoSports will accomplish the following goals and objectives:

- Ensure that the MotoTrend AutoSports has and maintains an image of professionalism and quality;
- Ensure that MotoTrend AutoSports markets are well educated of the entire service portfolio of the MotoTrend AutoSports. Also, the target markets will be provided with the required contact information to make enquires;
- Establish a strong and trusted brand among the target auto parts accessories market in Anytown and surrounding areas;
- Establish and maintain a streamlined marketing approach with respect to marketing and promotional material;
- Successfully position the business within the automotive parts, accessories and tire store industry;
- Assist in generating a consistent level of revenues for the business

Below are the incremental and on-going promotional activities that the MotoTrend AutoSports will implement upon opening the business.

MotoTrend AutoSports will use a streamlined approach to its marketing and promotional campaign. All material will use the same logos, tag lines, colours and look and feel in order to keep the companies brand and message consistent in order to avoid confusion.

MotoTrend AutoSports intends to maintain an extensive marketing campaign that will ensure maximum visibility for the business in the targeted market region in and around Anytown. The Franchisor supplies guidance and has a formal “MotoTrend AutoSports Operating Protocol” handbook that offers a proven method for marketing and developing new markets.

Based on the Canada Post study entitled “Marketing Research Group Fact Sheet: Automotive Industry and Aftermarket” (published December 2008), the following marketing tactics were most likely to initiate a response from the automotive parts, accessories and tire store market:

- Direct mail addressed to the respondent: 17%
- Newspaper or magazine ads: 14%
- Flyers or brochures: 12%
- TV or radio ads: 12%
- Letters or newsletters: 9%
- Cold calls: 7%
- Unaddressed mail to occupant: 6%
- Email ads: 5%

In addition;

- The likelihood to respond to various promotional communications is also similar among respondents irrespective of age or income.
- Interestingly, compared to respondents with older vehicles, those with vehicles less than one year old are somewhat more likely to respond to both addressed mail from a service centre (27% claimed likelihood to respond was “4 or 5 out of 5”), as well as newspaper or magazine advertisements (19%).

MotoTrend AutoSports will heavily invest into two main marketing strategies. The first strategy will be to establish a strong online presence through the use of an optimized mobile website. In addition, MotoTrend AutoSports will also invest in a strong social media presence.

Canadians are the heaviest users of the internet in the world, according to a report from the Canadian Internet Registration Authority (CIRA). According to the report, over 50% of all internet searches are done through a mobile device (smartphone, tablet, mobile). In addition;

- The average Canadian spends 45 hours on the Internet each month
- Smartphone penetration has reached 45 percent of the Canadian mobile market

According to a report done by the Google Corporation, the following trends reveal that:

- 55% of smartphone users search on their phone daily
- 77% of Canadian smartphone owners research products and services on their phones
- 51% have performed a mobile search after seeing an ad

- 80% use a smartphone while multi-tasking with other media (ie. TV, music, web surfing)

The fact remains that over half the Canadian population are using mobile devices to search the internet for information, products and services. The trend is expected to grow and according to Cisco Systems Visual Networking Index by 2017 the amount of mobile devices used by Canadians and the time spent on those devices is expected to multiply several times over.

<http://www.itbusiness.ca/news/canadas-mobile-appetite-forecast-for-rapid-growth-to-2017/19716>

The advantages of having a mobile optimized website are as follows:

- Improved User Experience
- Faster Download Speed
- Engagement and Context
- Improved Search/SEO performance
- Brand Identity
- Portability and Connectivity
- Competitive Advantage
- Integration with Offline Media
- More Flexible and Cost-Effective Than App Development
- New Advertising Opportunities

Considering that over half of Mr. Bernie Spotman's target market is using mobile devices to search for automotive parts and accessories, it makes for an opportune time to invest in an optimized mobile website. In addition, Mr. Bernie Spotman's direct competitors do not have an optimized mobile website (with the exception of No Problemo Auto Sports), which puts MotoTrend AutoSports in a unique position to capture additional market share.

In order to effectively position its optimized mobile website in the search engines, Mr. Bernie Spotman will invest in professional search optimization services. These services will help identify those keywords and phrases that Mr. Bernie Spotman's target market uses to find automotive parts and accessories in and around the Anytown area. In combination with a strong online social presence, Mr. Bernie Spotman will position its online brand in a unique and effective way to maximize its position and location.

MotoTrend AutoSports will actively pursue online promotional activities which will allow the company to grow and prosper online: Online promotional activities include (but not limited to):

- Google Adwords
- Banner ads
- Text ads
- Facebook promotional ads

Online paid promotional activities will be used until the website (and mobile website) is indexed in the more popular search engines such as Google and Bing.

The second promotional strategy will involve more traditional marketing tactics based on market interests.

Based on the Canada Post study entitled "Marketing Research Group Fact Sheet: Automotive Industry and Aftermarket" (published December 2008), Mr. Bernie Spotman will concentrate its efforts on the following promotional activities:

- Direct mail addressed to the respondent
- Newspaper or magazine ads (related targeted media outlets)
- TV or radio ads

The business will design and implement a direct marketing campaign. This will be done through general mail or through a targeted relationship with local media outlets including Autotrader or other related advertising mediums. Targeted direct mailings will be sent to MotoTrend AutoSports primary markets using outsourced addresses and lists.

Using professional sales copy, all direct mail campaigns will list specific services and benefits including a company portfolio and specific calls to action, including:

- Opt in to Northside leads and contacts list;
- Visit the company website (mobile website);
- Call for additional services and other information;
- Direct sale;
- Provide educational materials on consumer products

For the first 4 months, MotoTrend AutoSports will invest heavily into Newspaper ads (and targeted media outlets) and radio ads. It will be imperative for MotoTrend AutoSports to get as much exposure from these outlets in order to generate initial interest from its targeted market. Mr. Bernie Spotman will specifically concentrate on using targeted media outlets such as related automotive newsletters and magazines such as Autotrader and other related newsprint.

Seasonal Promotions Plan:

MotoTrend AutoSports will engage in a four season marketing program as an individual outlet, but will also engage in any of the franchisors programs as is requested by them through the use of the marketing fund. We will participate in the National Marketing program and will initiate monthly localized marketing programs that will be reviewed and approved by head office.

Winter Season

- High Impact Road Signage focusing on; winter tires, detailing, remote starters
- Coupon distribution through local paper focusing on detailing package sales

- Online classified listings, focusing on winter tires, remote starters and enthusiast gift ideas.
- Social Media & apps online marketing program

Spring Season

- Team cars, trucks and heavily modified vehicles will be positioned near the impact road signage with large banners and signage around them
- MotoTrend AutoSports will actively distribute the NA (MotoTrend AutoSports) logo decals to enthusiasts with custom cars
- Distribute advertising material at community events, cruise nights and car shows
- Coupon distribution through local paper focusing on; detailing package sales

Summer Season:

- Team cars, trucks and heavily modified vehicles will be positioned near the impact road signage with large banners and signage around them
- Actively distribute the NA logo decals to enthusiasts with custom cars
- Distribute advertising material at community events, cruise nights and car shows
- Coupon distribution through local paper focusing on; detailing package sales

Fall Season:

- Rent a kiosk desk in the Anytown Square for one week to sell over 100 prepaid detail packages during
- Actively distribute coupons via the paper re: detailing
- Focus largely on high impact road side signage for winter tires, in order to promote and build momentum into the winter season for this

These are short summaries only, and do not represent the entire quarterly network campaigns for any one season.

Location

Location is one success factor however the focus initially will be supplying existing industry contacts who have committed to using MotoTrend AutoSports's services. As a result, MotoTrend AutoSports will choose a location that is accessible via major traffic arteries, and represents a good balance between traffic and cost.

The proposed location will be as follows:

1801 Riverside Drive, Anytown, ON

Riverside Drive is high traffic vicinity which is anchored by retail outlets such as Canadian Tire, Wal-Mart and Home Depot. It also features Anytown largest shopping mall, Anytown Square.

In addition, the Wal-Mart Supercentre is located at 1870 Riverside Drive signifying a high traffic draw which will attract a high level of attention and interests from the target market. According to recent statistics, roughly 80% of local populations will visit or shop at Wal-Mart throughout the year (www.walmart.ca). The location of MotoTrend AutoSports will have a huge impact on its market visibility as well as a major competitive advantage.

As with all businesses, once MotoTrend AutoSports has successfully attained and completed services for its market, will begin to receive word of mouth advertising and referrals. This form of advertising is the best form; however, the business will not rely solely on this form of advertising.

Marketing Costs

The total costs for the incremental and on-going promotional activities are as follows:

Digital Strategy (Mobile website design, website seo)	\$2,000
Direct Marketing Campaign	\$3,000
Online advertising	\$1,000
Newspaper or magazine ads	\$1,000
Radio / T.V ads	\$1,000
Signage	<u>\$2,000</u>
Total Costs	\$11,550

4.5 Risk Analysis and Survival Strategy

As with all businesses, there are certain inherit risks associated with each type of business. Franchises in particular have inherent risks that businesses must be aware of. MotoTrend AutoSports has identified the following risks and mitigation for each:

Franchise Fee

Mr. Bernie Spotman must pay a \$50,000 franchise fee in order to operate. This is a one-time fee payable upon contract signing.

Risk: The investment can negatively affect cash reserves for the first 3 to 6 months of operations.

Mitigation: Mr. Bernie Spotman has requested contribution funds from ADPC (40%) to help offset this cost in order to help keep a healthy cash flow for the first 3 to 6 months.

Ongoing Franchise Fee

Mr. Bernie Spotman must pay an ongoing \$1,000 royalty fee every month to the franchisor.

Risk: Regardless of Mr. Bernie Spotman's business situation, this royalty must be paid for the life of the business.

Mitigation: The main franchisor, MotoTrend AutoSports requires a set fee of \$1,000 every month that is independent of sales. This type of fee structure is preferable because it encourages performance. As with most franchises that require a percentage of sales, MotoTrend AutoSports allows its franchises the freedom to operate without having to worry about a sliding franchise fee scale. In addition, the head franchise will NOT pro rate its fee on location as is the case with most franchises.

Material and Supply Costs

MotoTrend AutoSports main franchise has a list of 150 suppliers that the franchise must purchase from.

Risk: Regardless of the cost of the materials and supplies elsewhere, MotoTrend AutoSports must purchase from an approved suppliers list. This can have an impact on cash reserves, especially during the first 3 to 6 months of operations.

Mitigation: MotoTrend AutoSports has requested contribution funds from ADPC (40%) of the initial materials and supply costs to help offset the loss in cash for the first 3 to 6 months.

Franchise Competition

As with most franchises, the franchisor will try and saturate its demographic with as much product and services possible.

Risk: Diminishing returns as a result of market saturation

Mitigation: MotoTrend AutoSports will have an exclusive contract for distribution in the Anytown territory and surrounding areas. This will allow MotoTrend AutoSports the freedom to operate in its demographic without fear of market and/or service saturation of the brand name.

Location

Mr. Bernie Spotman's business location will play a huge part in its success. However, most head franchises will insist on its on locations for its franchises.

Risk: At the mercy of the head franchises location recommendations.

Mitigation: Fortunately, MotoTrend AutoSports head franchise is allowing Mr. Bernie Spotman to choose his ideal location with the assistance of the head franchise experts.

Franchise Failure

As with all businesses, there is always the possibility of failure due to direct and indirect factors. As a franchisee, MotoTrend AutoSports is directly dependant on the success or failure of the head franchise.

Risk: Dependant on the success or failure of the head franchise

Mitigation: If the head franchise were to shut its doors, MotoTrend AutoSports will not be affected as it will continue to operate under a new name using the same 150 suppliers. The business' infrastructure will be in place to continue operating with minimal time lost.

Disasters

Mr. Bernie Spotman will invest in business liability insurance in the event of disaster related damages such as fires and floods. In addition, Mr. Bernie Spotman will nurture positive relationships with surrounding automotive dealers to use/rent automotive infrastructure in case its service bays are non-operational due to damage. This will allow Mr. Bernie Spotman to retain services and cash reserves while the insurance pays for the repairs of its infrastructure.

SECTION 5.0 OPERATIONAL PLANS

5.1 General Operating Requirements

MotoTrend AutoSports days and hours of operation will be as follows:

- 8am-10pm Monday to Friday
- 8am-8pm Saturday
- 10am-8pm Sunday

These days and hours of operation are subject to change and dependent on market need.

Location

Location is one success factor however the focus initially will be supplying existing industry contacts who have committed to using MotoTrend AutoSports's services. As a result, MotoTrend AutoSports will choose a location that is accessible via major traffic arteries, and represents a good balance between traffic and cost. The projections have been made using a "per square foot" and leasehold expense as of November 2013. Two buildings are currently being considered for the business:

1801 Riverside DR
Anytown, ON

Floor plan size: 6100 sq. Ft \$8,000/month 124,000/year = Combined lease /leasehold expenses.

5.2 Human Resource Requirements

Given Mr. Bernie Spotman's extensive mechanical experience, he will be responsible for all day to day operations of the company including management, marketing; overseeing the storefront sales division as well as the auto service department and auto sales division. In addition, Bernie's son Jake will assist in all daily business activities including service, marketing and management.

Bernie plans on hiring one full time auto technician, two full time apprentices, two part time tire installers, one full time cashier, one part time cashier and one full time auto salesman. Mr. Bernie

Spotman also plans on administrating the day to day operations of the business overseeing the storefront sales division as well as the auto service department and auto sales division.

Once sales exceed the “break even” point, staffing levels will be expanded to increase MotoTrend AutoSports ability to create additional sales opportunities and increase customer service excellence. Employment of staff will regularly be adjusted based on market sales requirement and increases (Please see for more information).

5.3 Insurance Requirements

Mr. Bernie Spotman will need to incur costs for commercial, asset and liability insurance upon start up. At the time this report was developed, Bernie had received a verbal insurance quote of \$13,500 per year.

5.4 Government Requirements

MotoTrend AutoSports is subject to corporate law and income tax. The company will collect and remit PST and GST when required. The company will hire a CA to provide audited financial statements and will follow tax law to minimize the tax burden of the company. Mr. Bernie Spotman will endeavor to reduce real taxable profit to zero through an increased salary to eliminate corporate taxes if possible.

Due to the nature of the automotive parts, accessories and tire industry in Ontario and the sensitive data being handled, it is important that Mr. Bernie Spotman protect himself and his family. At this point in time, Mr. Bernie Spotman will both incorporate the company and ensure that appropriate errors and omissions insurances are in place.

5.5 Working Capital Requirements

Due to the demands imposed at start up, Mr. Bernie Spotman will require that the business have sufficient working capital to meet all operational responsibilities of the business for the first three months. Throughout the year there tends to be periods of low than normal activities. Consequently, the company will experience financial pressures during these months. While much of this time will be spent developing additional marketing strategies, there will be a need to maintain sufficient working capital to cover these periods. A long term strategy to maintain a positive cash flow during these periods will be to diversify the company and develop the following areas;

- Auto towing
- Auto sales

As this is a service based business, there will be burden on the business financially upon start up. The automotive parts, accessories and tire industry will require a higher than normal operating capital at start up.

The following operating capital will be required:

Lease	\$6,278.00
Insurance	\$3,275.00
Utilities	<u>\$4,500.00</u>
Total	\$14,053.00

5.6 Capitalization Activities

As documented throughout this plan, Mr. Bernie Spotman has taken the necessary time needed to carefully choose and cost the necessary assets his business will need to provide automotive parts and accessories services. In doing so, he's determined that he will to invest into the following items:

Equipment

Invest into new tools and equipment to perform a wide range of services in order to perform the following activities:

- Performance Parts sales & installation
- Customization services & Installation
- Wheel & tire repair & installation
- Audio / Alarm sales & installation services
- Auto Maintenance Plans
- Window tinting and Vinyl service
- Detailing services for auto dealers Vehicle detailing service

A total of \$105,000 in equipment will be needed to perform these services. Please see attachment #2 for a complete listing of equipment and costs.

Material and supplies

In order to service MotoTrend AutoSports target market, it will be necessary to invest in the necessary materials and supplies. The estimated cost of materials and supplies is \$16,250

5.7 Franchise Fee

MotoTrend AutoSports will have an exclusive contract for distribution in the Anytown territory and surrounding areas. Although population growth could result in any given territory being "re-calibrated", such as a city like Anytown being able to support several individual locations, the agreement is that the initial Franchisee always has the "right of first refusal" on any additional locations that become available.

The head franchise, MotoTrend AutoSports will require an initial \$50,000 franchise fee from Mr. Bernie Spotman and an ongoing monthly fee of \$1,000 for the life of the business. See attachment #3 for a copy of the franchise agreement.

5.8 Operational Workflow

As with most automotive parts and accessories store, the operational workflow for the business is quite uniform and simple to follow. The following is a step by step outline of how the sales cycle and product fulfilment is completed on a regular basis:

Step 1: Provide an assessment of the vehicle and provide recommendations (and solutions). Once the client is satisfied, look up the products on our computer system.

Step 2: Create a work order then order parts.

Step 3: Take a 10-25% deposit on custom orders.

Step 4: When the customer's parts arrive, the parts are installed.

Step 5: Close the work order

Step 6: Customer pays bill using cash credit or debit

The above operational workflow is very standard, easy to understand and within the industry's norm.

MotoTrend AutoSports will accept cash, debit or credit as payment. Only those clients who are able to demonstrate financial stability will be offered credit. MotoTrend AutoSports is expected to have 99% of its sales made on a cash basis or cash on delivery basis. A minimum fee of 25% deposit will be required on all cash on delivery orders. It is expected that 1% of wholesale clients will ask for payment terms, which will be offered as "net 30 days terms" with a 5% per month surcharge. The maximum legally-allowed annual interest will be used for all invoices at a rate of approximately 30% per year. All invoices in default past 90 days will be sent to an affiliate collections agency. All credit customers will be required to sign off an invoice that affirms they understand the terms and conditions, as well as the "no refund" policy.

SECTION 6.0 FINANCIAL PLAN

In order to properly establish MotoTrend AutoSports, Mr. Bernie Spotman is proposing a financing mix that consists of: cash equity, Federal contributions, and traditional debt financing. As follows:

Costs and Financing			
Costs		Financing	
Capital Costs		Capital Financing	
Working Capital	\$14,053	Mr. Bernie Spotman Equity (15%)	\$27,795
Equipment	\$105,000	ADPC (40%)	\$74,121
Materials/Stock	\$16,250 -	Commercial Financing (45%)	<u>\$83,387</u>
Franchise Fees	<u>\$50,000</u>		
Total Capital Costs	\$185,303	Total Capital Financing	\$185,403
Marketing Costs		Marketing Financing	
Start Up / On-going Activities	<u>\$10,000</u>	ADPC (60%)	\$6,000
Total Marketing Costs	\$10,000	Funds from Operations (70%)	<u>\$4,000</u>
		Total Marketing Financing	\$10,000
Business Support Costs		Business Support Financing	
Accounting / Management support	<u>\$3,000</u>	ADPC (75%)	\$2,250
Total Business Support Costs	\$3,000	Funds From Operations (25%)	<u>\$ 750</u>
		Total Business Support Financing	\$3,000
Total Project Costs	\$198,403	Total Project Financing	\$198,403

As identified in the table above:

Mr. Bernie Spotman is prepared to invest \$27,795 towards the capitalization of this business startup.

Mr. Bernie Spotman is requesting that ADPC contribute 40% or \$74,121 towards capital, 40% or \$6,000 towards marketing and 75% or \$2,250 towards business support costs.

Mr. Bernie Spotman is requesting a loan from commercial financing in the amount of \$83,387 towards capital. This loan will be financed at 8% for 5 years.

60% or \$4,000 in marketing and 25% or \$750 in business support costs will be financed through cash from operations and cash equity.

6.1 NOTES TO FINANCIAL PROJECTIONS

The following pages contain:

- 12 month projected cash flow statement;
- 3 year projected income statement;
- 3 year projected balance sheet;
- 3 year projected sources and uses of funds statement;
- 3 year amortization schedule.

(A) Revenues

MotoTrend AutoSports will generate revenues by providing automotive parts and accessories services to the market within and around the Anytown area. Total market size is an estimated at \$4,704,208. It is estimated that MotoTrend AutoSports will capture a conservative 8% market share in its first year of operations.

It is anticipated that the company will generate \$392,011 in sales in year 1. A moderate increase in sales is expected to occur at 20% per year.

(B) Cost of Sales

Cost of sales will include all labour (excluding owner drawings) and materials. It is estimated that the cost of sales for automotive parts and accessories services will be 30%.

(D) Cash Flow

The cash flow of the business remains healthy throughout the first three years of operations. Without the ADPC contribution and loan, the business would not survive. Cash flow must be continually monitored and compared to projections to ensure that operational costs and other expenses were not seriously over or understated.

(D) Assets, Liabilities and Owner's Equity

The assets and liabilities of the business have been well documented throughout the plan. The assistance from ADPC and FABC provides Mr. Bernie Spotman with a healthy level of equity. It should be noted that only contributions to the capitalization of the project are included on the balance sheet.

* For the sake of this sample, projected sources and uses of funds is the 3 year projected cash flow statement

MotoTrends AutoSports															
12 Month Cashflow Statement															
	Start Up	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total	
Cash In															
Opening Cash Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Receipts		\$19,600	\$23,521	\$27,441	\$27,441	\$31,361	\$31,361	\$31,361	\$35,281	\$39,201	\$39,201	\$43,121	\$43,121	\$392,011	
Other Services		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Equity	\$27,795													\$27,795	
ADPC Bridge Loan	\$74,121													\$74,121	
ADPC	\$0			\$6,000		\$74,121		\$2,250						\$82,371	
Commercial Financing	\$83,387	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$83,387	
Total Cash In (1)	\$185,303	\$19,600	\$23,521	\$33,441	\$27,441	\$105,482	\$31,361	\$33,611	\$35,281	\$39,201	\$39,201	\$43,121	\$43,121	\$659,685	
Cost of Goods Sold / Cost of Sales															
Labour, Materials - Auto Accessories Services	\$0	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$138,024	
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Costs of Goods Sold (2)	\$0	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$11,502	\$138,024	
(3) Gross Profit (1 - 2 = 3)	\$185,303	\$8,098	\$12,019	\$21,939	\$15,939	\$93,980	\$19,859	\$22,109	\$23,779	\$27,699	\$27,699	\$31,619	\$31,619	\$521,661	
Cash Out															
Capitalization Activities	\$105,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$105,000	
Marketing and Promotion Expenses	\$3,000	\$2,555	\$545	\$545	\$545	\$545	\$545	\$545	\$545	\$545	\$85	\$0	\$0	\$10,000	
Communications	\$0	\$205	\$205	\$205	\$205	\$205	\$205	\$205	\$205	\$205	\$205	\$205	\$205	\$2,460	
Repairs and Maintenance		\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400	
Insurance		\$1,125	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125	\$13,500	
Office Supplies		\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400	
Vehicle Expense & Travel		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$14,400	
Employee Benefits		\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000	
Rent		\$6,278	\$6,278	\$6,278	\$6,278	\$6,278	\$6,278	\$6,278	\$6,278	\$6,278	\$6,278	\$6,278	\$6,278	\$75,336	
Freight		\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000	
Utilities		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$2,000	\$2,000	\$2,000	\$2,000	\$20,000	
Office Expenses & Postage		\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800	
Bank Charges and Interest		\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200	
Franchise Fee	50,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	62,000	
Bridge Loan Repayment		\$0	\$0	\$0	\$0	\$74,121	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$74,121	
Loan Interest		\$695	\$683	\$671	\$659	\$647	\$635	\$622	\$610	\$597	\$585	\$572	\$559	\$7,536	
Principal Repayment		\$1,420	\$1,432	\$1,444	\$1,456	\$1,468	\$1,480	\$1,493	\$1,505	\$1,517	\$1,530	\$1,543	\$1,556	\$17,843	
Professional Fees	\$1,800	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$3,000	
Owner's or Partner's Draw	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$30,000	
Total Cash Out (4)	\$159,800	\$20,728	\$18,718	\$18,718	\$18,718	\$92,839	\$18,718	\$18,718	\$18,718	\$19,218	\$18,758	\$18,673	\$18,673	\$460,996	
(5) Net Cashflow (3 - 4 = 5)	\$25,503	-\$12,630	-\$6,699	\$3,221	-\$2,779	\$1,141	\$1,141	\$3,391	\$5,061	\$8,481	\$8,941	\$12,946	\$12,946	\$60,665	
(6) Cumulative Cashflow	\$25,503	\$12,873	\$6,174	\$9,395	\$6,616	\$7,757	\$8,899	\$12,290	\$17,351	\$25,832	\$34,773	\$47,719	\$60,665		

MotoTrends AutoSports			
3 Year Projected Income Statements			
	Year 1	Year 2	Year 3
Revenues			
Sales	\$392,011	\$431,212	\$474,333
Other Services	\$0	\$0	\$0
Total Revenues	\$392,011	\$431,212	\$474,333
Cost of Goods Sold			
Labour, Materials - Auto Accessories Services	\$138,024	\$151,787	\$166,965
Other	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Costs of Goods Sold	\$138,024	\$151,787	\$166,965
Gross Margin	\$253,987	\$279,425	\$307,368
Selling & Admin. Expenses			
Marketing and Promotion Expenses	\$10,000	\$11,000	\$12,100
Communications	\$2,460	\$2,706	\$2,977
Repairs and Maintenance	\$2,400	\$5,000	\$8,000
Insurance	\$13,500	\$5,000	\$5,000
Office Supplies	\$2,400	\$1,400	\$1,600
Vehicle Expense & Travel	\$14,400	\$15,840	\$17,424
Bank Charges and Interest	\$1,200	\$1,320	\$1,452
Employee Benefits	\$6,000	\$6,600	\$7,260
Rent	\$75,336	\$82,870	\$91,157
Freight	\$12,000	\$13,200	\$14,520
Utilities	\$20,000	\$22,000	\$24,200
Office Expenses & Postage	\$1,800	\$1,980	\$2,178
Franchise Fees	\$12,000	\$12,000	\$12,000
Loan Interest	\$7,536	\$4,173	\$3,549
Professional Fees	\$3,000	\$2,500	\$2,500
Depreciation	\$10,500	\$10,500	\$10,500
Total Selling & Admin. Expenses	\$194,532	\$198,089	\$216,416
Net Profit (Loss) from Operations	\$59,455	\$81,337	\$90,952
Add: Contributions for Operations	\$8,250	\$0	\$0
Net Profit (Loss) from Operations	\$67,705	\$81,337	\$90,952
Break Even Analysis			
	Year 1	Year 2	Year 3
Total Variable Costs	\$154,824	\$172,627	\$192,389
Total Fixed Costs	\$195,575	\$191,642	\$199,133
Variable Cost Percentage	0.39	0.40	0.41
Contribution Margin	0.61	0.60	0.59
Break Even Point in Sales	323,237	319,578	335,015
Break Even Sales Cushion	68,774	111,634	139,319

MotoTrends AutoSports				
Projected Sources and Uses of Funds				
	Year 1 Ending	Year 2 Ending	Year 3 Ending	
Net Profit	\$67,705	\$81,337	\$90,952	
Add: Depreciation	\$10,500	\$10,500	\$10,500	
Less: Owner's / Partner's Draws	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	
Cash from Operations	\$48,205	\$61,837	\$71,452	
Financing Activities				
Term Debt	\$83,387			
ADPC	\$74,121			
Cash Equity Injection	\$27,795			
Less: Repayment of Debt	<u>\$17,843</u>	<u>\$14,393</u>	<u>\$8,140</u>	
Total Financing	\$167,460	-\$14,393	-\$8,140	
Capitalization Activities				
Franchise Fee	\$50,000			
Capitalization Activities	<u>\$105,000</u>	<u>\$0</u>	<u>\$0</u>	
Total Capitalization Activities	\$155,000	\$0	\$0	
Net Cash from Operations	\$60,665	\$47,444	\$63,311	
Beginning Cash	<u>\$0</u>	<u>\$60,665</u>	<u>\$108,109</u>	
Ending Cash	<u>\$60,665</u>	<u>\$108,109</u>	<u>\$171,420</u>	
MotoTrends AutoSports				
Depreciation Schedule				
		Year 1 Ending	Year 2 Ending	Year 3 Ending
Office Equipment & Furniture	\$0			
Useful Life	<u>5</u>	\$0	\$0	\$0
Property Maintenance	\$105,000			
Useful Life	<u>10</u>	\$10,500	\$10,500	\$10,500
Interlock / Construction	\$0			
Useful Life	<u>15</u>	\$0	\$0	\$0
Vehicle	\$0			
Useful Life	<u>5</u>	\$0	\$0	\$0
Other	\$0			
Useful Life	<u>5</u>	\$0	\$0	\$0
Total Depreciation		<u>\$ 10,500.00</u>	<u>\$ 10,500.00</u>	<u>\$ 10,500.00</u>

*Depreciation costs were calculated using a straight line method over the useful life of each asset.

MotoTrends AutoSports				
3 Year Projected Balance Sheets				
	Opening	Year 1 Ending	Year 2 Ending	Year 3 Ending
Assets				
Current Assets				
Cash	\$30,303	\$60,665	\$108,109	\$171,420
Inventory	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Total Current Assets	\$30,303	\$60,665	\$108,109	\$171,420
Fixed Assets				
Equipment	\$105,000	\$105,000	\$105,000	\$105,000
Property Maintenance Assets	\$0	\$0	\$0	\$0
Interlock Construction Assets	\$0	\$0	\$0	\$0
Vehicle	\$0	\$0	\$0	\$0
Other Assets: Franchise Fee	\$50,000	\$50,000	\$50,000	\$50,000
Less: Accumulated Depreciation	\$0	\$10,500	\$21,000	\$31,500
Plus: Land				
Total Fixed Assets	\$155,000	\$144,500	\$134,000	\$123,500
Total Assets	<u>\$185,303</u>	<u>\$205,165</u>	<u>\$242,109</u>	<u>\$294,920</u>
Liabilities				
Current Liabilities				
Accounts Payable	\$0	\$0	\$0	\$0
Current Portion of Loan	\$17,843	\$14,393	\$8,140	\$8,816
Long-Term Liabilities				
Long-Term Portion of Debt	<u>\$65,544</u>	<u>\$51,151</u>	<u>\$43,010</u>	<u>\$34,194</u>
Total Liabilities	\$83,387	\$65,544	\$51,151	\$43,010
Owner's / Partner's Equity				
ADPC	\$74,121			
Contributed Equity	\$0			
Cash Equity	\$27,795			
Beginning Equity	\$0	\$101,916	\$139,621	\$190,958
Net Income	\$0	\$67,705	\$81,337	\$90,952
Less: Owner's or Partner's Draws	<u>\$0</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>
Total Owner's or Partner's Equity	\$101,916	\$139,621	\$190,958	\$251,910
Total Equity and Liabilities	<u>\$185,303</u>	<u>\$205,165</u>	<u>\$242,109</u>	<u>\$294,920</u>
Financial Ratios				
		Year 1	Year 2	Year 3
Current		4.21	13.28	19.44
Debt to Equity		0.47	0.27	0.17
Gross Margin		64.79%	64.80%	64.80%
Net Margin		17.27%	18.86%	19.17%
Sales to Assets		1.91	1.78	1.61
Return on Assets		33.00%	33.60%	30.84%
Return on Investment		48.49%	42.59%	36.10%

