

Auto-Repair.com

Business Plan

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Executive Summary

Auto-Repair.com is a disruptive startup with a headquarters office in Houston, TX. While we plan to go-live in three markets January 2023, Austin, Dallas, and Houston, most of our employees will be working remotely and in the field.

The mission of Auto-Repair.com is to alleviate the hassle of finding a reputable mechanic by becoming the world's first app to connect communities with honest, reliable, and verified auto-repair services. By giving our subscribers access to prices, reviews, and simple bookings at your fingertips, our aim is to deliver transparency and integrity in the auto-repair industry. Again, our vision is to provide car owners with a stress-free environment to seek auto repair services.

Late one evening, our founder, Yoshinori Ami, was driving home with his family when out of nowhere- everyone's worst nightmare happened – the Check Engine Warning Light illuminated the dash. With a sinking feeling in his gut, he began to go into deep panic mode. He woke early the following day, searching desperately for a mechanic that could fix “whatever” the problem was. He read countless reviews and called countless shops. By noon, he'd been to three shops, paid two diagnostic fees, and the problem still wasn't fixed.

No one was transparent in their pricing and he was convinced the reviews he'd read were fake. Ultimately, it cost him over \$500 to fix a \$25 hose. He thought to himself, “there should be an App for that,” and like any good engineer, he immediately set his mind to the task.

As a group, we have four core executives. Our group comprises people with solid specialized accreditations in strategy and industry skills. The undertakings of every individual are recorded beneath.

Yoshinori Ami is our Chief Executive Officer and the technical mastermind behind the operation. He comes to us from Daikin, where he led a global team of engineers. Anuja Gadde is our Chief Human Resources Officer, she is fluent in multiple languages and has a passion for helping others achieve their potential. Maheshwari Mallikarjunan will

be our Chief Marketing Officer. Maheshwari brings years of experience driving digital transformation through innovative campaigns. Ladara Lucas, our Chief Sales & Strategy Officer has a strong background in driving revenues by bridging the gap between sales, marketing, and engineering teams. She is also a USAF Veteran.

Guy Kawasaki, the author of, *The Art of the Start*, is our most trusted advisor and has helped guide us from idea to innovation. Our initial workforce will be small, comprising the founders and an elite group of business development representatives. Over the next ten years, we will grow our team exponentially as we enter new foreign and domestic markets.

Our business model is similar to Angi and GasBuddy. The purpose of Auto-repair Dot Com is to share information with consumers seeking good, reliable auto body shops.

The concept is just like Uber. The individual auto body shops operate as independent contractors to the App and post their prices for services such as an oil change, tire replacement, or significant repairs.

The user selects the preferred shop based on fees, proximity, availability, or reviews. As the cost is shown upfront, once repairs are complete, a user can pay through the App. Thus, eliminating the possibility of hidden fees or additional charges. Users can also rate the shop after they get a service. It helps other users to choose better auto repair shops.

Due to the current volatility of markets, a looming recession, inflation, rising interest rates, and chip shortages, more Americans are foregoing buying new vehicles. With an influx of older vehicles on the road, this puts Auto-Repair.com in an optimal position to enter the market now while no other platform offers our proposed services.

After our initial launch in three cities, Auto-Repair.com's goal is to expand our partnerships with auto shops into ten new cities each year, growing revenue through service commission fees and ad revenue over the next ten years. We aim to build a strong brand through targeted sales and marketing campaigns. Our long-term goal is to leverage our market share to enter Central American and Asian markets in the manufacturing sector through foreign direct investment (FDI). The culmination of these goals will be supplying our own brand products to our partner repair shops and merging with service repair giant, Midas.

To start our business with positive cash flow, we initially planned to raise 750K dollars from a select group of friends and family to avoid creating dilution. However, our estimated burn-rate is 57,000 dollars per year and this will create a long term negative cash flow and put our business at risk within a few years.

If you want to be part of the future of the auto repair industry, investing in Auto-Repair.com is the only place to be. We are seeking \$1M dollars of funding to make our business more sustainable. By collecting 187.5K dollars from our four principal founders and additional \$1M dollars in venture capital, we will have a total initial funding of \$1.75M dollars. This will be sufficient seed capital to give us time to break-even. Meantime, we are offering your firm a 20% ownership and our four principal founders possess 20% control of the company per person. We choose this strategy to ensure that we, the founders, can run the firm autonomously. We also plan to pay 2000 dollars per month, which is a 2% annual interest, to our investors for 10 years. At the end of 10 years, we the option of either we pay off the \$1M dollars of principal to them or offer 20% options of an initial public offering (IPO).

Service Problems/Opportunities

The mission of Auto-Repair.com is to become the world's first App to connect communities with honest, reliable, and verifiable auto-repair services. By giving our subscribers access to prices, reviews, and simple bookings at your fingertips, we aim to deliver transparency and integrity in the auto-repair industry.

We've all been there; the check engine light comes on, and panic sets. How do I find a reliable mechanic? Where do I even begin to start looking? Finding a credible mechanic is challenging with all the scams and astronomical upselling. Knowing where to find a trustworthy auto mechanic is a common problem and has the potential to save subscribers tons of time and money.

Whether you require routine maintenance, like an oil change, or something more intensive, like a new transmission, we've got you covered.

The beauty of our App is there is never a charge to the user. Instead, the subscribers log in to the App and search for the service they need in their preferred area. Auto-Repair.com then directs them to available providers and a quote on the requested service. Subscribers can then secure appointments and make payments (held until service completion) directly through the App.

While household customers are the largest share of the repair industry, making up 75%, consumers 45+ account for 35% of revenue.

Auto-Repair.com does not charge subscribers any membership fees, so our customer base is divided into three segments.

- In-app marketplace for subscribers and auto repair providers
 - Free access for consumers, a fixed fee charged to vetted mechanics, users log in and browse categories, customer reviews, and book in the App (% charge of service fee)
- Data/lead generation service
 - Direct sales of leads on a per-lead basis
- Fixed pricing on select maintenance services to relieve haggling
 - Oil change, tune-up, standard maintenance

Competitive Advantage

In this busy world, we all believe that time and money are two important, valuable assets for everyone. Most Americans aged 18-45 use the automobile as a primary mode of transportation. No platform has yet to combine them all in one place. So, this is the perfect time to enter the market.

This application will have individual auto body shops as contractors, and a user can review many shops in one place, which saves the users time. Based on the service a user needs, the charges may be applicable for that service without additional costs. Only a user can give reviews to the application, so loyalty is an advantage for any new entry into the market.

Economics

According to a recent report; the auto repair industry is forecast to grow by over 3% over the next ten years, driven by increased production, additional maintenance for in-service vehicles due to chip shortages, and demand from emerging markets. Across the US, there are over 160,000 auto service/maintenance companies, generating revenues of roughly \$115B revenues annually. In 2017, the national average cost of car repairs for % of the most common maintenance was \$356, with repair services ranging from \$3-\$8,200 (Gaille, 2017).

Partnership

We will partner with major auto repair franchises and wholesale companies to provide our customers with better access to auto repair shops. We also give the partners priority to use our ad space so we can generate a profit from our partners' ads.

Examples of partners are Midas International, Meineke Car Care Centers, Christian Brothers Automotive, Costco, and other national and regional chains. We also strongly believe in supporting small businesses and diversity in our communities. Therefore, auto-Repair.com will have a feature highlighting which partners are DVBE, VOSB, NGLCC, NWBC, WBE, HUB, WBENC, and SBA certified.

Again, we also work with advertisement companies, analytic data companies, and credit card and online payment companies. To provide a free app to our customers, we need sources of revenue. Providing advertising space in our app helps us use the area more efficiently and generate revenue. In addition, a partnership with a data analytic company like Localytics will help us understand what content our customers prefer and give us an idea of how we can better plan marketing strategies.

Lastly, collaborating with credit card companies, such as VISA and MasterCard, and online payment companies like PayPal provides convenient payment options to our customers. This guarantees smooth and secure payment transactions that will help the customers trust our business.

Market Opportunity Analysis

Customer Target Segments

- This app's target customers are both male and female tech-savvy young adults whose ages are between 18 and 34 years old. Their annual household incomes are 70k dollars or higher and they are willing to pay for convenience. The average user owns late-model, compact cars, and hybrid cars and live in largely populated cities.

Positioning Statement for Auto-repair Dot Com

- For consumers seeking good and reliable auto body shops.
- For those who need to repair their cars with a reasonable cost properly.
- This is a free app; a user can select an auto body shop based on a price or review. Since the cost is shown at the front, after a car repair is completed at the selected auto body shop from the app, the user can complete payment through the app. Rip-off or any additional repair charges can be avoided.

Differentiation

- Apps like Yelp and Google show only reviews of auto body shops. However, the information regarding repair costs and auto repair types was unclear.
- Our product shows customer reviews and auto repair prices at the front. So the users can understand who provides reasonable repair work at a fair price.

Positioning Map

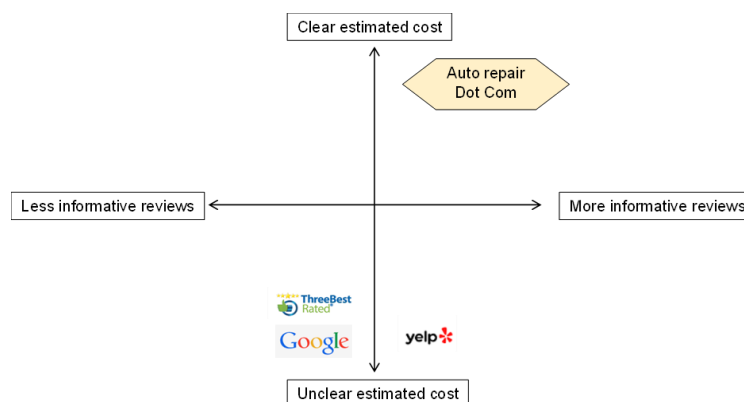


Figure 1. Positioning map of Auto-repair Dot Com.

Marketing Mix Auto-Repair Dot Com

Product

The prime target customers of our Auto-Repair Dot Com app are male and female adults who are between 18 and 34 years old. In particular, their household annual income is over 70K dollars. They own vehicles such as late-model and compact, and hybrid cars. This range of owners tends to drive more aggressively than older generations, which results in more accidents than older demographics. This group has the highest likelihood of damaging vehicles and needing costly repairs. In particular, the higher their income, the more they can afford to pay for auto repair services. Therefore, our product aims to attract this range of customers.

This app is also the best fit for the more cautious consumers that spend hours researching the best providers and discounts. Unlike other apps, our product shows customer reviews and auto repair prices at the front. Not only does our App save consumers money, it eliminates the soft costs (loss of time) for users by compiling all reviews in the App.

Price

We offer this product as a free app also known as a freemium. By doing so, new users can install it from the app store and try it out without any hesitation.

Place

This app is available at Apple & Android app stores. So the target customers can download it to their smartphone or tablet PC easily.

Promotion

Besides supporting viral marketing, we plan to budget 24,000 dollars annually on advertisements to promote our product on other websites (primarily social media sites). We also expand the promotion areas by hiring 10 sales representatives every year.

Business Model & Strategy

Global Strategy and Approaches

- Emerging technology and a shift in customer expectations are bringing about revolutionary changes in the market, and consumers are displaying a readiness to pay more money or switch brands in return for a better experience.
- Increases in annual mileage and improvements in vehicle quality and maintenance are the two main factors causing this growth to continue.
- We have a recipe for a conditional increase in the need for preventative maintenance and repair because the average lifespan of vehicles on the road is growing worldwide.
- There are formats to advertise something globally.
- 1. Joint Venture - Depending on the products, services, and maintenance required, such as a product company, mechanic agency, and so forth, we can partner with the relevant local automotive industry, which would benefit from us and vice versa.
- 2. Wholly Owned Subsidiary - To explore beyond the local service and repair we can look for organizations with similar-based bases with the assistance of linked companies in another country.
- 3. License and Franchise- After the firm is established locally and with the partnered company in another country by providing service, repair, products, and maintenance at a fair price and with quality service, we may gradually start a license to start a franchise.
- As soon as the franchise is operating, we may purchase the goods and services we require from the local economy. Exports won't be as necessary, and other municipal fees, such as transportation costs, can be decreased.

Below are recent rates of Auto Repair Services,

- The COVID-19 situation is expected to have an impact on the global market for automotive repair and maintenance services, which is expected to increase at a CAGR of 3.1% from 2020 to 2026, from its predicted US\$565 billion in 2020 to US\$678.4 billion. To reach US\$211.1 billion by the conclusion of the analysis period, one of the segments examined in the report—tires—is forecast to expand at a 3.6% CAGR.
- Growth in the Wear & Tear Parts category is readjusted to a revised 2.7% CAGR for the next 7 years following a detailed review of the commercial ramifications of the pandemic and its consequent economic crisis. The market for automotive repair and maintenance services as a whole is now dominated by this segment

with a 23.1% market share.

- In 2021, it is predicted that the U.S. market for automotive repair and maintenance services would be worth \$93.6 billion. A 16.33% share of the global market is currently held by the nation. With a projected 4% CAGR over the course of the analysis period, China, the second-largest economy in the world, is expected to reach an estimated market size of US\$154 billion in 2026.
- Japan and Canada are two other notable geographic markets, with growth rates of 2.2% and 2.7%, respectively, predicted for each throughout the study period. The rest of the European market, as defined in the study, is expected to reach US\$158.9 billion by the conclusion of the analysis period, while Germany is expected to develop at a rate of about 2.4% CAGR.

Estimated Cost

In the first year, we plan to start our business with 13 employees and one manager. To not possess many assets, our office space is rented and all IT equipment for our company is leased. As table 1 shows, the estimated cost for business operation is 848,080 dollars.

Type of Cost	Items	Total cost (\$)
Net Operation Cost	Office space rent	84,000
	Computer (lease)	600
	Printer (lease)	3,000
	Server Cost	480
	SalesEmpolyees (10 people)	500,000
	Web Developer (3 people)	180,000
	Manager (1 person)	80,000
	Net Operation cost(\$)	848,080

Table 1. The following shows the estimated Net Operation cost for the first year.

In table 2, office furniture is listed as our asset. We also expect to submit at least one patent a year and this costs approximately 2000 dollars.

Type of Cost	Items	Total cost (\$)
Capital Expense	Office Furniture	5,000
	Intellectual Property	2,000
	Total	7,000

Table 2. The following shows the estimated Capital expense for the first year.

Other expenses such as app development labor cost and advertisement cost are listed in table 3. In addition, as the app development cost is required only at launch of our business, this expense is listed only for the first year. Our estimated advertising cost is 2000 dollars a month and this will be listed annually.

Type of Cost	Items	Total cost (\$)
Initial Cost	App development labor (6months)	10,000
Other cost	Advertiment	24,000
	Total Initial cost (\$)	34,000

Table 3. The following shows the estimated Net Operation cost for the first year.

Mergers and Acquisitions

- Auto repair application is a trend-setting innovation-driven organization with activities in identifying contractors and services.
- The capital is supported by the investors of the organization, Trade Credit and Banks.
- The vision is extremely obvious to be the innovator in the Autonomous industry in the following ten years and cover the whole U.S. market and go worldwide too.
- To grow further in the next 10 years, it was planning to merge with the top auto repair company MIDAS, which has more sales in the auto repair industry.
- As MIDAS is already a booming company in auto repairs when our company merges with that, it will be more beneficial to grow globally and locally in the next 10 years.
- Already existing clients and customers might be attracted to our application which increases our company's sales.

Customer Relationship Management

CRM stands for customer relationship management, which is the simplest and most common definition of the abbreviation. Customer relationship management uses tools and techniques to help companies compile and store customer data in a centralized location or database.

We also utilize a different definition of CRM for our tools and services related to automobile marketing. CRM is an acronym for customer retention marketing when used in marketing contexts. This CRM is all about the methods and tools that a company can

use to turn new and existing clients into loyal ones who will do business with it again and again in the future.

The first step will be collecting customer data to lay out customer relationships; we want customer information like email and contact number. To get that organization entryway, whoever wants to use the app needs to fill in the basic details and give experiences and reviews on what clients like, and it is utilized to develop customer friendly. Additionally, the organization's advertising procedures include gathering customer information in each potential stage, like virtual entertainment. Customers are urged to give a test, winners are granted gifts through the draw, and frequent customers are identified and provided discounts on their rates. Secondly, by mining and saddling the customer's information and observing likely customers, an outreach group will be allotted to help customers through follow-up messages and calls from customer care to take audits from customer experience rates.

Any automobile shop that wants to expand and realize must have a method for compiling client information into a readily accessible system that can use for marketing purposes. Mitchell 1 Social CRM car repair shop marketing is available.

With timely service reminders, such as maintenance, inspection, and tire rotation reminders, Mitchell 1 SocialCRM is a fully comprehensive marketing tool that focuses on bringing consumers back into an auto shop. The even better news is that Mitchell 1 SocialCRM's shop management system, Manager SE, which shops use to arrange and store their customer information and repair orders, automatically integrates with Mitchell 1 SocialCRM's automotive CRM software.

Sales and Marketing Plan

Marketing Objectives & correlating KPIs

- To acquire 5,000 new auto-repair partnerships within three months by launching aggressive b2b sales & marketing campaigns in the following markets Houston, Austin, and Dallas
 - Salesforce generate/qualify 2,500 new leads/month/ rep(x10)
 - New opportunity generation
 - Number of booked meetings/month
 - Number of closed deals resulting from marketing
- To gain 500k followers on social media
 - Number of click rates, comments, and likes
 - Subscriber engagement
- Raise brand awareness through social media campaigns
 - Number of inquiries about app
 - Number of media interviews
 - Number of blog articles
- Within 6 months, our firm needs to reach 20,000 sales at the national average of \$356, with a 8% fee to achieve revenue of \$712K
 - Appointments booked through app
 - Number of repeat customers and upsold services
 - % average client spend

Revenue Model

Auto-repair.com will use a mixture of three revenue models. Each model will target a different customer segment; transaction (commission), advertising, and eventually, product sales.

Who is the customer? Why will they buy our service/product?

- Transaction (commission) fee revenue model targeting auto repair shops
 - Most attractive model for our startup as auto shops do not have to pay before gaining value (exposure) from the marketplace

- Each member can operate for free, ensuring they have nothing to lose by joining, allowing merchants to focus on day-to-day business operations while auto-repair.com focuses on generating new business
- Auto-repair.com will charge sellers a commission of 8% plus processing fees, dependent on service category
- Zero commission for first 10 services sold
- Commission-based model most attractive for scaling business by decreasing friction for buyers to join and eliminates risk to sellers (Javed, 2022)
- Advertising Revenue combined with freemium to subsidize the “free” aspect
 - Local businesses that would potentially interest our target market (busy Gen X, Z, and millennials, low/middle-income users seeking convenience) near partnering auto shops
 - Key metric will be measurable app traffic
 - Like many applications, we will leverage the high volume of subscriber traffic to generate ad revenue
 - To ensure customers will advertise with us it is imperative marketing efforts be geared toward generating app traffic, which can be translated into click-through rates, page-view numbers, or time spent browsing the app (Revenue Model, 2019) and that we hit our targets of 500K social media followers within the first three months of app launch and 4K subscribers
- Product Sales Revenue
 - Selling of own brand auto repair parts via online marketplace directly to B2B and B2C consumers
 - Differentiated pricing tactics, online pricing structure will fall to dynamic marketplace (updated daily against top competitors)
 - Discounted pricing for app members and franchises based on margin
 - Volume discounts and large order rebate

Profit Model

The following table 4 shows the projected sales, profit and cost of Auto-repair.com for the next five years. We expect to have 4,000 subscribers within the first three months and start earning a profit by a clickthrough rate from our website visitors. We also estimate that 30% of daily subscribers take actual transactions. Every sales transaction will charge a 2.5% process fee and an 8% commission. We also plan to hire ten sales reps per year, up to 50 people, in the next five years to gain more subscribers and more transactions through our app. However, sales growth rate is not as fast as the growth rate of our business cost, our forecast of having positive profit is 2027.

Year	2023	2024	2025	2026	2027
Revenue (\$ Million)	0.497	0.800	1.325	2.664	6.477
Cost (\$ Million)	0.916	1.660	2.424	3.188	3.952
Profit (\$ Million)	-0.331	-0.680	-0.868	-0.414	1.995
Cash flow (\$ Million)	1.440	0.758	-0.113	-0.529	1.464

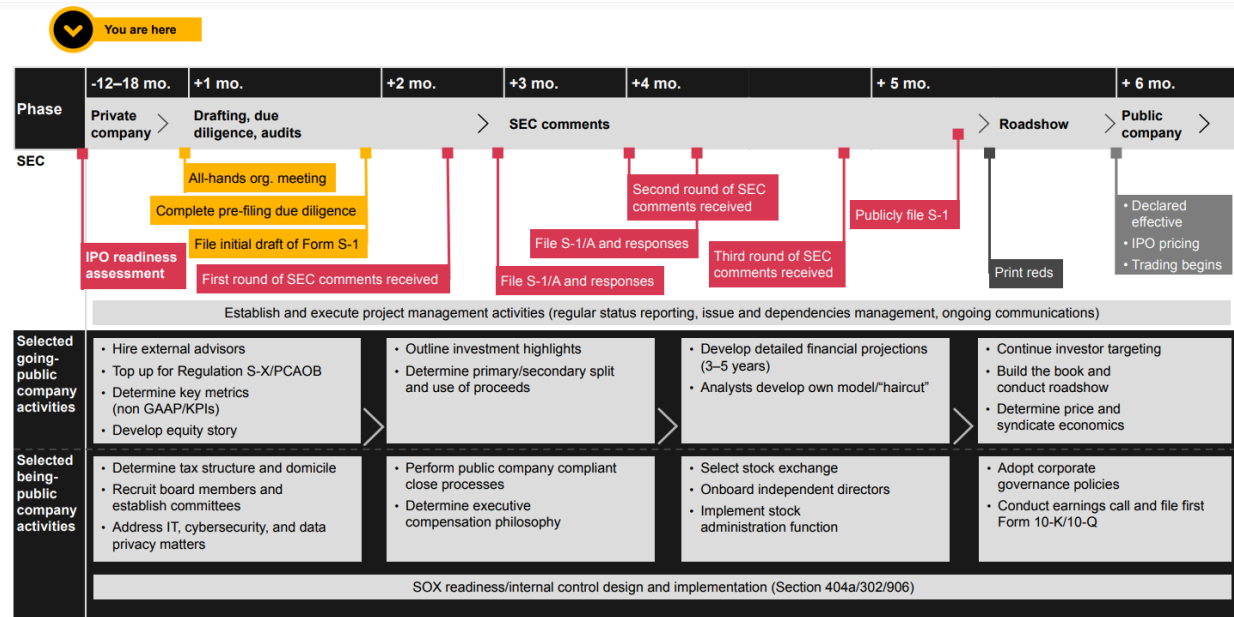
Table 4. Annual sales, cost and profit.

Harvest Plan

The harvest plan for Auto-repair.com will employ a strategy of selling the firm through an initial public offering within five years. We chose this strategy for many reasons. Primarily, this will be an opportunity to raise enough capital to acquire auto parts manufacturing companies (PPE) in Asia and Mexico and pay off debt.

In figure 2 shows, the IPO will also raise awareness and generate new customers and sources of revenue. We anticipate our private investors and venture capitalists will use the IPO as an exit strategy (Corporate Finance, 2002).

According to PWC, 43% of companies that recently completed an IPO felt like they started the process too late. To avoid this pitfall, we will engage a consultancy firm to assist with project management no later than Q2 of 2026 and begin the IPO Readiness Assessment. Below is the budgeted time allowance.



Financial Plan

Our financial plan shows the next five years of the sales forecast, cost forecast, income statement and return on investment (ROI).

SALES FORECAST

Auto-repair.com starts our business with 10 sales employees and forecast to gain 4000 subscribers in the first three months. We also charge 8% commission fee and 2.5% process fee at every transaction made by our customers through our app.

In addition, we gain our sales from the click-through rate with 50 cents per click customer makes in our app. We also enforce sales by hiring 10 sales reps every year to grow our sales. Although the first year's projected sales growth is only 61%, we are expecting a rapid growth in the next five years. Table 5 shows the details of five years of sales forecast.

Year	2023	2024	2025	2026	2027
Subscribers	\$ 43,137	\$ 69,373	\$ 114,976	\$ 231,162	\$ 562,025
Estimated transaction	\$ 12,941	\$ 20,812	\$ 34,493	\$ 69,349	\$ 168,608
Process fee	\$113,235	\$182,104	\$ 301,812	\$ 606,800	\$1,475,317
Commission	\$362,353	\$582,732	\$ 965,797	\$1,941,761	\$4,721,014
Total repair sales	\$475,589	\$764,836	\$1,267,608	\$2,548,562	\$6,196,331
Advertisement sales	\$ 21,569	\$ 34,686	\$ 57,488	\$ 115,581	\$ 281,013
Net sales	\$497,157	\$799,523	\$1,325,096	\$2,664,143	\$6,477,344

Table 5. Sale projection for the next five years.

COST FORECAST

Table 6 shows the details of estimated cost including business operation cost, web development cost and advertisement cost for the next five years. Major increase in cost is labor cost as we plan to hire 10 sales people annually. We also project to add web developers to improve our app. In addition, we plan to pay 2000 dollars of interest to our investors every month.

Year	2023	2024	2025	2026	2027
Expense					
Office space rent	\$ 84,000	\$ 84,000	\$ 84,000	\$ 84,000	\$ 84,000
Computer (lease)	\$ 600	\$ 1,200	\$ 1,800	\$ 2,400	\$ 3,000
Printer (lease)	\$ 3,000	\$ 6,000	\$ 9,000	\$ 12,000	\$ 15,000
Server Cost	\$ 480	\$ 960	\$ 1,440	\$ 1,920	\$ 2,400
SalesEmpolyees (10 people)	\$500,000	\$1,000,000	\$1,500,000	\$2,000,000	\$2,500,000
Web Developer (3 people)	\$180,000	\$ 360,000	\$ 540,000	\$ 720,000	\$ 900,000
Manager (1 person)	\$ 80,000	\$ 160,000	\$ 240,000	\$ 320,000	\$ 400,000
Net Operation cost	\$848,080	\$1,612,160	\$2,376,240	\$3,140,320	\$3,904,400
Web development Cost	\$ 10,000	\$ -	\$ -	\$ -	\$ -
Advertisement cost	\$ 34,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000
Interest (2% for 10 years) and princiapl will be paid at 10th year	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000
Total Operation cost	\$916,076	\$1,660,160	\$2,424,240	\$3,188,320	\$3,952,400

Table 6. Cost projection for the next five years.

INCOME STATEMENT

The table 7 shows the income statement of the next five years. Due to the expansion of our business by hiring more employees, the operation cost growth is expected to remain higher than our sales up to the fourth year. However, as figure 5 shows, ROI is recovering after 2025 and we expect to make profit in 2027.

	2023	2024	2025	2026	2027
Revenue	497,157	799,523	1,325,096	2,664,143	6,477,344
Total Operation cost	916,076	1,660,160	2,424,240	3,188,320	3,952,400
Net income before tax	\$ (418,919)	\$ (860,637)	\$ (1,099,144)	\$ (524,177)	\$ 2,524,944
Income tax (credit)	\$ (87,973)	\$ (180,734)	\$ (230,820)	\$ (110,077)	\$ 530,238
Net income after tax	\$ (330,946)	\$ (679,903)	\$ (868,324)	\$ (414,100)	\$ 1,994,706
ROI	-19%	-39%	-50%	-24%	114%

Table 7. Net income statement for the next five years.

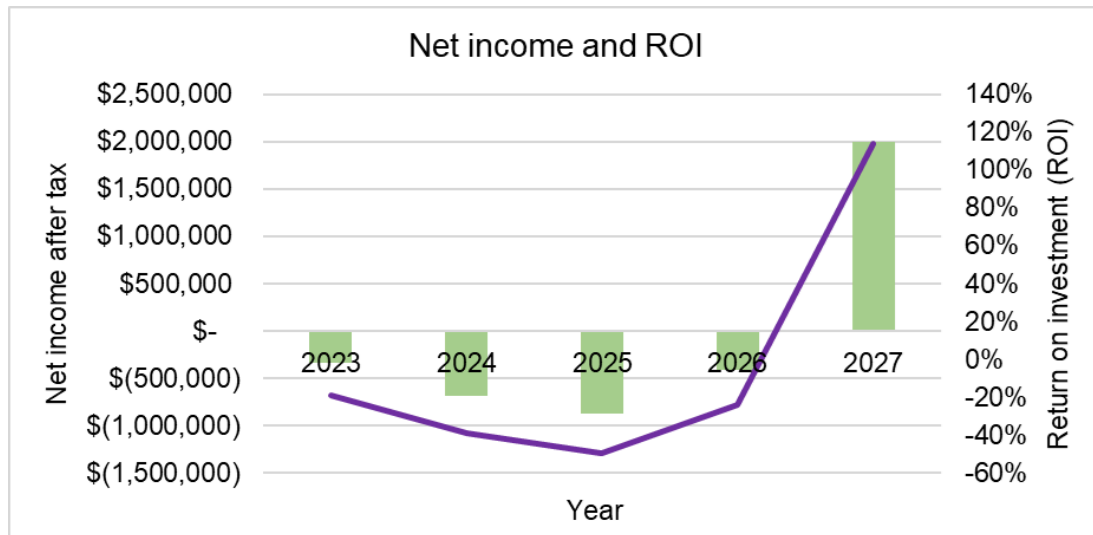


Figure 5. Net income and ROI of the next five years.

Sources of Capital

As stated in our harvest plan, we will secure equity capital from individuals and a venture capital firm. The Auto-Repair.com executive team compared our options to determine the best funding sources.

We preferred to limit borrowing to a select group of friends and family to avoid creating dilution and lengthy negotiations. We estimated that we could raise approximately \$750K from individuals. We realized we would need more. \$1M would leave us \$1M short of target seed monies.

Thus, we decided to seek additional funding from a venture capitalist firm. While hesitant to give up a significant portion of the firm's ownership and decision-making authority, we agreed that the benefits of credibility and recruiting assistance outweighed the cons.

As our firm does not require significant capital to launch (<\$5M), we will avoid seeking funding from corporations.

Our four principal founders will contribute \$187.5K each in exchange for 20% control of the company. We will offer the venture capital firm a 20% ownership. We chose this strategy to ensure that we, the founders, can run the firm autonomously.

Figure 6 shows the burn-rate and cash flow of our business. We collect 1M from a venture capital firm and \$750K dollars from our founders. Total initial investment is 1.75 million dollars. So that business can start with positive cash flow. However, a burn-rate is 57000 dollars a year and we expect to take 4.5 years to reach the breakeven point.

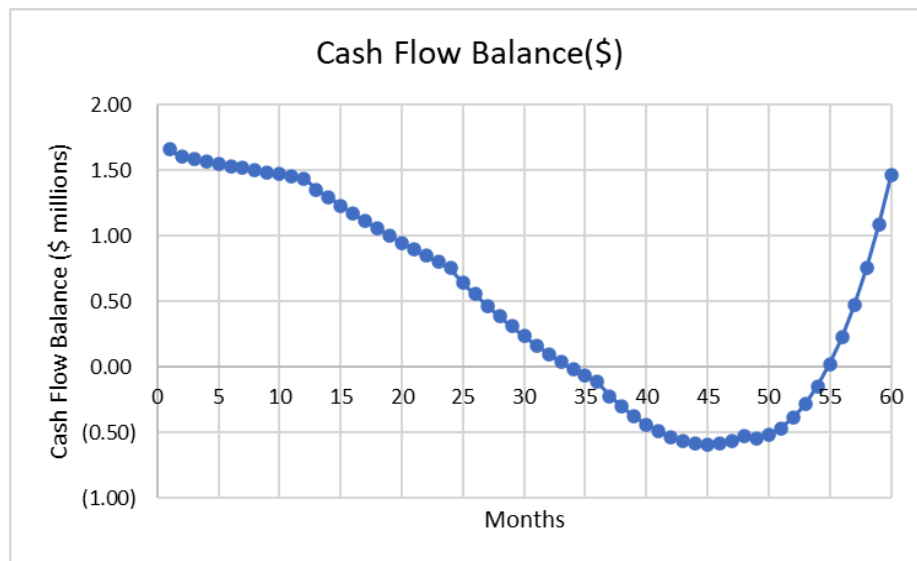


Figure 6.Cash Flow Diagram and burn-rate.

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