

Business Plan for

Brewer's St. Peters



Hardware Store

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OWNERS

David A. Brewer
Melanie G. Brewer
192 Plantation Drive
Creve Coeur, MO 63141
Telephone: 314-737-8543
E-Mail: brewerdavid@me.com

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II. Executive Summary

I am very pleased to research, prepare, and write this business plan to obtain a \$475,000 loan for the ground-up development of a brand new True Value Hardware Store in a leased facility at 915 Jungermann Road in St. Peters, Missouri.

Having lost a local hardware to a fire many years ago, with no replacement, I am keenly aware of the value of a convenient local hardware store where friendly people offer expert advice and know-how. Although the St. Peters community did not lose a store to fire, many of the residents in the primary trade area must drive 15 minutes or more to a convenient hardware store.

It is important to understand the retail model that we are proposing. Our mission statement -- Brewer-St. Peter's True Value Hardware is the go-to store of convenience where local residents and small businesses will find needed hardware, supplies, friendly service and know-how for everyday home/building maintenance and minor repair/redesigning projects. We will focus on convenience, service, know-how and personal interaction with our customers and the St. Peters community. The Big Box Stores and contractor focused home centers simply have difficulty providing the level of service we are committed to. Our smaller size and local control affords us the ability to do so -- and we wouldn't have it any other way!

Another advantage of our size and local ownership is that we are able to personally connect with the community. From a retail model perspective our strongest competition is from the Ace Hardware Store – yet they are one of chain of 90 Ace stores owned by the Westlake Corporation. From that perspective, Ace looks a lot more like a Big Box store.

Description and Overview of the St. Peters Market

The proposed store has a retail sales floor of 11,889 SF and gross area of 14,430 SF. The shopping center has ample parking and an adjacent parking area for an outdoor lawn and garden center (adding to our available retail area). Peak traffic counts of around 200 vehicles (in a 15 minute period) in both the north and south direction yields good drive-by visibility but does not impair access to the site. The fact that the traffic count numbers are approximately equal helps to confirm that we are at the center of the residential areas. Immediately adjacent the proposed location is a McDonalds Restaurant that drives significant traffic right to our doorstep.

The St. Peters area has grown dramatically over the past two decades but has leveled off recently, but according to recent Claritas data is still projected to grow about 4% over the next five years. Total households in

the primary trade area are 13,801 with 12,294 (89%) of those owner occupied households – a very strong number for our business model. The state of Missouri average owner occupied households is about 71%. The Retail Market Potential (RPM) for hardware is \$6,129,082 – the RPM for home centers (building material and big box stores) is about \$29M. This explains why there are so many home centers in the area, but it also suggests a demand for a convenient retail hardware store as well. Given our key geographical intercept position this bodes very well for future sales and growth potential.

Owning a customer-focused business has been a lifelong dream for me – and this opportunity represents an excellent opportunity to create a legacy for the community, my family and myself. I am also a DIY'er and a woodworker at heart, so I believe I understand the customer base. My wife, Melanie is an avid gardener high interest in home décor – she too appreciates and values small stores with personal attention. As my investigation, planning, negotiating and learning about this retail model has progressed my enthusiasm has continued to build.

Projected Financial Results

	Total Revenues	Gross Margin	Pretax Earnings	Pretax Earnings as % of Sales
Year 1	\$1,070,000	38.50%	\$63,861	6.0%
Year 2	\$1,230,000	39.50%	\$6,828	0.6%
Year 3	\$1,353,000	40.50%	\$41,987	3.1%
Year 4	\$1,448,000	41.50%	\$76,986	5.3%
Year 5	\$1,505,000	42.50%	\$104,499	6.9%

Given my passion this business and these projected results (on the conservative side) I am confident in the success of this venture. We will commit \$250,000 of our own equity and would request your lending institution to extend a loan for \$475,000. We will pledge our hard business assets, inventory and our home (if necessary) as collateral to secure this loan.

I appreciate your consideration on this loan and trust that this document will convey the detail necessary for you to decide to complete the transaction.

David Brewer

III. General Company Description

Brewer's St. Peters True Value (BSPTV) will be in the retail convenience hardware market focusing primarily on do-it-yourself (DIY) customers. We will carry a wide assortment of products in key core products to assure we carry merchandise expected in a "hometown" hardware store.

MISSION STATEMENT

Brewer-St. Peter's True Value Hardware is the go-to store of convenience where local residents and small businesses will find needed hardware, supplies, friendly service and know-how for everyday home/building maintenance and minor repair/redecorating projects.

Company Goals / Objectives

Our goal is to have a profitable, successful store that is recognized in the community as a great corporate citizen serving not only the hardware needs of the community but a focal point to bring the residents together through corporate sponsorship of community events. Outstanding customer service and assistance will be our hallmark. We will also strive to create an exciting work environment where employees can develop as individuals to take on greater challenges and responsibilities. By doing so we expect to achieve our sales goal of \$1.07M in our first year with steady increases to a level of \$1.5M in year five.

Business Philosophy

It is important to create a clean, healthy and fun atmosphere for our customers and our employees. Respected and satisfied associates make great employees. Our primary means of creating an exceptional customer experience is through our associates. BSPTV will offer online and offsite training to employees to help associates develop skills in all areas of the business. Training online and through True Value University will be tracked online and reviewed as part of the performance evaluation process. In short, the business philosophy of BSPTV is:

Serve customers

Serve the community

Make people feel good.

BSPTV will market primarily residential and small businesses. As the business matures we will explore small residential and commercial contractors as a convenient alternative to the big box stores on minor hardware items, cleaners, expendables and tools. In the second or third year we will investigate rental services through True Value's Just Ask Rental Program.

Industry Details

The Overall United States home improvement market is \$170 B and the convenience hardware segment is \$38 B. (According to Claritas)

Growth in the industry has been flat over the past two years – a result of the sluggish economy and major new homebuilding declines. The good news is that convenience hardware stores have seen modest decreases in revenues (about two tenths of a percent in 2009, the latest year reported by the North American Retail Hardware Association (NHRA)).

On a broader scale we expect to see the Big Boxes entering new markets, capturing market share from smaller town lumber and hardware stores. The St. Peters market currently has two of the major big box competitors, with no apparent desire or need to relocate. From a convenience standpoint, BSPTV is clearly in an intercept position for a large part of our primary trade area.

Consumers will more easily be able to “price shop” significant purchases via mobile devices while in-store. Consequently this puts more pressure on retailers who are targeting the lowest price consumer and selling more and larger merchandise with little to no added value of customer service. People often complain about not being able to get advice or help at the neighborhood box store.

BSPTV is poised to offer competitive prices with value added service on smaller, needed items.

With our strategy it is imperative that BSPTV offer a great customer experience.

Strengths / Competencies

Product knowledge and helpful, friendly service are key competencies for our business. This, coupled with a complete inventory of needed items will assure loyal customers. A new, well-lit, clean and orderly store will reinforce the perception of competence and make it easy for customers to find what they are looking for. The store has been designed to the most current True Value retail standards as a Destination True Value (DTV). These standards have been developed to make sure the customer has an inviting, engaging and inspiring in-store experience. The standards involve all of the physical attributes of the

store, including layout, lighting, way-finding, fixtures, flooring, colors, textured backdrops for displays, signage, cabinet finishes, etc. (You may refer to Appendix A – DTV Interior Finishes)

The result? A fresh clean look that will appeal to females, as well as males.

The Owner /Manger, David Brewer, has significant management experience on complex projects. He has very strong communication and interpersonal skills and a thorough knowledge of accounting systems and their use in organizing, planning, controlling inventory and expenses and managing the business. (Brewer's resume can be found in appendix B)

He has a sincere passion and desire to serve people and mentor employees to rise to their potential.

Legal form of ownership

BSPTV will be structured as an S corporation owned entirely by David and Melanie Brewer. The primary reasons for this form of ownership are:

1. Taxes flow through to their personal taxes and are only taxed once.
2. Limits their liability as shareholders.
3. When employees perform on behalf of the corporation their actions are attributable to the corporation and not to them.
4. Allows for future shareholders to bring in additional capital, if desired.

IV. Products and Services

The retail area of 11,889 square feet affords ample opportunity to carry True Value "core" products and services with adequate additional space to grow into niche markets as identified by listening to customers.

The following are the initial core department and niche market (Plug-n-play) lineal footage allocations.

Department	Planned Lineal Footage	% of Total Lineal Footage
Core		
Automotive	28	1.4%
Electrical	224	11.0%
Hardware	294	14.5%
Building Materials	50	2.5%
Cleaning	112	5.5%
Storage	56	2.8%
Lawn & Garden / Seasonal	226	11.1%
Outdoor Living	122	6.0%
Outdoor Power	88	4.3%
Paint	276	13.6%
Plumbing	276	13.6%
Tools	144	7.1%
Total Core	1896	
Plug-N-Plays (Niche)		
Home	112	5.5%
Pets	24	1.2%
Total Plug-N-Play	136	6.7%
Total Store	2032	

These allocations are True Value corporate recommendations. BSPTV will assess local markets with the assistance of True Value's Regional Retail Consultant, Dave Smith, and revise them as necessary prior to placing the opening inventory order.

True value also offers numerous additional Plug-n-play opportunities for niche markets as well as offerings at the biannual True Value Market Events held throughout the country. A complete listing of Plug-and-Play options is provided in appendix C, but a sampling of these offerings include:

- Camping
- DeWalt Boots
- Dickies Workwear and Jeans
- Wigwam socks
- Bath Accessories
- Cutlery
- Kitchen Gadgets
- Cell phone accessories
- Klein Electrical Tools
- Mailboxes and posts
- Window well covers
- Holiday and seasonal items
- Storage Sheds
- Pet Products
- Fireplace accessories
- Sporting goods
- ClosetMaid shelving
- Metal tool boxes
- Woodworking saw blades
- Faux finishing

Competitive advantages / disadvantages

BSPTV will have the ability to react to new product offerings much faster than larger stores. With multiple educational and buying conventions each year, we can learn about new products, decide what is appropriate for our local market and carry the product without the delay of bureaucracy in the larger chain stores.

In addition, we can offer service, know-how and convenience for today's busy lifestyles.

Finally, independent retailers can react to their customers' needs very quickly. We have the ability to learn our local markets and get to know our customers personally, not nationwide policies and standards.

The importance of carrying a broad selection and properly merchandising product in the key categories of a hardware store cannot be overstated. BSPTV will offer a wide selection of fasteners, decorative hardware, traditional hardware, paint & accessories, electrical supplies, and plumbing supplies. We will also take advantage of the following True Value "store within a store" concepts to maximize the positive customer experience:

- True Value Paint and Decorating Center
- Tool Shop
 - Master Mechanic® (private label) – power tools and hand tools
 - Name brand products (Dewalt, Milwaukee, Makita, etc.)
- Master Plumber ® - plumbing merchandise and plumbing tools
- Baypointe ® - Decorative plumbing fixtures, faucets and bath accessories
- Westpointe ® - Decorative light fixtures, humidifiers, dehumidifiers, heaters, private label light bulbs, etc.
- Master Electrician ® - Electrical tools and utility light fixtures.
- Green Thumb ® Garden Center and local growers
- Grill Zone (future)
- Just Ask Rental (future)

Pricing

BSPTV will utilize an “everyday competitive price” strategy. In this strategy competitive prices are offered for some products while charging a premium on other products and adding value (via great customer service). The idea is to instill a sense of “fair” pricing while setting ourselves apart with other factors for which the customer expects to pay a premium. This perceived added value is called our price image, and it is taken very seriously. The “fairness” of our pricing is driven by the consumer’s awareness of its price in the marketplace, its price visibility. In the True Value pricing strategy products are segmented as either highly visible, visible, or blind. In general the higher the visibility of an item, the more its price is driven by competitor’s pricing. The less visible, the more the price can be driven by profit. Using highly visible items on endcaps fosters a positive price image for our store.

According to the National Retail Hardware Association (NRHA) visible items account for 15% of total items, generate an average of 25% of total sales and contribute an average of 21% of total gross margin. True Value performs competitive price shopping in nine major cities across the United States (including St. Louis). Each Friday True Value provides price changes to our retail system. As an independent retailer (performing our own price shopping) we can validate the price changes and accept them or choose to leave them as-is.

In addition to providing a wide assortment of products, we will employ “good”, “better”, “best” pricing within assortments. This reinforces the perception of fair pricing and selection to our customers.

To stay current on pricing we will shop local competitors stores, review competitors advertisements and circulars, shop online, note any television or radio advertising prices and gather customer feedback regarding competitive pricing.

V. Marketing Plan

Building the Business

Today's customer has many retail outlets to choose from for their home improvement needs. Our primary customer, the DIY Enthusiast, is visiting a home improvement or hardware store once per week. Rather than having just one favorite hardware store, they actually visit many different stores over a six-month period. In order for BSPTV to capture more visits and purchases from these customers, we need to create powerful local marketing that invites the customer into the store at all the right times of the year.

Effective local marketing brings customers into the store more often at times when they are inclined to spend money on projects. Because local marketing is so critical to the cooperative, True Value Company has developed an array of local marketing solutions. By taking advantage of all of these marketing resources, from initial planning through post-promotion evaluation, BSPTV will be well positioned to grow retail sales.

A strong, balanced marketing plan is vital to ensure that we are sending the right invitation at the right time to the right number and right type of customers. It is equally important to continually evaluate and update the plan to account for changes in the business and marketplace.

True Value assists in developing the market plan with a Marketing Planning Tool. This tool will produce a marketing schedule similar to the one found in appendix D. It will be developed jointly with the BSPTV and True Value's Retail Consultant. This tool will assist with:

- Identifying peak selling seasons so marketing budgets can be properly allocated.
- Focusing on the right opportunities
- Managing marketing costs and cash flow
- Planning for competitive, consumer and economic changes in our market.

In addition to the initial annual marketing plan, we will conduct quarterly reviews (also with the True Value Retail Consultant) to assure that we are keeping pace with market conditions.

True Value Local Store Marketing Support

True Value Rewards

Creating a positive shopping experience is at the center of customer loyalty. Once a customer is in our store, there are lots of ways to impact his/her experience: employee interaction, ease of shopping, having the right products, etc. But how do we extend that experience outside of our store? And why?

A loyalty program like True Value Rewards is essential in linking the decisions made at home (where to buy, what to purchase) to that experience. Not only does it extend our dialogue with customers, it captures valuable information about them that we can immediately use:

- How often do they shop my store?
- What products do they purchase?
- Are they sensitive to our promotions?
- How profitable are they to the business?
- Are there any gaps in their loyalty that we can take action on?

True Value's key consumer target is the DIY enthusiast that spend an average of about \$2000+/year, do much/all of the work themselves, are very involved in home improvement, shop multiple retailers for their projects and account for 43% of True Value Sales. It is important for BSPTV to distinguish itself as the "knowledge place" and a single stop with the right product for all minor home maintenance and remodel projects.

53% of current True Value customers are 50 years or older and over 77% of current True Value Rewards Customers are 45+. True Value has recognized that 65% of adults who did home improvement projects in the past 12 months are *under age 50*. This suggests that the future customer focus will shift to the Gen Xer's and Gen Yer's who are accustomed to get all of their information digitally. To position for this shift True Value has created a number of digital marketing initiatives including:

- TruSite local website program
- Online circular program
- E-mail marketing program
- E-commerce
- Project websites
- Social media
- Mobile Marketing
- QR Codes / In-store signage
- Google Places program

BSPTV intends to start and remain at the forefront of these technologies to stay relevant to this up and coming demographic. To reinforce this perception BSPTV will actively seek new ways to integrate digital video, audio and social media into the in-store shopping experience. This will help insure a steady customer base as the population ages and the community turns over.

True Value has prepared Best Practices for Implementing various marketing strategies that will be utilized in the marketing plan. See appendix E for further information regarding the wealth of programs available.

Promotions

Best practices for Promotions include planning ahead of the sale date, inventory replenishment, visual merchandising, customer service and post-promotion evaluation.

Grand Opening

True Value's field marketing team is available to provide all the necessary tools for a successful grand opening event.

Special Events.

Again, the True Value field marketing team has a plethora of ideas for special events and how to promote them to the community. Special events could be a ladies night, environmentally friendly events, product demonstrations, etc.

Mystery Shopper

True Value offers a mystery shopper program where anonymous customers make purchases and report on the store. This information can be shared with associates to encourage or make changes as necessary. This information will be invaluable for developing customer-focused employees.

Other Advertising programs offered by True Value include:

- Customized circulars
- Newspaper Ads and Bag Stuffers
- Targeted Direct Marketing
- Website creation and maintenance with the TruSite Program
- Radio scripts and pre-recorded radio spots
- Television Commercials
- Directory advertising
- Outdoor / Mobile marketing
- In-Store Music and Messaging with Sirius Business

While not all of these strategies may be appropriate for the St. Peters market, the resources are available, if only for a one time promotion.

Industry Economics

- Overall United States home improvement market is \$170 B. (According to Claritas)
- United States convenience hardware segment is \$38 B. (According to Claritas)
- Retail market potential for the St. Peters primary trade area is \$6.129 M. (See appendix F)
- St. Peters has been a high growth community for decades – but has leveled off to a mature community with aging homes. Much of the trade area has residential single-family homes that will require updates and maintenance. A drive around the primary market area reveals residents are caring for and maintaining their home investments.
- Growth for BSPTV will initially come from efforts to “get the word out” that a convenient, well-merchandised helpful store has come to the St. Peters community. As people experience our exceptional service, selection and people they will tell their friends – thereby building a loyal customer base. Additional growth is anticipated in the rental market (party rentals and small tool rental) as well as small residential contractors

Barriers to Entry

- Start up costs, of around \$1M, for a convenience hardware store are steep for the casual small business investor.
- Consumer acceptance and brand recognition for the convenience market are limited to a select few brands. An independent hardware store would have a very difficult time being successful in a new market. The True Value brand recognition is a major advantage for BSPTV.
- Operating a hardware store requires skills in a broad range of areas. True Value provides assistance and training in all of these critical success skill areas:
 - Marketing
 - Store Planning
 - Operations
 - Human Resources Management

- Inventory Management
- Retail Systems
- Merchandising
- Merchandise Management
- Retail pricing
- Financial Management, and
- Customer Service.

- Distribution and wholesale prices can be a barrier to entry as well. True Value's network of distribution and warehouse facilities assures a steady supply of product with a significant cost savings over smaller stand-alone independent hardware stores.
- Two other major convenience hardware cooperatives (Ace and Do It Best are located in the area, but the intercept position of BSPTV will mitigate their competition and help to insure that we will be THE convenient hardware store of choice for the major portion of our local trade area.
- Change in technology and our strategy has been discussed previously. It should be noted that this primarily affects our marketing efforts, not necessarily buying habits. Whereas other retailers (clothing, books, electronics, musical instruments etc.) have been hard hit by the growth of internet shopping, the convenience hardware market tends to be buffered from the trend. Homeowners typically do not think of or know their hardware needs until the project is started. At that point they will be unwilling to order via the internet, even if the product can be shipped overnight. Moreover, the price point for many of the needed items is sufficiently low and the shipping costs could easily exceed the cost of the merchandise. For this reason we believe there will always be a need for a local hardware store that is convenient for customers.

Potential Business Impacts

- Changes in government regulations can have an impact on the hardware business. Staying abreast of current code requirements or regulations regarding energy efficiencies or environmental impacts will be necessary to assure that phased out products are replaced with new versions (examples include light bulbs and fertilizers). True Value and the North American Retail Hardware Association provide valuable insights for these changes and what to expect in the future.

- Changes in the economy (the recent downturn as an example) have exposed the hazards of not paying close attention to the critical success factors and constantly monitoring financial performance in a variety of ways. Each year the NHRA publishes a Cost of Doing Business Study that provides financial and operation performance data for hardware stores, home centers and lumber/building materials outlets. Key findings are highlighted and data presented for the “average” stores and “high profit” stores. By comparing BSPTV store data with those in the report we can evaluate and plan strategic changes to improve performance. Financial ratio and data we intend to evaluate include liquidity/debt ratios, activity/profitability ratios, cash cycles and square footage/employees/customer analysis.
- With regard to changes in the industry, we expect a bit of a “backlash” against ever larger and larger box stores. Consumers are tiring of the hassle and inconvenience in order to save a minor amount on many of their hardware purchases. Staffing large format stores with knowledgeable associates will be increasingly difficult and consumers will understand the True Value that our store provides.

Product

With approximately 25,000 skus on hand and in-store (60,000 skus in the True Value warehouse) it would be exhaustive, and unnecessary to list them all. True Value core product will include the following departments:

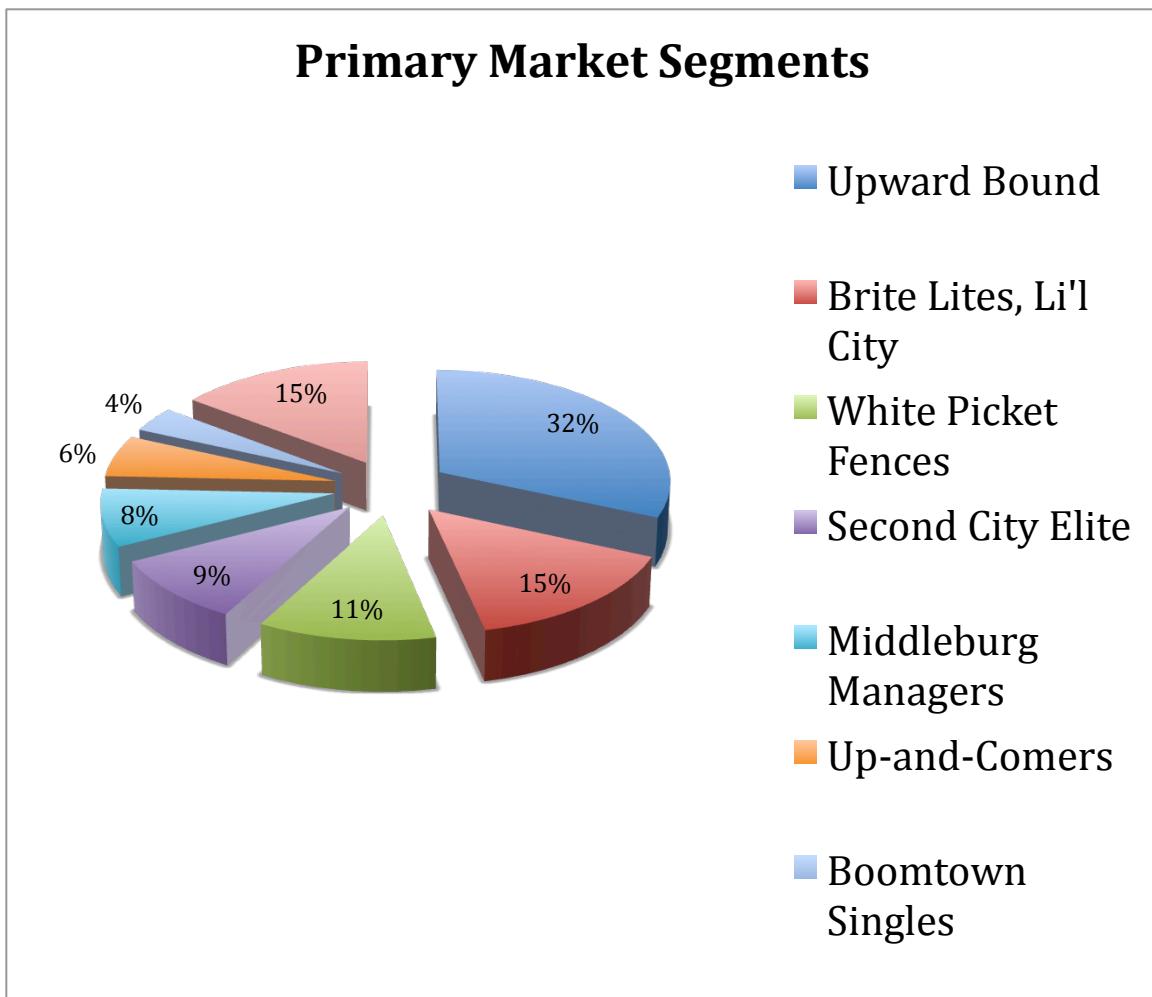
- Automotive
- Electrical
- Hardware
- Building Materials
- Cleaning Products
- Storage
- Lawn & Garden
- Outdoor Living
- Outdoor Power
- Seasonal
- Paint
- Plumbing
- Tools
- Home
- Pets

A True Value Retail Consultant will work with BSPTV to prepare the opening stock order based on current market research and local demographics. Breadth and scope of departments and product lines will be evaluated at that time.

Subsequent to the opening order, BSPTV will continually track and evaluate actual store data to determine merchandise management and inventory management strategies.

Customers

True Value utilizes Claritas Prizm to identify the market segments in the stores primary trade areas. 75% of the households fall into the following market segments:



Upward Bound 31.6%

Prizm identifies this segment as upscale, middle aged with kids. "More than any other segment, Upward Bound appears to be the home of the those legendary Soccer Moms and Dads. In these small satellite cities, upscale families boast dual incomes, college degrees, and new split-levels and colonials. Residents of Upward Bound tend to be kid-obsessed, with heavy purchases of computers, action figures, dolls, board games, bicycles, and camping equipment. Lifestyle traits: order from target.com, buy toys on the internet, read PC Gamer, watch Nickelodeon and drive a Honda Odyssey."

Brite Lites, Li'l City 15%

Prizm identifies this segment as upscale, middle aged without kids. "Not all of America's chic sophisticates live in major metros. Brite Lites, Li'l City is a group of well-off middle-aged couples settled in the nation's satellite cities. Residents of these typical DINK (double income, no kids) households have college educations, well-paying business and professional careers, and swank homes filled with the latest technology. Lifestyle traits: shop at Crate and Barrel, participate in fantasy sports, read Macworld, watch Lost and drive a BMW 328."

White Picket Fences 11.4%

Prizm identifies this segment as Upper-Mid income, younger with kids. "Midpoint on the socioeconomic ladder, residents in White Picket Fences look a lot like the stereotypical American household of a generation ago: young, upper-middle-class, and married with children. But the current version is characterized by modest homes and ethnic diversity, including a disproportionate number of Hispanics and African-Americans. Lifestyle traits: order from BMG Music, rent/buy kid's videos read people en Espanol, watch Latin Grammy Awards and drive a Kia Sedona."

Second City Elite 9.4%

Prizm identifies this segment as upscale, older without kids "There's money to be found in the nation's smaller cities, and you're most likely to find it in Second City Elite. The residents of these satellite cities tend to be prosperous professionals who decorate their homes with multiple computers, large-screen TV sets, and an impressive collection of wines. With more than half holding college degrees, Second City Elite residents enjoy cultural activities – from reading books to attending theater and dance productions. Lifestyle traits: Shop at Talbots, belong to a civic club, read Travel & Leisure, watch Washington Week and drive a Lincoln Town Car Flex Fuel."

Middleburg Managers 8.28%

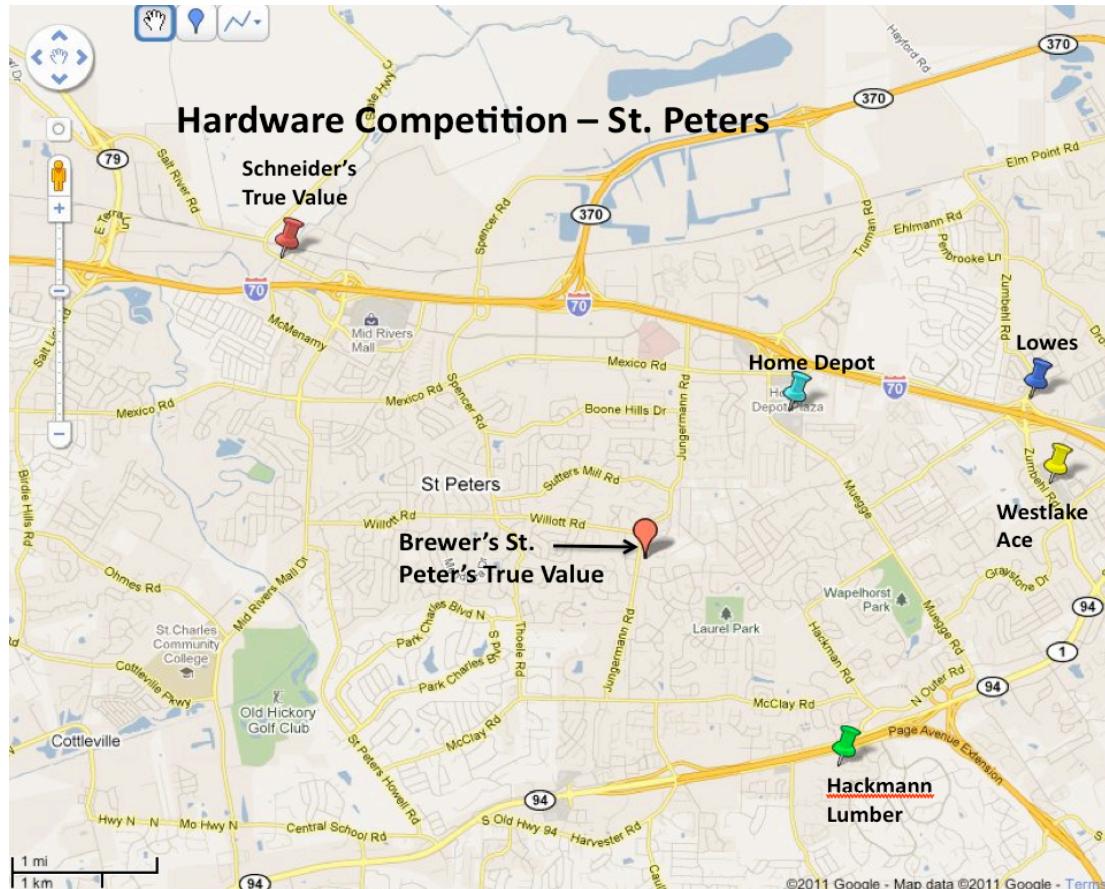
Prizm identifies this segment as upper-mid income, older without kids. "Middleburg Managers arose when empty-nesters settled in satellite communities, which offered a lower cost of living and more relaxed pace. Today, segment residents tend to be middle-class with solid white-collar jobs or comfortable retirements. In their older homes, they enjoy reading, playing musical instruments, indoor gardening and refinishing furniture. Lifestyle traits: shop at Pottery Barn, buy books on tape, read VFW Magazine, watch Inspiration Network and drive a Mercury Grand Marquis Flex Fuel."

A complete listing (with profiles) is included in Appendix G for the remaining top ten market segments in the primary trade area.

Competition

The retail hardware industry in general is highly fragmented with direct and indirect competition from "big-box" home improvement centers (e.g. The Home Depot, Lowes, Menards and others); retail hardware stores, many of which are affiliated with other large retailer-based hardware cooperatives (e.g. Ace, Do-It Best, Orchard Supply); traditional department stores and chains offering hardware merchandise (e.g. Sears); lumber yards and builder-contractor shops (e.g. 84 Lumber, United Building Centers); mass merchandisers, warehouse clubs and discount stores (e.g. Wal-Mart, Sam's Club, Costco, Target, Kmart) and catalog and Internet-based retailers (e.g. Amazon.com).

Major Local Competition



With regard to the local St. Peters market and BSPTV's primary trade area the following major competitors are present:

<ul style="list-style-type: none">• Home Depot<ul style="list-style-type: none">○ 3891 Mexico Road○ St. Charles, MO• Hackmann Lumber – Do It Best<ul style="list-style-type: none">○ 3030 Highway 94 South○ St. Charles, MO• Westlake Ace Hardware<ul style="list-style-type: none">○ 1920 Zumbuhl Road○ St. Charles, MO	<ul style="list-style-type: none">• Lowes<ul style="list-style-type: none">○ 2900 West Clay○ St. Charles, MO• Schneider's True Value – Old St. Peters.<ul style="list-style-type: none">○ 9 Main Street○ St. Peters, MO
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Westlake Ace and St. Peters True Value will compete across the board on all major products and services. BSPTV has the distinct advantage of being at the core of the residential market with great access and convenience. Physical geography of the roads isolates BSPTV from driving (and perceived) distances that are not readily apparent by looking at the “as the crow flies” distances. This offers tremendous competitive advantage, particularly for customers looking for added convenience, service and value.

Home Depot, Hackmann Lumber and Lowes compete in the overall home improvement market. Home Depot and Lowes appeal more to the consumer market, Hackmann tends to be more contractor-focused. Customers doing large scale remodeling and building work will gravitate to these outlets. This is well understood. BSPTV consciously will not compete directly in the lumber or major building product segments.

BSPTV will experience a degree of indirect competition for some products from grocery stores and other convenience stores (Walgreens). BSPTV will identify key product categories and adjust our pricing and product mix to either mitigate the competition or exploit weaknesses in their product offering.

BSPTV’s primary competitive advantages will be location, convenience, service and people. As stated earlier, our store location is well situated in a residential area that does not require travel on or crossing Highway 94, Mexico Road and Interstate 70. These are major mental barriers for the residents in the primary trade area.

BSPTV has a competitive disadvantage with the larger home centers in the areas of lumber and building supplies (areas in which we have chosen not to compete). In addition, name recognition and national advertising of Lowes and Home Depot are formidable. Consumer’s perception that these large competitors always have lower prices is not always accurate, however. True Value has a program that tracks the pricing for these competitors and provides pricing updates and reports on a regular basis to coop members. This, along with, locally gathered intelligence and marketing will be used to combat this price perception.

Niche

BSPTV’s niche will coincide with our competitive advantages – location, convenience, service and people; and our operational strategy will emphasize these advantages. Employees will be schooled on the importance of our strategy well before employment during the hiring process.

Proposed Location / Building

BSPTV will be located at 915 Jungermann Road in St. Peters, Missouri. The location is convenient to 13,000 + households. It is located in a small retail center with plenty of parking and ample space for an outdoor spring and summer lawn and garden area. The interior layout of the store is a very efficient “racetrack” design that allows ample endcap merchandising opportunities (see concept plan below). Designed to the latest DTV (Destination True Value) standards the space will be inspirational, inviting, fresh and well lit. True Value research has shown that stores remodeled to the DTV standard in the first year following have sales 8.8% better than their non-DTV counterparts, and average of 7.4% better in the second year.

3D Conceptual Layout



Sales Forecast

Based on the size of the store, demographic and customer data, market analysis, market strategies, True Value's history of similar stores in similar markets, NHRA data and other factors we have established the following revenue projections.

Year	Sales, \$	Sales, \$/SF
1	\$1,070,000	90.00
2	\$1,230,000	103.46
3	\$1,353,000	113.80
4	\$1,448,000	121.79
5	\$1,505,000	126.59



Detailed information regarding sales projections (including month-by-month forecast in the first year of operation) is included in the Proforma, Appendix H.

VI. Operational Plan

Daily operation of the business will consist foremost with serving customers. All other business activities will be secondary. Customers are never an interruption to our business – but the main purpose of our business.

That being said, a number of operational tasks must be completed. Primarily these relate to point-of-sale (POS) activities, merchandising, marketing, human resource management & training, inventory management, housekeeping, receiving & stocking, pricing, customer service, bookkeeping, financial management and promotional planning. These tasks will be divided up and assigned to specific positions within the organization. It will be the responsibility of the owner to assure that these tasks are well defined and responsibilities are unambiguous. Development of specific roles with policies and procedures has not yet been completed. Other True Value training will offer information and assistance in this development.

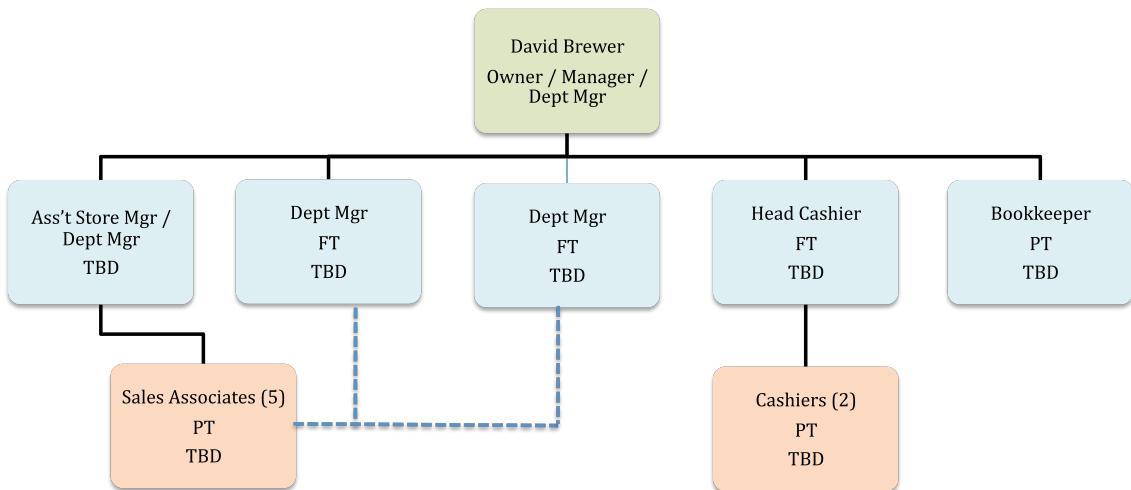
Store Hours of Operation

Mon – Fri	7:30 am – 8:00 pm
Saturday	8:00 am – 6:00 pm
Sunday	9 am – 4:00 pm

BSPTV will utilize hands-free communication devices to alert associates of customer needs and to summon the assistance of a more knowledgeable employee. This will allow associates to perform functions that are not directly associated with customers, yet be accessible as the need arises. It also offers the manager a means of monitoring store activities without constantly having to be on the sales floor.

Personnel

Brewer's St. Peters True Value



BSPTV will employ nine full time equivalent employees. We will attempt to find some retail hardware experience at the Department Manager levels. Head cashier will need management skills. Bookkeeper should possess adequate AR and AP experience; skills with Quickbooks would be a plus. All employee candidates will be assessed relative to their customer service approach and attitude.

The current proforma anticipates a non-officer payroll expense of 14% of net sales in the first year reducing to 13% by year four. According to the 2010 NHRA Cost of Doing Business Report the typical retail hardware store is at 14.2%, high profit hardware stores are at 12.9%.

Craigslist, local newspaper advertising and word of mouth (networking) will be utilized to find qualified candidates. The hiring process will be thorough.

All job positions will have written requirements for the job that will be made available to all potential applicants. Human resources will focus on five key areas of employee development:

Recruiting

Soliciting, finding, screening, interviewing and hiring great employees.

Orienting

An organized approach for bringing new employees on-board, making them feel welcomed and part of the team.

Training

This included new employee training and on-going skills and knowledge development.

Performance Measurement

We will produce a documented system that regularly evaluates and provides feedback to employees. This system will be designed to recognize what he or she has well and to identify opportunities for development.

Reward and Recognition

In addition to sincere complements for a job well done, BSPTV will establish programs to “catch people doing things right” and offer incentives such as store discounts, free merchandise from the store, gift certificates for “two on the town”, recognition pins and a digital or physical “wall of fame” for superior performance.

These policies and procedure will be developed by the manager and key leadership personnel during the month and a half prior to store opening. True Value offers support with boilerplate job descriptions, applications and interview questions / techniques.

Inventory

BSPTV plans to purchase through the True Value distribution center as much as possible. We will take advantage of drop ship specials through vendors on occasion, as well as drop shipments through vendors whom True Value does not have accounts. BSPTV will only take advantage of bulk deals if they make sense from storage, dating terms, handling costs, and inventory movement criteria.

Shipments will arrive from the distribution center (Kansas City) on a weekly basis, which should help keep inventory levels reasonable.

Seasonal orders will need to be placed early as required, particularly for the Christmas Season and spring season (hardware's most important time of year). True Value Markets are timed to assure timely ordering and delivery for these key seasons.

Suppliers

BSPTV's key and major supplier will be True Value, with fill in as necessary for local products and those not carried by the coop.

Credit Policies

Consumer credit will be handled via credit card. Every effort will be made to handle commercial accounts in the same way. Policies still need to be developed regarding these credit accounts. It will clearly have a process for handling aged accounts. The POS system can produce aged accounts reports and also has the means to suspend credit, if that should become necessary.

Managing Accounts Payable

Since the majority of BSPTV's product will come from True Value the Accounts Payable function should be a relatively minor matter. This will more than likely be handled with Quickbooks.

VII. Management and Organization

Overall day-to-day business will be managed by the owner, David Brewer. David has considerable project management and some manufacturing management experience. He has well developed communication and interpersonal skills. He will assemble a leadership team that can bridge his lack of experience on the retail side. Recognizing his lack of retail experience David is availing himself to all of the True Value corporate training opportunities. A passion for the business and zest for learning have characterized David's attitude throughout his career.

During the first several years, David will be a key figure in the success of the store. This is one of the reasons for developing policies and procedures that allow the business to be operated in his absence. It will be a priority to develop leadership at the manager level to be capable of operating the store. Should David see an untimely death, his family will likely have the resources to continue the business, but may lack the ability to manage it effectively. It would be desirable for the store, and its income to continue for his family should that occur.

Professional and Advisory Support

- Management advice:
 - Joe Goldberg, Retired Senior Vice President, Brown Shoe
 - Dave Smith, True Value Retail Consultant
 - Various local True Value Members
- Attorney
 - Eric Riess, Greensfelder, Hemker & Gale, PC
- Accountant
 - Roger Toennies, Schmersahl Treloar & Co.
- Insurance agent
 - TBD

VIII. Personal Financial Statement

Provided under separate cover.

IX. Startup Expenses and Capitalization

BSPTV Capital Requirements, \$			
Inventory			444,960
Pallet Jack			1,000
Building and Leasehold Improvements			
Specialty Flooring		3,600	
Burglary Protection		5,000	
Leasehold Improvements			
Drywall / Paint		8,991	
Flooring		27,613	
Hdwr / Carp / Misc		4,080	
Ceiling		8,420	
Exterior Façade		560	
Exterior Signage		18,193	
Plumbing		3,000	
HVAC		10,910	
FP		8,000	
Electrical / Lights		20,350	
General Conditions		11,800	
Permit		853	
Contingency		12,230	
Subtotal Leashhold Improvments		135,000	
Building and Leasehold Improvements Total			143,600
Computer			62,000
Fixtures and Equipment			
Equipment (see proforma list)		79,050	
Fixtures (see proforma list)		95,700	
Less Fixture Freight		(3,200)	
Less Fixture install Cost		(9,400)	
Fixtures and Equipment Total			162,150
Other Assets			24,608
Start up			
Employee Wages for Store Set-up		14,400	
Contract Merchandisers		27,000	
A-Stock Investment & Starter Kit		6,100	
Pre-Opening Utilities & Waste Removal		2,000	
Grand Opening		15,000	
Career apparel		1,400	
New Member Training		1,500	
Travel Expenses		5,000	
Freight Charges		3,200	
Contract Fixtures		9,400	
Start Up Total			85,000
Working Capital			155,269
WC Accounts Recieveable (Capital reserve)			12,100
Total Capital Required			1,090,687

X. Financial Plan

12-Month Profit and Loss Projection

See Proforma, Appendix G

Five-Year Profit Projection

See Proforma, Appendix G

Balance Sheet

See Proforma, Appendix G

XI. Loan Description

David and Melanie Brewer, on behalf of their yet to be created S Corporation hereby request a loan in the amount of \$ 475,000.00. The funds will be used as described on the financial proforma, primarily for start-up costs, inventory and working capital. Of the \$1,090,000 the complete sources of funds are:

Bank Loan	\$ 475,000
True Value Equity Match (No interest loan, 10 years)	260,000
True Value Opening Stock Order Credit	89,826
True Value Merchandising Assistance Credit	15,860
David & Melanie Brewer Equity	250,000
Total	<u>\$ 1,090,686</u>

XII. Appendices

- A. Destination True Value (DTV) – Interior Finishes
- B. Resume – David Brewer
- C. True Value Plug-and-Play Options
- D. Sample Yearly Marketing Calendar
- E. True Value Local Marketing Support
- F. Primary Trade Area Data
- G. Trade Area Market Segment Data