

**Power Assist Kayak
IPRO 353**



Adapt - A - Yak

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Attached: Appendixes

- Sales Forecast
- Personnel
- Profit and Loss
- Cash Flows
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1.0 Executive Summary

Adapt-A-Yak is a small company that one will operate out of the owner's garage. The company is not meant to be a job where one works 40+ hours per week. It will remain a very small company as it is more of a hobby based business. Adapt-A-Yak will be the first company to produce and sell universal power-assist products for sit-on-top kayaks.

The Market

Recreational Kayaks are the biggest and the fastest growing type of kayak in the industry and sit-on-top kayaks are part of that group. In 2003, \$114,000,000 was spent on kayaks, and the average buyer spends \$1,200 on an average 2 years span for purchasing a kayak and its accessories and gear. 77,000 sit-on-top kayaks were purchased in 2003 alone and the number keeps growing.

The Organization

Adapt-A-Yak is founded on the idea of making kayaking a much more enjoyable experience with less physical effort needed to do so. Adapt-A-Yak will be working hard to ensure that all of their customer's expectations are exceeded in all transactions. To maintain a presence within the kayaking community and close relationships to customers, Adapt-A-Yak will be an active in making your kayaking experience on to remember.

Products, Services, and Delivery

Adapt-A-Yak will have its products sold online through ebay.com or adapt-a-yak.com. All deliveries and will be to and from our facility which will be a garage located in the Chicagoland area for the package handler to go to and from. The products offered by us will be a motor mount, motor, and battery to help power-assist a single and tandem sit-on-top kayak.

Financials

Adapt-A-Yak is a company that has little start-up costs, only \$15,000 to be exact. No rent is to be paid and the payroll is at a minimum. Business will be small since this is a hobby-based business but the company will make money within about 2 full years since its opening which includes a 7-month Beta-trial of the motor mount product

1.1 Objectives

- To make Adapt-A-Yak into a successful and profitable company before the year 2009 starts
- To make universal power-assist motor parts for a sit-on-top kayak
- To make kayaking more enjoyable for everyone

1.2 Mission

Adapt-A-Yak is dedicated to providing kayakers products that combine quality performance with value pricing. We wish to establish a successful partnership with our customers and suppliers and to gain interests and respect from each party.

Constantly striving to supply what the consumer is asking for, we will continually review what is available in the marketplace and what isn't. Improving on what is available and providing new products and services for kayakers later on down the line will help ensure our stay in this growing market.

Success will ultimately be measured by our customers and how much they enjoy their experience on kayaking through us.

2.0 Company Summary

Adapt-A-Yak is a new company, which upon commencement of operations will make and sell universal power assist devices for sit-on-top kayaks at very affordable prices and quality service.

2.1 Company Ownership

Adapt-A-Yak is a limited liability partnership company which is owned by 8 different individuals: Katy Pyles, Scott Larson, Bob Zaprzal, Christina Arvis, Eliseo Cornejo, Manjeet Inamdar, Michael Merkley, and Daniel Netherton.

2.2 Start-up Summary

Between the 8 owners, we will put together \$15,000 (\$1,875 each) for all of our start-up needs. With this money, we will spend \$3,000 of it on equipment to make the motor mounts that we will produce. The remaining \$12,000 will be money to withstand a company emergency (i.e. new equipment needs to be bought), purchase parts for our motor mounts, and pay ourselves when we manufacture the products.

The company will to a do a just-in-time inventory system where inventory will only be ordered when a product is ordered by a customer. This will help reduce the cost of rent since we do not need a large warehouse to hold our inventory, a garage will do perfectly.

2.3 Company Location

Adapt-A-Yak will be located in the garage of one of the 8 owners of the company. The garage will give us more than enough room to make and store our products where upon we will ship to the customer. The garage door gives the package handler who will be picking up our completed products more than enough room to position their truck accordingly.

Another big advantage of this location is that since it is a hobby, one of the owners will always be within feet of the business and it will also be free of charge to the company.

By having the garage in the Chicagoland area, it gives us a geological advantage of being not only in the middle of the United States, but very close to two of the top 5 marine purchasing states (Michigan and Minnesota...cheaper shipping and handling for the customer). Being close to all of the Great Lakes is also an advantage for a sit-on-top kayaker as they are only a few hours away from our garage to see the product first hand.

2.4 Company Facility

The facility will be a garage of one of the owners. It will be approximately 400-500 square feet. The equipment, inventory and machinery will always be in the garage.

Deliveries and shipments will be as easy as opening up the garage door and giving or taking it from the package handler.

Since the garage will be near a house there will be bathroom, breaking room, kitchen, and living facilities available.

3.0 Products and Services

Adapt-A-Yak will sell universal products specifically designed for kayaks. These products will be marketed towards individuals who kayak for recreational and touring purposes.

Adapt-A-Yak will launch its products in 3 stages:

- Stage 1: The universal motor mount for tandem sit-on-top kayaks will hit the market in January of 2007. The product will be sold separately from the battery and motor (which comprises a complete system). Recommendations of batteries and trolling motors will be given in the motor mount product description
- Stage 2: In April of 2008, Adapt-A-Yak will debut a specialized motor designed specifically for the motor mount and the size and weight of sit-on-top kayaks. The motor mount and motor will be sold separately.
- Stage 3: A specially designed Lithium-Ion battery will be released by Adapt-A-Yak in June of 2009. This battery will be specifically designed for the use of the motor mount and motor that we have already produced. It will be sold separate just like the other items until August of 2009 where a complete system package will be available with the motor mount, motor, and battery are all packaged together. The customer will still have the choice of buying each item separately. With a light-weight Lithium-Ion battery, Adapt-A-Yak can also move into the sit-on-top single kayak industry since the system will be easier to carry and assemble for a single user.

3.1 Product and Service Description

Adapt-A-Yak will assist its customers in selecting the correct battery and motor for their sit-on-top kayak during stage 1. When stage 2 is underway, Adapt-A-Yak will help the customer choose what battery they should purchase. When stage 3 comes out, Adapt-A-Yak will help customers with what other activities they can do with their specially designed motor and battery.

Adapt-A-Yak will also guarantee the product with a warranty and will have a number to call if the customer has trouble installing their motor mount on their kayak.

Also, since Adapt-A-Yak uses a just-in-time system, the customer can be assured that they are getting their product without having to worry about it sitting around somewhere and having its parts rust up.

3.2 Competitive Comparison

When it comes to producing a universal motor mount for a sit-on-top kayak, Adapt-A-Yak stands alone. There are very few makers for kayak motor mounts out there and the mounts are for specific kayaks only. There are many types of motor mounts on the market for canoes but these will not fit most kayaks so they can not count either.

When it comes to other motor powered kayaks, there are two options but these options do not have the versatility that Adapt-A-Yaks products carry. Our products are detachable and can be used for many different types of applications.

3.3 Sales Literature

To be able to sell our products, Adapt-A-Yak will have the website www.adapt-a-yak.com as well as have listings on www.ebay.com. Adapt-A-Yak will also have advertisements circulating on kayaking forums, marine equipment websites, and kayaking magazines.

3.4 Sourcing

There are many at-home businesses in the United States that have items delivered to their doors everyday and Adapt-A-Yak will be no different from these package receiving companies.

When it comes to using other companies' products to our benefit such as the motor and battery, Adapt-A-Yak will purchase these items at the manufacturer's price and sell them to the customer. In other words, Adapt-A-Yak will be the middle man between the motor and battery companies but everyone will benefit from this as the companies will have Adapt-A-Yak doing all of the selling and marketing for their products. Adapt-A-Yak gets the product that their customers want at the cheapest possible price without actually having to produce it. The customer knows that they are getting the correct products for what they want to do through the experience that the Adapt-A-Yak owners have.

3.5 Technology

Adapt-A-Yak is the leader in the new technology of a universal sit-on-top kayak motor mount. They will also be helping motor and battery companies manufacture new and different types of products that will be beneficial for the power assist device as well as open up new opportunities for both the manufacturer and customer to use the new technologies for more than just the power assist device on the sit-on-top kayaks.

4.0 Market Analysis Summary

Kayaking is becoming an increasing popular pastime in the United States; more and more people are getting involved and the span an ever wider age range. The geographic span of kayak users is even wider than the demographic, stretching from coast to coast and existing everywhere in between. Many in this vast group are recreational users, people who kayak for relaxation and pleasure, and as a social activity. Of these, many are looking for ways to approach kayaking from a new angle, and a motor assist could satisfy many different desires. The largest threat to this venture is the entry of entry of an existing larger player in the kayak industry. To date, none have produced such a product, and while their introduction of one would not spell disaster, they would have the upper hand in manufacturing and marketing.

4.1 Market Segmentation

Recreational boating covers a wide variety of activities and people. Boaters come in any age category with many diverse interests. People boat recreationally with motor boats, sail boats, and man powered boats. Among the man powered boats are a broad range of types from canoes to kayaks to rafts. Different kayaks specialize in white water, flat water, sea, lake, fishing, and recreational.

The target customer is the recreational kayaker. Age is not necessarily a limiting factor, but this product will not appeal to the extreme or competitive nature that is widespread in the younger population. Customers would also not be excluded from other kayak specialties; this product may very well appeal to flat water, sea, lake and fishing kayakers.

4.2 Market Segment Strategy

There are already established communities of recreational kayakers in which there is demand for such a product. In addition, there are also distribution mechanisms through the internet that can reach any these communities and additionally any other person that is searching for kayak accessories. Due to the novelty of this product, and the geographic spread of the market, traditional distribution through specialty shops will be replaced by internet sales. This will also minimize the cost to the consumer while maximizing the number of potential consumers that could be reached.

4.2.1 Market Needs

This product will provide an alternative to manual power for recreational boats that is easy to install, easy to remove, and easy to use. This will allow users to retain the ability to use their boats for their originally intended purpose while having the option of taking advantage of a power assist.

4.2.2 Market Trends

Many trends suggest that there is a market for such a product, and likely even a growing one. The following has been collected from the National Marine Manufacturers Association and kayaker surveys:

- The sales of kayaks are steadily increasing from year to year.
- Recreational kayaks are responsible for over 50% of the total kayak sales.

- Recreational kayaks are the fastest growing segment of the recreational boating industry.
- Multiple instances of prefabricated motorized kayaks have found their way into the marketplace recently.
- Several well known sources for kayak information have published do-it-yourself guide to add a motor to your kayak.

4.3 Industry Analysis

In the United States there are an estimated 337,000 kayaks, nearly 77,000 of which are sit-on-top kayaks. Sit-on-top kayaks appeal to a wide variety of recreational users. They come in single and tandem, and are designed as such to accommodate any body size. They are wide enough to provide extra stability and to allow room for many different recreational activities.

While some kayakers are attracted to the sport for the danger and the competition, many others participate for the sole purpose of personal enjoyment or relaxation, in addition to seeing nature or socializing. In recent years there has also been a boom of the kayak fishing scene.

These products have already been provided with measurable success for canoes. With the lack of commercially produced products, many kayak users have turned to modifying their kayak themselves.

4.3.1 Industry participants

Kayak Manufactures: Several large manufactures control the vast majority of the recreational kayaking scene including Ocean, Cobra, Hobie, Wilderness, Heritage, and Perception.

Accessory Manufactures: Accessories for kayaks are nearly as big of a market as the kayaks themselves. The kayak manufactures make accessories for the kayaks, in addition to many third party companies.

Shops: Kayaks and accessories can be purchased from a variety of different venues including general sporting goods stores, kayak specialty shops, to online and mail order.

4.3.2 Distribution Patterns

This industry follows traditional distribution patterns. Most, if not all kayaks are purchased from sporting goods stores and kayak specialty shops. Accessories can also be found from these and other distributors, as well as many online and mail order catalogs.

4.3.3 Competition and Buying Patterns

Evidence suggests that there is nearly as big of a market for kayak accessories as for the boats themselves. Recreational kayakers pay anywhere from \$225 to \$3000 for their kayaks, not including accessories. Necessary accessories such as paddles cost up to \$100 and generally don't last for the life of the boat, and consequently have to be replaced. In addition, there is demand for a wide variety of far less necessary accessories. Some examples quite pertinent to the locomotion of the kayak, are as follows; rudders for over \$200, foot paddles for \$375, and a sail for \$400. This is compelling evidence that kayakers are willing to spend substantial sums of money on items that are not essential to the kayakers operation. Many of such add-ons also require that the kayak be modified by the user, so their success indicates that users are willing and able to modify their boat.

The largest challenge of distribution will be to make this product available. As this product will most likely not appeal to the enthusiasts, but rather the recreational user, the market will not easily be advanced by promotion through internet forums or magazines since the casual user will probably not frequent these modes. Instead, potential buyers will want to look at a single convenient source, most likely online, to quickly find whatever they need.

4.3.4 Main Competitors

Johnson Outdoors: A line of recreational boats under the title of Escape is produced by this giant of the boating industry. These products are targeted to users who intend to use them for family and fun for all ages. While this is a similar concept, this will surely not appeal to anyone who wants to use their kayak for any other purpose.

Sneak Boat: This company has produced a motorized product that is somewhere between a recreational kayak and a rowboat. Like the Escape, this product will probably only appeal to a very narrow range of consumers.

Other mounts: A limited number of boat manufactures and third parties produce many mounts for canoes and a couple for kayaks. The overwhelming majority of these are side mount brackets for canoes, and the ones that are compatible with kayaks are specific to a single model. This leaves no options for all but a few previous kayak owners.

5.0 Strategy and Implementation Summary

Our strategy is based on serving the niche of sit-on-top kayakers who are not extreme or competitive users but instead kayaker who likes to relax on the water. These users are but not limited to: married couples, the elderly, children, parent and child, Boy and Girl Scout troops, and recreational resorts.

5.1 Marketing Strategy

The marketing strategy of Adapt-A-Yak centers on creating an identity that shows that kayaks are more than just recreational boats. They, with motors are the new wave of the future.

To achieve getting our products out on the market, the following strategies will be followed:

- Print advertisements in newspapers and magazines
- News press releases in newspapers and on popular kayaking websites
- Release a Beta version of the motor mount to 10 kayakers who are well known in the industry and get there reviews on it (10 sent out in June of 2006 with market research of the beta version to follow)
- Word of mouth of the product. Chicago is a big city and news travels fast
- Get listed on iboats.com and other heavily populated online marine shops
- Get products publicity at boat shows

Marketing decisions with regard to specific choices of size, frequency, and expenditures will be conducted on an on-going basis.

5.1.1 Pricing Strategy

With the four different products, the strategy for pricing each is as follows:

- Motor mount – Made by Adapt-A-Yak, will be the highest gross margin product for us since we avoid the middle man with it. Most canoe and kayak motor mounts are priced between \$49.99 and \$99.99. Adapt-A-Yak chose the price of \$64.99 because it gives us a good profit margin on the product while keeping it in the lower third when it comes to pricing.
- Motor – By getting it made direct from Japan and avoiding the middle man in the United States, we can get this specialized motor at a price where we can price it where other motors of its size (i.e. trolling motors) are at which is \$99.99.
- Battery – A Lithium-Ion battery is the lightest of the batteries that has enough power to give to the motor when in water. This light-weight battery is more expensive than other batteries but its benefits greatly outweigh the difference in price. Setting the price at \$149.99 for 2009 for a battery of its power and usability is more than fair.
- Complete System – When all three products are added up, they total \$314.97. Adapt-A-Yak is willing to sell the complete system at \$309.99 which will not only save the customer \$4.98 on the product price, it will also save on shipping and handling.

5.1.2 Promotion Strategy

Our most important vehicle for sales promotion was discussed in parts 3.3 and 5.1 of this plan.

5.1.3 Distribution Strategy

Our vendors and customers will have our products shipped and received through our facility (garage). We do not have a physical store where someone can come in a physically buy one. It is all done over the internet and a package handler will deliver the product to their home directly from us. All money will be handled through PayPal.

5.2 Sales Strategy

Because Adapt-A-Yak is a new business, we understand that we will have to prove our company's worth to in order to earn their respect and business. We realize that its more than just selling our products, its also selling our name that is important and we plan on doing that with terrific service and support.

5.2.1 Sales Forecast

The following table and chart shows our sales forecast from June 2006 until December of 2010.

We expect to sell more products in the spring and summer months compared to that of the winter months.

Adapt-A-Yak researched that there are about 15,000 new sit-on-top tandem kayaks purchased every year. Our market research also revealed that almost 50% of kayak owners are willing to drill holes in their kayaks to install the motor mount. Of these 7,500 new kayaks that are still eligible each year, about 1/3 are competitive kayakers which leaves the market at 5,000. At this point, we look at kayaks that are 5 years old or newer which gives us 5,000 appropriate kayaks for each year and that gives us a new total of 25,000 suitable kayaks in the market. Of these 25,000 from our research, about 40% spend over \$500 on accessories for their kayak which narrows down the field to 10,000. Our forecasts are very realistic and attainable as we believe that the from the product adopter curve, innovators are 2.5% of the population which would be 250 units sold in our first year. Since this is a really new product to the market, we went under that number but showed in our forecasts that the products along with the company name will grow more popular over time, especially when the complete system is an option and is then available for single sit-on-top kayaks which are 4 times more popular than tandems.

Table: Sales Forecast

Sales	2006	2007	2008	2009	2010
Adaptayak.com Sales					
Motor Mounts	10	66	91	131	69
	\$0.00	\$4,289.34	\$5,914.09	\$8,513.69	\$4,484.31

Motors	0	0	31	78	105
	\$0.00	\$0.00	\$3,099.69	\$7,799.22	\$10,498.95
Batteries	0	0	0	49	141
	\$0.00	\$0.00	\$0.00	\$7,349.51	\$21,148.59
Complete Systems	0	0	0	20	258
	\$0.00	\$0.00	\$0.00	\$6,199.80	\$79,977.42
Total Adaptayak.com Sales	\$0.00	\$4,289.34	\$9,013.78	\$29,862.22	\$116,109.27
E-bay.com Sales					
Motor Mounts	0	95	121	170	83
	\$0.00	\$6,174.05	\$7,863.79	\$11,048.30	\$5,394.17
Motors	0	0	50	105	139
	\$0.00	\$0.00	\$4,999.50	\$10,498.95	\$13,898.61
Batteries	0	0	0	63	189
	\$0.00	\$0.00	\$0.00	\$9,449.37	\$28,348.11
Complete Systems	0	0	0	34	299
	\$0.00	\$0.00	\$0.00	\$10,539.66	\$92,687.01
Total E-Bay.com Sales	\$0.00	\$6,174.05	\$12,863.29	\$41,536.28	\$140,327.90
Total Sales	\$0.00	\$10,463.39	\$21,877.07	\$71,398.50	\$256,437.17
Direct Cost of Sales					
Total Inventory					
Motor Mounts	10	161	212	301	152
	\$300.00	\$4,830.00	\$6,360.00	\$9,030.00	\$4,560.00
Motors	0	0	81	183	244
	\$0.00	\$0.00	\$4,859.19	\$10,978.17	\$14,637.56
Batteries	0	0	0	112	236
	\$0.00	\$0.00	\$0.00	\$12,318.88	\$36,296.70
Complete Systems	0	0	0	54	557
	\$0.00	\$0.00	\$0.00	\$12,293.10	\$126,801.05
Total Inventory	\$300.00	\$4,830.00	\$11,219.19	\$44,620.15	\$182,295.31
E-Bay/PayPal Commission					
Motor Mounts	\$0.00	\$817.43	\$1,056.27	\$1,490.88	\$738.89
Motors	\$0.00	\$0.00	\$594.70	\$1,290.15	\$1,713.49

Batteries	\$0.00	\$0.00	\$0.00	\$1,019.76	\$3,031.38
Complete Systems	\$0.00	\$0.00	\$0.00	\$984.80	\$9,423.32
Total Commission	\$0.00	\$817.43	\$1,650.97	\$4,785.59	\$14,907.08
Subtotal Direct Cost of Sales	\$300.00	\$5,647.43	\$12,870.16	\$49,405.74	\$197,202.39

5.3 Strategic Alliances

We have the ability to build strong strategic alliances with many of our future suppliers and advertising agents, which are listed below:

- www.sit-on-topkayaking.com
- www.iboats.com
- www.ebay.com
- www.paypal.com
- www.iit.edu
- www.kayakforum.com
- MicroSun Technologies

We also soon hope to establish strategic alliances with at least one motor and battery company. We believe that associating their product with ours will boost their sales and thus improve relations with and as they will be more likely to see the potential in the market and help us develop the motor and battery that will best fit our needs.

6.0 Management/Organization Summary/Team

Adaptayak is a small company owned and operated as a limited liability partnership between 8 of us. The 8 of us are:

Katy Pyles – President and Overall Team Leader

Katy is the team leader for the 8 of us. She is a psychology major which helps her keep an open mind on ideas as well as getting the 8 of us to interact better with one another. Talking to potential customers is

strength of hers and she has gone on a two week Kayaking expedition before so Kayaks are nothing new to her.

Scott Larson – Technical Team Leader

Scott is the leader of the Technical team which designs and then makes the motor mount for Adaptayak. He is getting an Electrical and Computer Engineering degree which is helping him learn how to design such a motor mount. He also has knowledge of the electrical aspects of the battery and motor components. Between his hard work ethic and kayaking and sailing experience, Scott is a good fit for a tough position.

Bob Zaprzal – Business Team Leader

Bob is the leader of the Marketing team which does market research, pricing, advertising, and setting up distribution lines. He is a Marketing major which has helped him do the marketing that needs to be done with the product itself. He is also President of his fraternity which has helped made him into a better leader for the business team. Overall, his marketing knowledge is his greatest asset to the team.

Christina Arvis – Business Team

Christina provides great experience with her major of Business Administration in Entrepreneurship. She has taken courses in entrepreneurship and shares the information that she has learned with the rest of us. She also brings with her great organizational skills and she helps keep track of information piled up to date and has it ready at hand.

Eliseo Cornejo – Business Team

Eliseo is also a Marketing major but his greatest assets to the team are his ability to keep everyone loose and his creative thinking skills. He brings with him a different way of thinking which is critical to the success of the business. Eliseo also does a good job with film making.

Manjeet Inamdar – Technical Team

Manjeet is a studying to be a Mechanical Engineer. His knowledge of statics and designing many objects with different materials is a valuable benefit to Adapt-A-Yak. He also brings with him knowledge of the different types of marine batteries that are available on the market.

Michael Merkley – Business Team

Michael adds something that the business team lacks, a mind outside of business. Michael is studying Biomedical Engineering and although his major may not be directly correlated to the business team, he keeps the business team on their toes incase if they get to 'business minded'. Michael has extensive use of marine equipment, including kayaks.

Daniel Netherton – Technical Team

Daniel brings another major to the Technical team. He is studying to become a Civil Engineer. This has helped him and the team into better designs and to help the team visualize what will and will not work. He is also very open minded and gets his logical ideas out there without confusion.

6.1 Professional and Advisory Support

Professor James Braband

Professor Braband brings with him experience that the 8 owners do not have yet. He also has many contacts within the marine industry and is himself an experience kayaker and it was his kayak that we used the prototype motor mounts on.

6.2 Management Team Gaps

We feel that between the 8 of us, we fit most of what we need as a business very well. There are a couple of gaps that we will need to fill that will help us get a better grasp on what is to come. Through 3 members of the business team, we have a financial background but we lack accounting skills so a hire-on-need basis CPA will need to be found as well as a company lawyer who can help us write contracts and fight legal battles if need be.

6.3 Personnel Plan

The cornerstone of the personnel plan is to maximize productivity and minimize salaries. Since this is a hobby business, we will be counting on our careers to provide the income for the time being. As we grow, we expect to see steady increases in our sales and thus our salaries.

Table: Personnel Plan

	2006	2007	2008	2009	2010
Hobbyist	\$125.00	\$2,012.50	\$2,650.00	\$4,437.50	\$8,862.50
C.P.A. (P.T.)	\$0.00	\$500.00	\$500.00	\$500.00	\$500.00
Attorney (P.T.)	\$800.00	\$1,500.00	\$1,500.00	\$1,750.00	\$2,000.00
Total Payroll	\$925.00	\$4,012.50	\$4,650.00	\$6,687.50	\$11,362.50

7.0 Financial Plan

- It should be noted that the owners of Adapt-A-Yak do not intend to take any profits out of the business until the company is financially established. The only money being paid out for payroll is to the CPA, lawyer, and actual labor spent putting the products together and packaging them.
- We will use PayPal for our online sales through both ebay.com and adapt-a-yak.com.

7.1 Important Assumptions

Key assumptions for Adapt-A-Yak are:

- We assume that the growth of the kayak market will keep at its current pace for years to come
- We assume that prices for Lithium-Ion batteries will fall in price as time goes by and will be within our target price range in 2009
- We assume that within our pricing strategy, all materials stay the same or go down in price.
- We assume that we will fall into the 25% tax category.
- We assume that it takes 30 minutes to manufacture each motor mount.

7.2 Break-even Analysis

Adapt-A-Yak will break even as a company in August of 2008 (insert of appendix is below. The cash balance shows the breaking of \$15,000 for the first time).

Appendix Insert: Cash Flows

Pro Forma Cash Flow
2008

	Jul	Aug	Sep
<u>Cash Received</u>			
<u>Cash from Operations:</u>			
Cash Sales	\$2,659.65	\$2,564.67	\$2,234.71
Cash from Receivables	\$0.00	\$0.00	\$0.00
Subtotal Cash from Operations	\$2,659.65	\$2,564.67	\$2,234.71
<u>Additional Cash Received</u>			
Non-Operating Income	\$0.00	\$0.00	\$0.00
Sales Tax	\$0.00	\$0.00	\$0.00
New Liabilities	\$0.00	\$0.00	\$0.00
Sales of Assets	\$0.00	\$0.00	\$0.00
New Investments Received	\$0.00	\$0.00	\$0.00
Subtotal Cash Received	\$2,659.65	\$2,564.67	\$2,234.71
<u>Expenditures</u>			
<u>Expenditures from Operations:</u>			
Cash Spending	\$100.00	\$100.00	\$100.00
Payment of Accounts Payable	\$1,499.91	\$1,642.39	\$1,587.38
Subtotal Spent on Operations	\$1,599.91	\$1,742.39	\$1,687.38
<u>Additional Cash Spent</u>			
Non-Operating Expense	\$0.00	\$0.00	\$0.00
Sales Tax	\$0.00	\$0.00	\$0.00
Liabilities Payment	\$0.00	\$0.00	\$0.00
Purchase of Assets	\$0.00	\$0.00	\$0.00
Dividends	\$0.00	\$0.00	\$0.00
Subtotal Cash Spent	\$1,599.91	\$1,742.39	\$1,687.38
Net Cash Flow	\$1,059.74	\$822.28	\$547.33

Cash Balance

\$14,792.09 **\$15,614.37** \$16,161.70

7.3 Projected Profit and Loss

The detailed monthly pro-forma income statement is included in the appendix just like all of the other financial statements.

Table: Pro Forma Profit and Loss

	2006	2007	2008	2009	2010
Sales	\$0.00	\$10,463.39	\$21,877.07	\$71,398.50	\$256,437.17
Direct Cost of Goods	\$300.00	\$5,647.43	\$12,870.16	\$49,405.74	\$197,202.39
Adaptayak.com	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cost of Goods Sold	\$300.00	\$5,647.43	\$12,870.16	\$49,405.74	\$197,202.39
Gross Margin	(\$300.00)	\$4,815.96	\$9,006.91	\$21,992.76	\$59,234.78
Gross Margin %					
Expenses:					
Payroll	\$925.00	\$4,012.50	\$4,650.00	\$6,687.50	\$11,362.50
Sales/Marketing Expenses	\$1,400.00	\$2,400.00	\$2,400.00	\$2,400.00	\$2,400.00
Depreciation (equipment)	\$350.00	\$600.00	\$600.00	\$600.00	\$600.00
Insurance	\$350.00	\$600.00	\$600.00	\$600.00	\$600.00
Rent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Payroll Taxes (15%)	\$138.75	\$601.88	\$697.50	\$1,003.13	\$1,704.38
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Operating Expense	\$3,163.75	\$8,214.38	\$8,947.50	\$11,290.63	\$16,666.88
Profit Before Interest and Taxes	(\$3,463.75)	(\$3,398.42)	\$59.41	\$10,702.14	\$42,567.91
Interest Expense	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Taxes Incurred (25%)	(\$865.94)	(\$849.60)	\$14.85	\$2,675.53	\$10,641.98
Net Profit	(\$2,597.81)	(\$2,548.81)	\$44.56	\$8,026.60	\$31,925.93

7.4 Projected Cash Flow

Cash flow projections are critical to our success. The following table shows cash flows for the first 5 years. The monthly cash flow projections are included in the appendix.

Table: Pro Forma Cash Flow

	2006	2007	2008	2009	2010
<u>Cash Received</u>					
Cash from Operations:					
Cash Sales	\$0.00	\$10,463.39	\$21,877.07	\$71,398.50	\$256,437.17
Cash from Receivables	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal Cash from Operations	\$0.00	\$10,463.39	\$21,877.07	\$71,398.50	\$256,437.17
Additional Cash Received					
Non-Operating Income	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales Tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
New Liabilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales of Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
New Investments Received	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal Cash Received	\$0.00	\$10,463.39	\$21,877.07	\$71,398.50	\$256,437.17
<u>Expenditures</u>					
Expenditures from Operations:					
Cash Spending	\$0.00	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00
Payment of Accounts Payable	\$1,225.00	\$9,340.85	\$15,348.34	\$51,066.29	\$196,572.48
Subtotal Spent on Operations	\$1,225.00	\$10,540.85	\$16,548.34	\$52,266.29	\$197,772.48
Additional Cash Spent					
Non-Operating Expense	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales Tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Liabilities Payment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Purchase of Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividends	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal Cash Spent	\$1,225.00	\$10,540.85	\$16,548.34	\$52,266.29	\$197,772.48
Net Cash Flow	\$1,225.00	(\$77.46)	\$5,328.73	\$19,132.21	\$58,664.69

7.5 Projected Balance Sheet

The table shows the annual balance sheet results, with a healthy projected increase in net worth. Detailed monthly projections are in the appendix.

Table: Balance Sheet

Pro Forma Balance Sheet

Assets	2006	2007	2008	2009	2010
Current Assets					
Cash	\$10,775.00	\$10,697.54	\$16,026.27	\$35,158.48	\$93,823.17
Inventory	\$0.00	\$270.00	\$839.93	\$5,481.53	\$16,654.98
Other Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Current Assets	\$10,775.00	\$10,967.54	\$16,866.20	\$40,640.01	\$110,478.15
Long Term Assets					
Long Term Assets	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Depreciation	\$350.00	\$600.00	\$600.00	\$600.00	\$600.00
Intangible Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Long Term Assets	\$3,350.00	\$3,600.00	\$3,600.00	\$3,600.00	\$3,600.00
Total Assets	\$14,125.00	\$14,567.54	\$20,466.20	\$44,240.01	\$114,078.15
Liabilities					
Accounts Payable	\$800.00	\$1,931.58	\$2,633.97	\$8,085.92	\$20,753.33
Current Borrowing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Current Liabilities	\$1,750.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Total Liabilities	\$2,550.00	\$4,931.58	\$5,633.97	\$11,085.92	\$23,753.33
Stockholder's Equity					
Total Contributed Capital	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Net Worth	\$11,575.00	\$9,635.96	\$14,832.23	\$33,154.09	\$90,324.82
Total Stockholders Equity	\$11,575.00	\$9,635.96	\$14,832.23	\$33,154.09	\$90,324.82
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Total Liabilities and Stockholder's Equity	\$14,125.00	\$14,567.54	\$20,466.20	\$44,240.01	\$114,078.15