



September 2008

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# My Business Plan

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## 1.0 Executive Summary

### **Introduction**

Air4Zero is a worlds leading in research for free energy resources since 1999! Air4Zero invented the A4Z Conversion Kit that transform vehicles and electric generators running on compressed air technology saving the global community Billions of Dollars on oil spending and reducing dramatically the global warming in two to five years from now!

### **The Company**

Air4zero have several offices on major cities such as: NY, Hong Kong, London, Toronto, Paris, Sidney, Romania. The total market for the A4Z stands on approximately \$2.7 Billion. The share of this market channeled through auto manufacturers from all over the world USA, Japan, Europe, Australia, Canada. The owner worked out of her home as a seamstress and tailor until her business volume caused her to move her operation into rented space in Loudon. This expanded space allowed her to concentrate on a massive ACK production like time of war. The office is comprised of 22,200 square feet where seven thousand people are employed full-time. Recently an assistant has been hired to take on the administrative burden and to help improve the company's internal procedures.

### **The Products**

Air4Zero is in the final stages of converting any type of combustion engine of 1,2,4,6 and 8 cylinders to run on compressed air at Zero Cost and Zero Pollution. The A4Z Kit replaces a few parts of your existing engine as follows:

- Replaces the gas tank by a compressed air tank with 300 bars
- Replaces the gas system by the A4Z air system
- Replaces the radiator by an air compressor
- Replaces the carburetor by A4Z air distributor
- Replaces the manifold and exhaust pipes by a A4Z manifold that reuses air pressure by returning it back
- to the air tank. This technique would give a driving range of up to 20,000 miles

### **The Market**

The population of the 17 communities in close proximity to Air4zero is estimated at 2,277,253. Roughly, this would mean that this area comprises a total A4Z kits in excess of \$45.7 Billion annually. The company's share of this nearby market is approximately 18.5%.

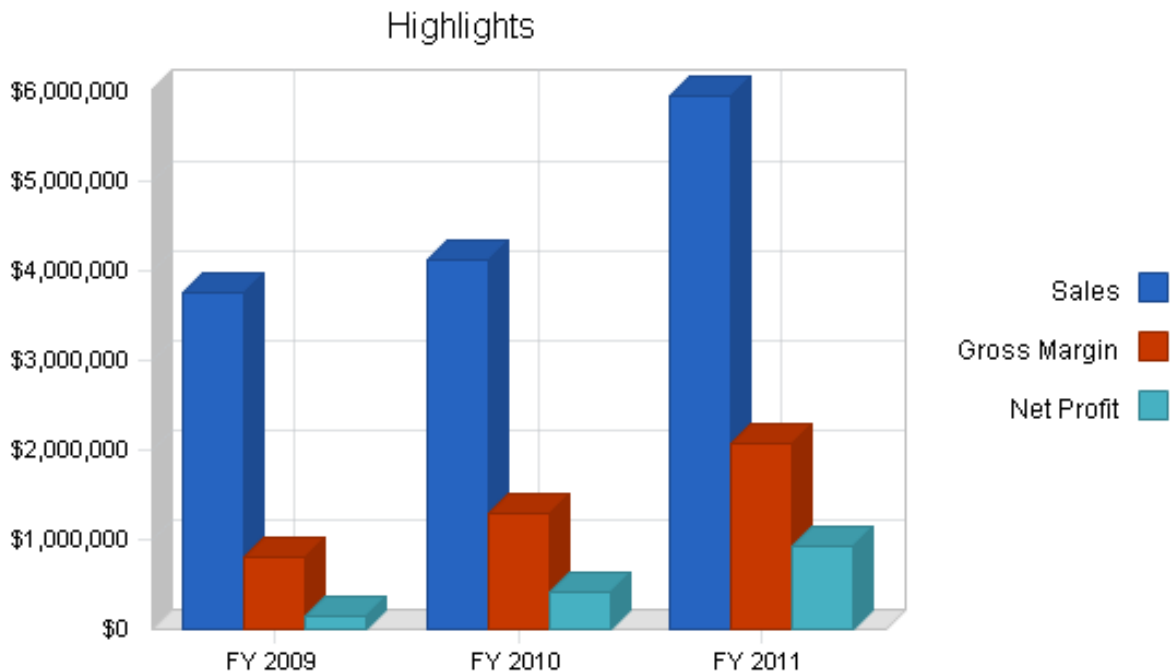
### **Financial Considerations**

## My Business Plan

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The marketing research and tailored marketing strategy described in this business plan will result in after-tax profits of \$110,430,000 in 2009, increasing to nearly \$70,50,000 in after-tax profits within three years. It is estimated that by year 2010, revenues will reflect an 18% market share of the local soft green energy industry.

Because it is the policy of the company's clients to provide the fabric for A4Z products, the company has a very low cost of goods sold account and therefore a high gross margin. Furthermore, the custom nature of the business means that there is no inventory cost to speak of or accounts payable. Finally, the company does not possess any debt or long term capital assets that would affect the cash flow. With the ability to generate so much cash flow, it is assumed that the company will seek to use this asset to expand its markets and production capacity in the near future.



### 1.1 Objectives

Air4zero has started the pressale of master franchises, to prepare the setup of franchise centers all over the world, this process could take about 18 to 24 months.

- Sales revenues in
  1. Sales of master franchises in the sum of by 1998.
  2. Gross margin higher than 70%.
  3. Net income more than 5% of sales by 1998.crease steadily through year three.
- Institute a program of superior customer service through rigorous evaluation of service experience.
- Hiring top mechanics and engineers.

# My Business Plan

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## 1.2 Mission

### **Global cars industry**

Air4zero's is focusing on the cars global industry production of 4, 6, and 8 cylinders. We plan to start on November 2009 a mass production with a massive scale of the A4Z Conversion kits for cars and motor bikes to have a finish product by June 2010.

### **Future Goals**

Air4zero future goals for the next four years are to adapt the compressed air technologies to run heavy duty turbines for a power plant to produce 2700 MGW electricity to one million homes at low cost reducing the electricity bill by at least 50%. The compressed air energy is already been implemented by Alabama state and Yugoslavia.

### **Power plants**

There are many benefits to count for running power plants by the compressed air energy, first benefit is the low cost of using air instead of gas, second benefit is that it runs on a zero pollution, third and most rewarding benefit is reducing the electric bill, the global warming and saves the nation billions of dollars on gas costs.

### **Air plans**

Another goal for the next 6 years is, to implement the same method of converting air plans turbine engines to run on compressed air energy with a none stop flying range. A jumbo 747 uses 110 tons of fuel for a 17 hours flight that makes the air tickets so costly. The use of compressed air energy for air plans engines, will reduce the weight by 105 tons of gasoline and it all needs is a 5 tons of compressed air in both wings, which will reduce the air fairs tickets, reduce the global warming flying at zero pollution, and at a minimal cost by using air.

# My Business Plan

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## 1.3 Keys to Success

Air4zero A4Z inovative green energy product expected to swap the global green energy industry. Providing the global market with an affordable prodct that will save the nation billions of dollars on gas cost, reducing the global warming in five years time frame, providing one of the most phenominal discovery that the world was waiting for.

Air4zero company builds its client base one customer at a time and mostly through word of mouth marketing. With this in mind, the keys to success for Air4zero are:

- Best inovative product that sales itself
- Saving \$10,000 annualy on gas cost
- Clean and free energy source
- High-quality work.
- Constant contact with clients so as to keep them informed about the state of their automobile and the repair job progress.
- Knowledgeable mechanics that are friendly, customer oriented, and will take the time to explain to customer the intricate nature of our business and our work.
- Local and Master franchises with exlucivity rights over teretories all over the world

# My Business Plan

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## 2.0 Company Summary

Air4zero is open for partnership with existing auto repair shops providing services of Air4zero Conversion Kits as local franchises generating 4 to \$14 Million annual income after parts and labor before taxes. Air4zero started with the presale of Local franchises and Master Franchise with a 10% down payment to reserve a location globally.

### **Local franchise starts at:**

Normal location price: \$341,000

top location price: \$741,000

Franchise Fees: \$25,000

Royalty Fess: 5%

Term: 15 Years

### **State Master Franchise:**

Means a superior state headquarters that sales local franchise to a specific sate or region controlling 5000 and up to 10,000 locations making income as follows:

- 50% profits on each sale of a franchise location
- 50% profits on \$25,000 franchise fees
- 50% profits on 5% royalty fees

### **Master franchise price:**

Master franchise price is based on the number of vehicles are on a specific reagon or state. Prices start at \$20 to \$50 Million USD with a projected annual income of \$1 to \$10 Billion USD

## 2.1 Company Ownership

Air4zero owns 100% of stock, offering first round of 20,000,000 shares at \$1.00 per One Share which is 2% of the worth value of the complete air4zero stock.

# My Business Plan

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## 2.2 Start-up Summary

The company founders, will handle day-to-day operations of the business and will work collaboratively to ensure that this business venture is a success.

It is estimated that the start-up costs will be \$175,000 (including legal costs, advertising, and related expenses). An additional amount of \$67,000 will be required as start-up assets. The start-up costs are to be financed in equal portions by the franchise owners' personal funds and by a \$120,000 5-year loan.

### Table: Start-up

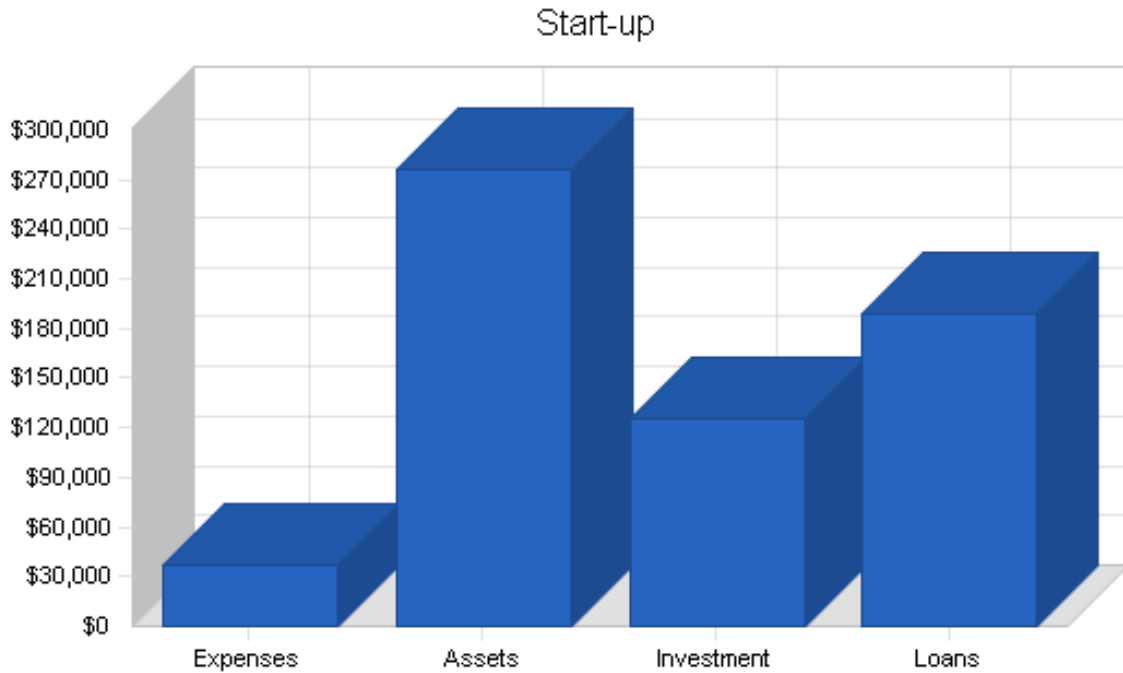
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Start-up	
Requirements	
Start-up Expenses	
Legal	\$5,000
Stationery etc.	\$2,000
Advertising	\$16,000
Phone	\$350
Insurance	\$1,800
Rent	\$4,000
Utilities	\$400
Computer	\$2,000
Other	\$6,000
Total Start-up Expenses	\$37,550
Start-up Assets	
Cash Required	\$36,500
Other Current Assets	\$160,000
Long-term Assets	\$80,000
Total Assets	\$276,500
Total Requirements	\$314,050

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## My Business Plan

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### 3.0 Services

Air4zero Motors offers a final solution to the automotive industry driving cars on the A4Z compressed air energy at zero cost and zero pollution with a long driving range from 20,000 to 100,000 miles. It is ultimately the goal of the company to offer a one-stop facility for all auto servicing needs, including brakes, transmission, wheel alignment, etc. In this way the company can offer greater perceived value for the customer than many other shops which specialize in certain areas.

The industry is highly competitive with suppliers having a great deal of power in setting and negotiating the prices of their products and services to repair shops. In addition, because the customers see the service as undifferentiated and a "commodity" with little value separation between competitors, buyer power is also very high. Finally, the barriers to entry are moderately low, and the large number of competitors in this field, including substitutes (such as do-it-yourself work) mean that the pricing for such services are very competitive. The only way to have an advantage in this industry is a low cost leadership principal applied aggressively or to create higher switching costs through the building of strong business to customer ties.

Air4zero Motors will hire trained and certified mechanics who are able to prove they have superior customer awareness and interaction. It is the company's professional people who will fulfill the firm's contracts and goals. The largest part of the company's expenses will be in labor costs.

## My Business Plan

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### 4.0 Market Analysis Summary

According to the U.S. Department of Commerce, the entire window treatment category reached \$7.8 billion in 1996. The Paint and Decorating Retailers Association states that 30%, or \$2.34 billion, was made up of soft window treatments. The population of the global communities in close proximity to Air4zero is estimated at 225,277,253. Roughly, this would mean that this area comprises a total green energy market in excess of \$42.7 billion annually.

Air4zero has volume has grown steadily to nearly \$1,222,000,000 annually. The market, as explained more fully in Section 4.1, is segmented. The capability of the company to produce high-quality air tanks from a carbon fiber material to hold 300 bars pressure for at least 10 years for a non-stop driven range of 50,000 miles.

By increasing Air4zero image through advertising and networking within ASID membership and elsewhere, the potential market will expand from its present localized boundaries. This strategy should also result in improved margins as more and more higher-tiered, less price-sensitive.

Since Air4zero will be able to convert from gas to air any combustion engine vehicles, including motorcycles and campers, electric generators, boats, it does not make any sense to segment our market. Our potential customer includes every household in the world that owns one or more vehicles. The industry does not have any seasonality that affects it. The A4Z Conversion kit is good for all global market. Operating vehicles globally stands at 9.5 Billion cars, trucks, motor bikes, boats, electric generators and more...

# My Business Plan

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## 4.1 Market Segmentation

The following table and chart show the market analysis for Air4zero Conversion Kits services.

The global market for the A4Z Conversion Kits reflects the buyer's for an alternative energy solution saving \$1000's of dollars on gas while enjoying free and clean energy, reducing the global warming.

### **The A4Z Product.**

With no doubt the A4Z product would swap the world looking after this product, considered to be the hottest item on the market today. Expected sales for 2010 estimated to be close to 500 US Billion dollars on 1.5 Trillion dollars on a global scale.

1. **Sales for cars industry.** Number of cars in our global community stands on 2.5 billion as our target market within the next 10 years with estimated gross sales of 4.5 trillion US dollars.
2. **Sales for motor bikes industry.** Number of motor bikes in our global community stands on 2.7 billion as our target market within the next 10 years with estimated gross sales of 3.5 trillion US dollars.
3. **Sales for cars boats.** Number of boats in our global community stands on 2.5 billion as our target market within the next 10 years with estimated gross sales of 5.5 trillion US dollars.
4. **Sales for electric generators industry.** Number of electric generators in our global community stands on 2.5 billion as our target market within the next 10 years with estimated gross sales of 6.5 trillion US dollars.

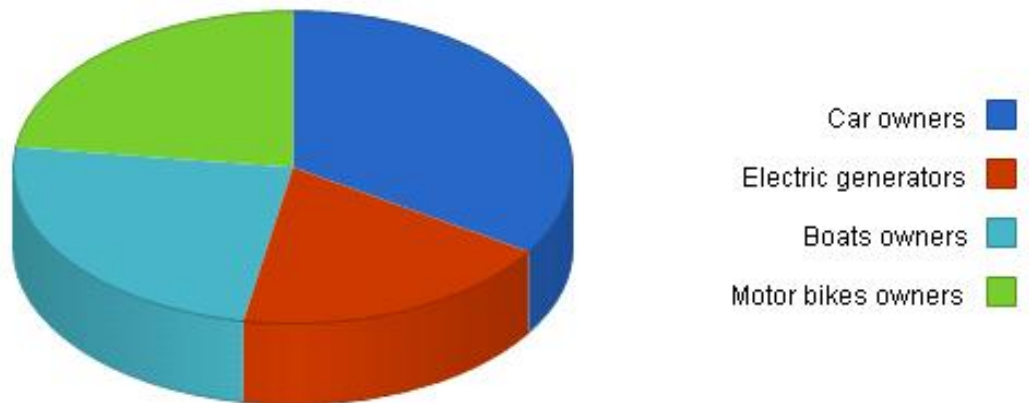
Air4zero business market is unaccountable and unlimited, we have great demand for the A4Z product, before we started our mass production. A problem that every company wants to have, 24 hours around the clock with the best money making product in the world.

# My Business Plan

**Table: Market Analysis**

Market Analysis							
Potential Customers	Growth	2008	2009	2010	2011	2012	CAGR
Car owners	3%	2,458,330,546	2,858,330,749	3,158,330,235	3,752,430,102	4,452,430,102	16.01%
Electric generators	6%	1,350,000,000	1,750,000,000	1,950,000,000	2,010,000,000	2,350,000,000	14.86%
Boats owners	5%	1,750,000,000	2,150,000,000	2,513,000,000	2,845,200,000	3,021,500,000	14.63%
Motor bikes owners	6%	1,650,000,000	1,750,000,000	2,150,000,000	2,550,000,000	2,750,000,000	13.62%
Inserted Row	14.92%	7,208,330,546	8,508,330,749	9,771,330,235	11,157,630,102	12,573,930,102	14.92%

Market Analysis (Pie)



# My Business Plan

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## 4.2 Target Market Segment Strategy

The A4Z conversion system from gas to air, considered to be the next big thing and the hottest topic in the green energy industry. Running cars on air at \$10 per fuel with a 20,000 miles driven range, with a zero pollution. Converted engines from gas to A4Z air system results in gaining more power by 15% or more, doubling the engine mileage because it runs cool, and saving big box on a low maintenance fees.

Recent feedback about the A4Z system was beyond our expectations, we have a waiting list of over 15,243,871 prospects that cannot wait to have their cars converted to the A4Z system and are willing to pay the suggested price. That's what makes the A4Z system as the number one in the green industry market and the best product in the world. A4Z franchise owners will have no competition in the green energy market at all, with a product that is better than, gas, electric, or diesel.

### **General market sales of Air4zero Global franchises**

- 1 Million Local Franchises Centers on \$500,000 per location
- 200,000 Master franchises on \$2 Million per territory

**Total sales of local and master franchises reaches = \$5 Trillion dollars within the next four years.**

### **Master Franchises sales**

An Area Representative (MF) will receive 50% of the initial franchise fees and 50% of the royalties paid by the franchise owners in the MF's designated territory. Each AR has a development timetable within which to sell franchises in their exclusive areas. Generally it is a requirement to sell one franchise per year until the penetration within the territory reaches one Center per 300,000 population. We believe that a fully penetrated market area should attain one Center per 100,000 of population.

### **Master Franchise profits.**

The MF will receive 50% of the initial franchise fees (\$25,000 is the fee, thus the AR receives \$12,500) and 50% of the royalties paid by the franchise owners operating in the MF's exclusive area. Royalties for an underlying franchise are 5%, of which the MF receives half or 3%. As per our Franchise Disclosure Document Earnings Claim (see below) show an average Single Center generating \$2,000,000 per year in revenue.

Multiple 5% royalty monthly fees paid to master franchise owner on one single unit totals to: \$100,000 per unit!

A Master Franchise owner with exclusivity rights over a territory of 200 units would be

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generating income as described on the table breakdown below...

20	\$2 Million	\$24 Million
50	\$4.5 Million	\$54 Million
100	\$10 Million	\$120 Million
200	\$20 Million	\$240 Million

First, Air4zero proactively takes extraordinary steps to protect our environment by helping our customers maintain the most efficient and safe vehicles as possible. By converting vehicles from gas to air in good working condition they will experience the savings in fuel costs as well as reduced emissions. This has a positive impact on our air4zero A4Z Conversion System.

More importantly we go beyond basic standards and expectations of auto care facilities and take additional measures to protect our environment now and into the future. While offering customers the best product in the world, we are developing an exclusive line of other products designed to use the A4Z system such as: motors bikes, electric generators, engine boats to be followed within the next 2 years for fuel savings and decrease engine emissions to zero pollution.

Through the Air4zero ESA™ (Environmentally Sustainable Actions™) Program we employ environmentally responsible standards and practices to all our line of products as a strict regulation eliminating the use of gas, diesel or any other polluted energy source. All of our products are based on pure compressed air technologies that is clean and free.

### 4.3 Service Business Analysis

The green energy "industry" is pulverized and organized, with thousands organizations and individual despart of giving hands at no charge to have the A4Z product as fast as possible on the market stop the oil crisis and clean up the world from the CO2 carbon emission.

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## 4.3.1 Competition and Buying Patterns

While many customers looking to purchase automotive repair services are concerned with price, the primary concern is with building a relationship of trust between themselves and their service provider. A large number of people within the country have experienced or heard of bad service encounters within this market. As a person's car is usually connected in one way or another with that individual's livelihood, a dependable automobile is crucial. Therefore, many clients are willing to pay a little more for a mechanic they feel does a quality job and understands their needs.

An automotive repair company that can anticipate, meet, and even exceed customer's needs can build a defensible position within the market place and acquire market share at the expense of other rivals.

## 5.0 Strategy and Implementation Summary

The following section outlines the company's strategic focus in growing the business.

### 5.1 Competitive Edge

Air4zero Motors competitive edge lies in the vision of its partners, who understand better than many of their rivals that a service visit does not just include repairing a client's car, it includes the entire service experience from the first time a client talks to their mechanic until they decide to stop driving. The long-term profitability of a service firm of this type lies in the repeat customer that finds Air4zero's services an excellent experience, DESPITE the fact that they usually have suffered a inconvenient breakdown. The company will seek to examine ALL aspects of the service experience to seek ways to improve its customer satisfaction. In addition, all employees will be rigorously trained and retrained to think about customer satisfaction in order to create a self-sustaining company culture that revolves around this issue.

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## 5.2 Marketing Strategy

The company has a modest program of marketing its services that include the following:

1. Flyers.
2. Radio
3. TV Commercials
4. Direct mailers.
5. Discounts.
6. Newspaper ads.
7. Yellow pages.
8. Referrals through other local businesses.

Each of these marketing approaches has the advantage of being low cost and creating service awareness. The company's long-term marketing goals are to use local radio and TV ads similar to the Les Schwab Tire Center ads.

The company is also investigating the possibility of having a grand opening program that would feature discounts, food, a local radio disc jockey, and other promotional ideas.

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## 5.3 Sales Strategy

The Air4zero marketing strategy discussed previously in this business plan will generate the desired and projected sales. Once we expose the A4Z Conversion Kit to the news media, like CNN, BBC, and the 60 minutes TV show sales will boom overnight. Air4zero offer the global market with the most desire product that will change the way we live in today, solving major concerns as follows:

### **With the following benefits the product sells itself.**

- Saving the nation Billions of Dollars on gas expenditures
- Saving the nation Billions of Dollars on health issues caused by the gases and fumes
- Cutting down the CO2 carbon emission
- Reducing the global warming within two to five years
- Driving cars on the A4Z system at zero cost and zero pollution
- Saving individuals out of pocket \$1000's of Dollars on gas

### **Sales and marketing structures:**

Air4zero organization is based on a global franchise units that operates under one rule, one price, and the best team of trained mechanics and management team to give clients best service from any other

In respect to the prospect list of clients, it is essential that a "salesman's" approach be adopted to insure an organized, orderly approach to each prospect. Notes need to be kept on each client. Follow-up and persistence will pay off.

- Annual sales for the automotive aftermarket exceed \$15.5 billion, according to the Automotive Service Industry Association (2001).
- The "specialty" automotive aftermarket is the fastest growing franchise category, with a 4-5% growth per year.
- More than 200 million vehicles are on the road in the United States today.
- The average consumer spends \$400 per year on automotive diagnostics, scheduled maintenance and repair.
- The average age of vehicles continues to increase, with passenger cars increasing 15% from 8.1 years in 1992 to 9.3 years in 2001. Light Trucks increased 3.8% from 8.3 years to 8.6 years in the same time period.

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## 5.3.1 Sales Forecast

Since the automotive repair industry is, operationally, a job-shop environment, it is somewhat difficult to estimate sales. For job-shops, each individual product or service is tailored or unique to that job, and is only initiated once an order is made. However, the sales forecast reflect the professional opinion of Mr. David in how much sales he will make based on the following assumptions:

1. The number of clients Ford and Ronald can attract from their previous companies.
2. The effect of planned promotions and word-of-mouth marketing.
3. Current prices and costs of doing business.
4. The types of automobiles and jobs that will occur in every month.

For the most part, sales for an automobile repair firm are steady year round and reflect little seasonality.

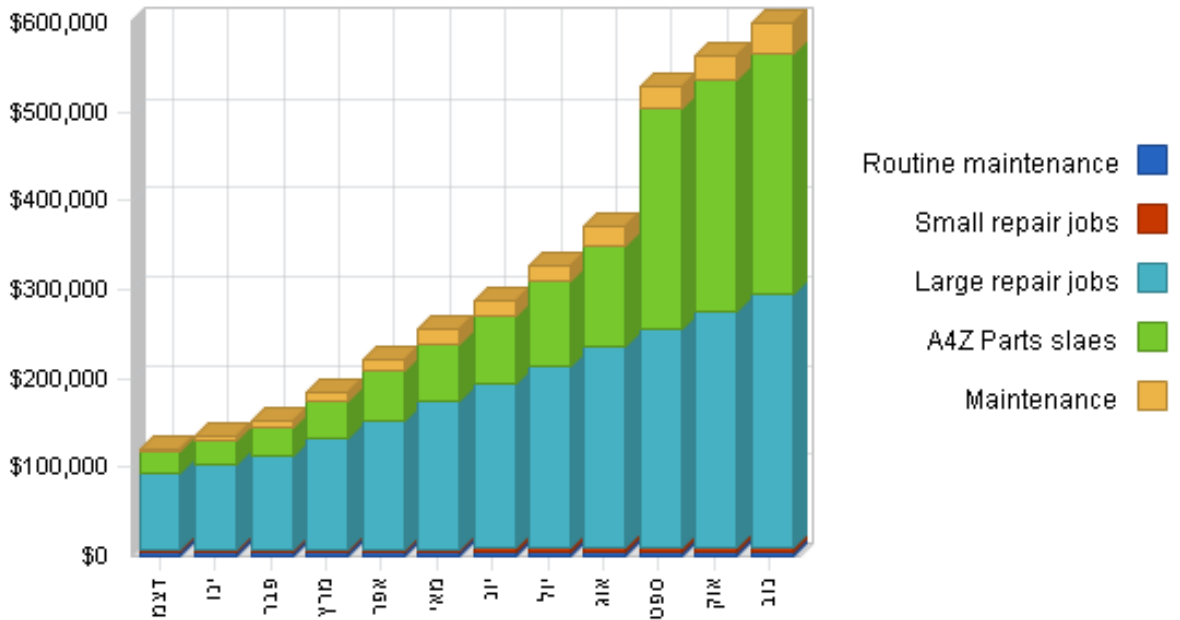
The table and charts below outline the sales forecast. Three years of annual sales and costs of sales are shown. Twelve monthly tallies are included in the appendices.

Table: Sales Forecast

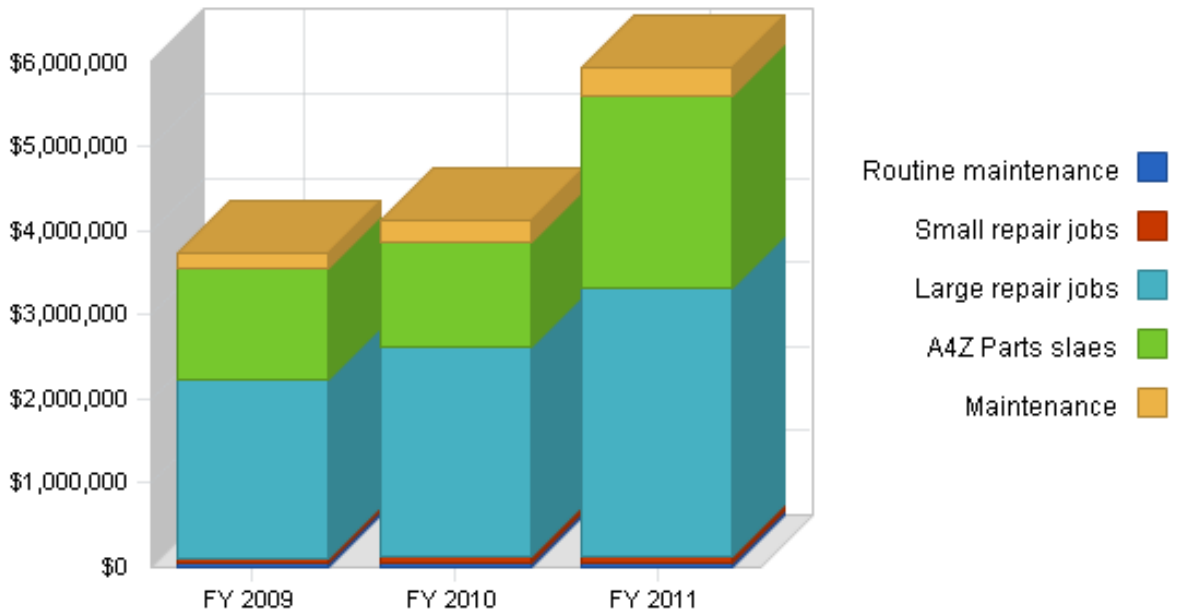
Sales Forecast			
	FY 2009	FY 2010	FY 2011
<b>Sales</b>			
Routine maintenance	\$51,000	\$57,120	\$62,261
Small repair jobs	\$60,000	\$67,200	\$71,904
Large repair jobs	\$2,130,000	\$2,500,000	\$3,200,000
A4Z Parts sales	\$1,311,500	\$1,250,000	\$2,270,000
Maintenance	\$194,000	\$250,750	\$350,000
<b>Total Sales</b>	<b>\$3,746,500</b>	<b>\$4,125,070</b>	<b>\$5,954,165</b>
<b>Direct Cost of Sales</b>			
	FY 2009	FY 2010	FY 2011
Routine maintenance	\$727,700	\$1,580,458	\$1,750,550
Small repair jobs	\$312,050	\$258,000	\$268,000
Large repair jobs	\$453,300	\$285,555	\$321,000
<b>Subtotal Direct Cost of Sales</b>	<b>\$1,493,050</b>	<b>\$2,124,013</b>	<b>\$2,339,550</b>

# My Business Plan

## Sales Monthly



## Sales by Year



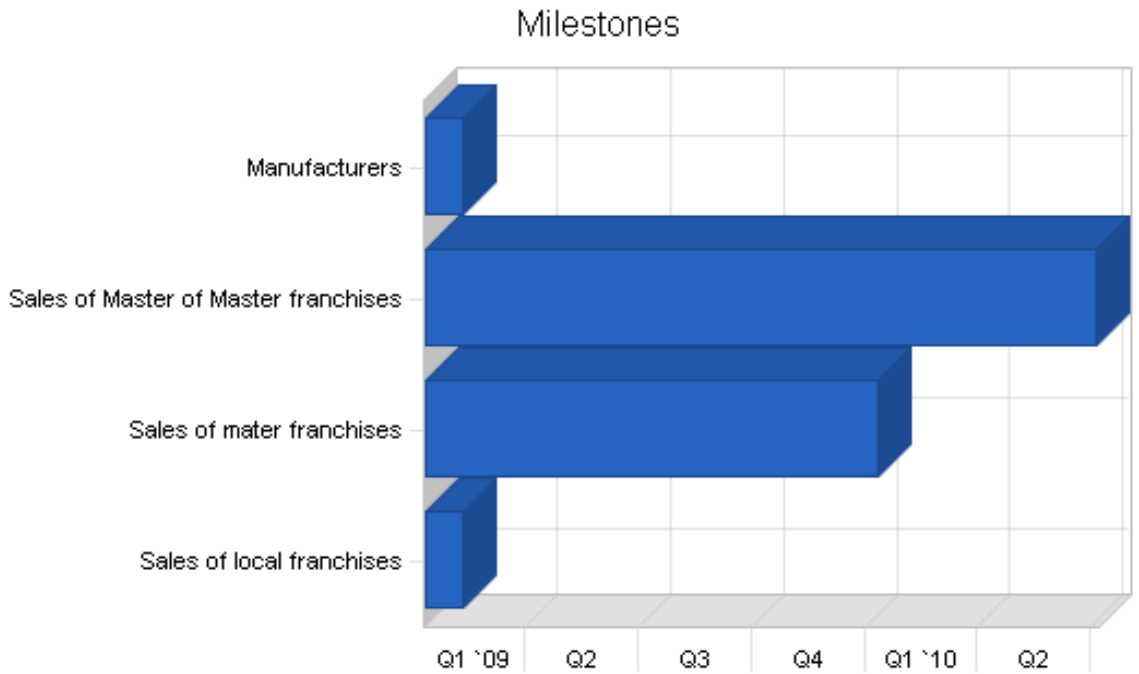
## 5.4 Milestones

Our detailed milestones are shown in the following table and chart. The related budgets are included with the expenses shown in the projected Profit and Loss statement, which is in the financial analysis that comes in Chapter 7 of this plan.

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**Table: Milestones**

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Sales of local franchises	10/01/2009	09/02/2009	\$2,512,500,000	David Bergman	F/S Division
Sales of mater franchises	10/01/2009	10/01/2010	\$11,150,185,200	John Emerson	MF/S Division
Sales of Master of Master franchises	10/01/2009	05/07/2010	\$265,312,000	Jennifer Stone	MOMF/S Division
Manufacturers	10/01/2009	09/02/2009	\$267,312,000	Robert Carter	FMB/S Division
<b>Totals</b>			<b>\$14,195,309,200</b>		



# My Business Plan

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## 6.0 Management Summary

Air4Zero is the 4 year-old company headed by Raphael Ben, inventors of the Air Engine Conversion. Mr. Ben has been working diligently with his group of top mechanic experts , and about twenty other engineers to bring the Compressed Air technology to the global market (A4Z). To date, the company holds many patents in over 85 countries for their innovative Conversion of fuel engines to run on Compressed Air!

Mr. Ben developed a revolutionary 8 cylinder fuel engine to run on pure air that needs no refuel only once a month with a 20,000 driving range, with a revolving valve system. His interest in the environment led him to first develop a compressed Air conversion kit for all types of combustion engines to run cars, bikes, trucks, on pure air with zero cost and zero pollution!

**Amiel David**, A4Z Director, holds an engineering degree from the National Engineering **Israel Aerospace Industries** is globally recognized as a leader in developing military and commercial aerospace technology! Ami Eden David as an Army Aircraft leader is the senior group of Israel Aerospace Industries, a multinational company serving customers around the globe. He led and provides under one roof the best-value, comprehensive maintenance services for aircraft, engines and components, including heavy maintenance, modifiA4Zions, upgrades, conversions and development programs, all at minimum down time. His valuable knowledge help A4Z to bring to the global market an engine that runs on pure air with zero cost to run and zero pollution!

**Uriel Dhahran**, Vice President and CEO of Air4Zero Motors, has a career in the raw material and mining industry has spanned 18 years. He has been involved in a wide range of metals and minerals ranging from aluminum to zinc. However, his experience has been primarily focused on high technology materials such as germanium and includes his participation in the U.S. government panel to determine the germanium specs for its Strategic Stockpile.

He has been involved in the marketing of the worlds largest producer of cobalt to Eastern Europe and China. He joined the A4Z team as an investor and a promoter of the technology in the mid 90s.

**Israel Baron**, A4Z Director of G&B, holds an engineering degree from the National Engineering School of Macon Whitman, Israel, with a specialization in composite material. In 1998, he started his career at IMI Energy spa as an G&B engineer. Since 1992, when he joined A4Z to run the G&B department working on compressed air engines, he has been involved in every aspect of the development of A4Z Compressed Air Technology (A4Z).

**Shalom Benjamin**, A4Z Vice President and CEO of A4Z, has a career in the raw material and mining industry has spanned 18 years. He has been involved in a wide range of metals and minerals ranging from aluminum to PGR. However, his experience has been primarily focused on high technology materials such as germanium. He has been involved in the marketing of the worlds largest producer of cobalt to Eastern Asia and India. He joined the A4Z team as an investor and a promoter of the technology in 2001.

**Abraham Horowitz**, A4Z Director, is a writer and business professional with 18 years experience working with companies and non-profit organizations. Most recently he managed marketing and corporate for IMI Energy Corp, a provider of information technology standards and business process modeling for the international insurance business. Before that, Abe worked in the ARG, providing

# My Business Plan

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expertise in visual identity, multimedia design!

## 6.1 Personnel Plan

Air4zero franchise initial staffing will consist of general manager, plus four professional mechanics. The company will seek two entry level mechanics to be hired within a few months after the company is operating. Accounting, bookkeeping, and marketing services will be outsourced. The company's intermediate goal is to have four full time, fully trained mechanics at the original facility, plus a full-time office manager. However, management has decided to await future developments before determining the best time to bring on such personnel.

Table: Personnel

Personnel Plan	FY 2009	FY 2010	FY 2011
Franchise center manager	\$68,600	\$85,000	\$95,000
Master bay mechanic	\$50,701	\$68,000	\$75,000
Mechanic	\$44,500	\$55,000	\$66,000
Total People	10	12	16
Total Payroll	\$163,801	\$208,000	\$236,000

# My Business Plan

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## 7.0 Financial Plan

The following sections outline the financial plan for Air4zero Motors.

### 7.1 Start-up Funding

The start-up costs of *A4Z Franchise Center* will consist primarily of inventory, equipment and fixtures. Hector Priamson will invest \$50,000 in cash, benefits and labor to the start up. Investors will contribute approximately \$125,000. The company will secure an SBA 7(a) loan in the amount of \$625,000 to be paid back on a 7-year amortization.

There is an amount budgeted for leasehold improvements. The \$700,500 amount is intended to make minor modifications to the proposed site to prepare it for opening. These improvements include replacing missing ceiling tiles and cleaning, polishing, or redoing the floor tile. It is anticipated that the new floor tile can be laid over the existing tile at a substantial savings with no loss in quality or durability.

# My Business Plan

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Table: Start-up Funding

<hr/>	
Start-up Funding	
Start-up Expenses to Fund	\$37,550
Start-up Assets to Fund	\$276,500
Total Funding Required	\$314,050
<hr/>	
Assets	
Non-cash Assets from Start-up	\$240,000
Cash Requirements from Start-up	\$36,500
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$36,500
Total Assets	\$276,500
<hr/>	
Liabilities and Capital	
Liabilities	
Current Borrowing	\$114,000
Long-term Liabilities	\$42,000
Accounts Payable (Outstanding Bills)	\$11,000
Other Current Liabilities (interest-free)	\$22,000
Total Liabilities	\$189,000
<hr/>	
Capital	
Planned Investment	
Local franchise	\$95,000
General manager	\$16,000
Other	\$2,000
Additional Investment Requirement	\$12,050
Total Planned Investment	\$125,050
<hr/>	
Loss at Start-up (Start-up Expenses)	(\$37,550)
Total Capital	\$87,500
<hr/>	
Total Capital and Liabilities	\$276,500
<hr/>	
Total Funding	\$314,050
<hr/>	

## 7.2 Important Assumptions

Table 7.1 summarizes key financial assumptions, including 45-day average collection days, sales entirely on invoice basis, expenses mainly on net 30 basis, 35 days on average for payment of invoices, and present-day interest rates.

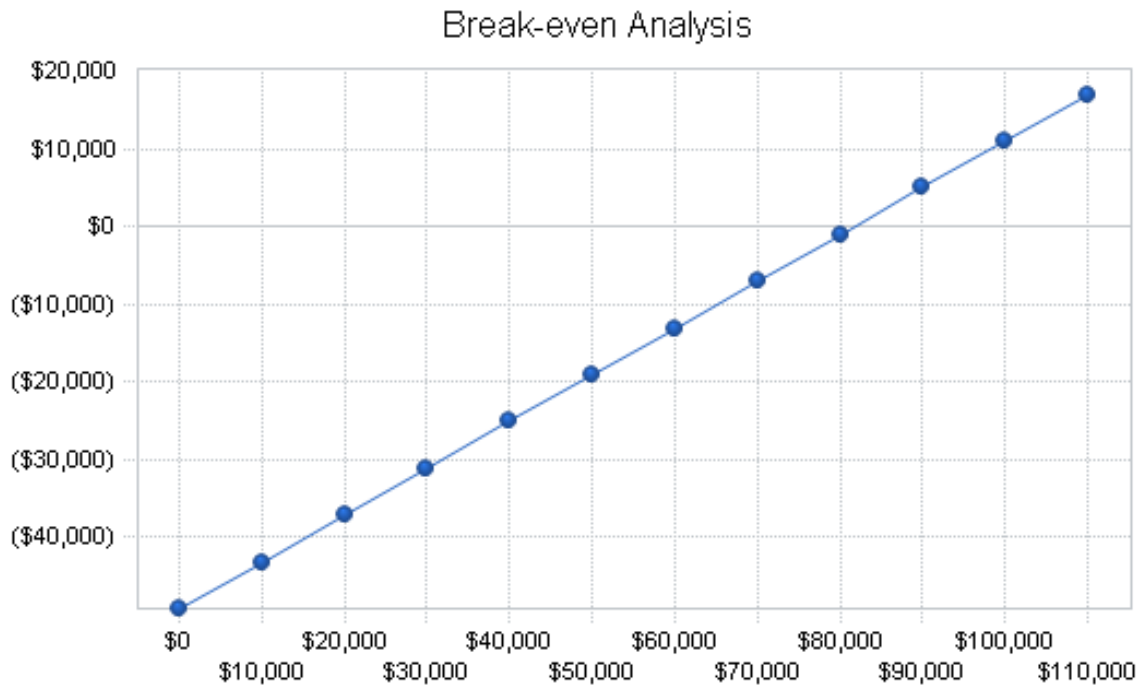
## 7.3 Break-even Analysis

The company's Break-even Analysis is based on an average company's running costs within this industry, including payroll, and its fixed costs for such things as rent, utilities, etc.

# My Business Plan

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$81,708
Assumptions:	
Average Percent Variable Cost	40%
Estimated Monthly Fixed Cost	\$49,146



## My Business Plan

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### 7.4 Projected Profit and Loss

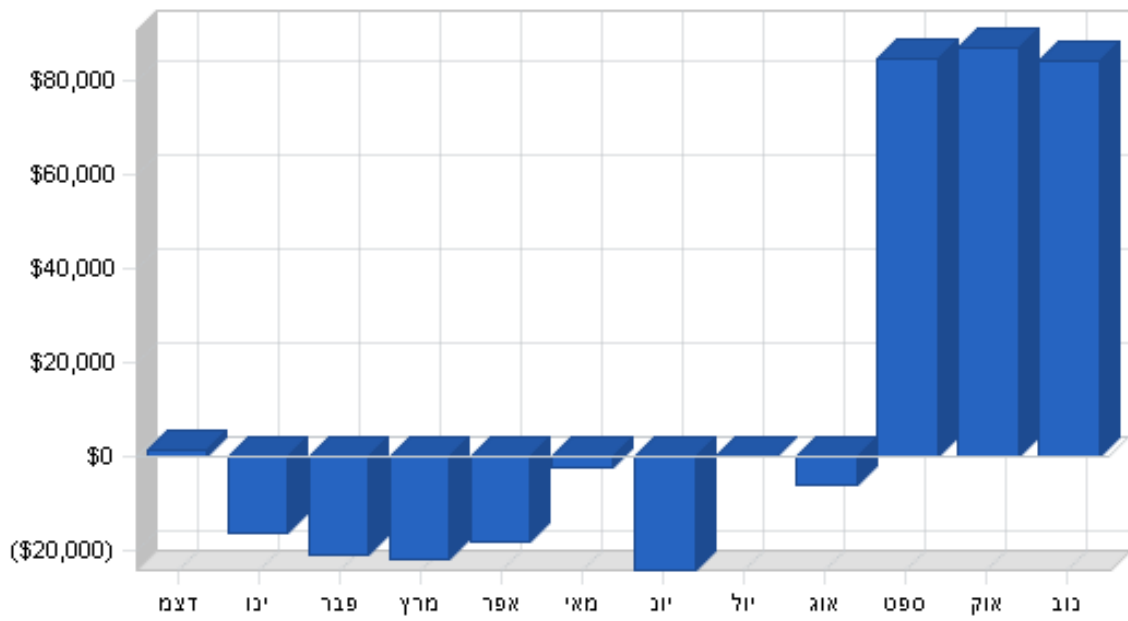
The following table and chart show the projected profit and loss for Air4zero Motors Franchise.

**Table: Profit and Loss**

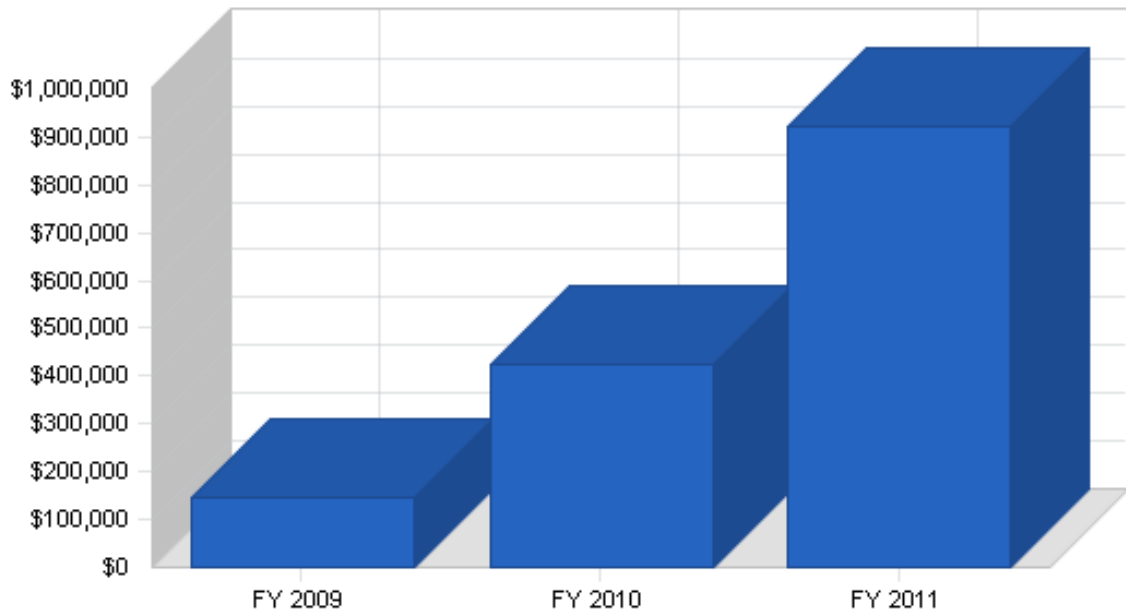
Pro Forma Profit and Loss			
	FY 2009	FY 2010	FY 2011
Sales	\$3,746,500	\$4,125,070	\$5,954,165
Direct Cost of Sales	\$1,493,050	\$2,124,013	\$2,339,550
Other Production Expenses	\$1,457,443	\$697,210	\$1,553,001
<b>Total Cost of Sales</b>	<b>\$2,950,493</b>	<b>\$2,821,223</b>	<b>\$3,892,551</b>
Gross Margin	\$796,007	\$1,303,847	\$2,061,614
Gross Margin %	21.25%	31.61%	34.62%
<b>Expenses</b>			
Payroll	\$163,801	\$208,000	\$236,000
Sales and Marketing and Other Expenses	\$60,000	\$67,200	\$77,100
Depreciation	\$19,920	\$15,010	\$20,012
Leased Equipment	\$28,500	\$36,000	\$38,000
Utilities	\$4,800	\$7,000	\$5,000
Insurance	\$7,200	\$8,400	\$9,400
Rent	\$24,000	\$44,000	\$44,000
Payroll Taxes	\$218,894	\$245,300	\$287,550
Other	\$62,636	\$96,000	\$98,571
<b>Total Operating Expenses</b>	<b>\$589,751</b>	<b>\$726,910</b>	<b>\$815,633</b>
Profit Before Interest and Taxes	\$206,257	\$576,937	\$1,245,981
EBITDA	\$226,177	\$591,947	\$1,265,993
Interest Expense	(\$1,153)	(\$30,807)	(\$71,697)
Taxes Incurred	\$62,223	\$182,323	\$395,303
<b>Net Profit</b>	<b>\$145,186</b>	<b>\$425,421</b>	<b>\$922,374</b>
<b>Net Profit/Sales</b>	<b>3.88%</b>	<b>10.31%</b>	<b>15.49%</b>

# My Business Plan

## Profit Monthly

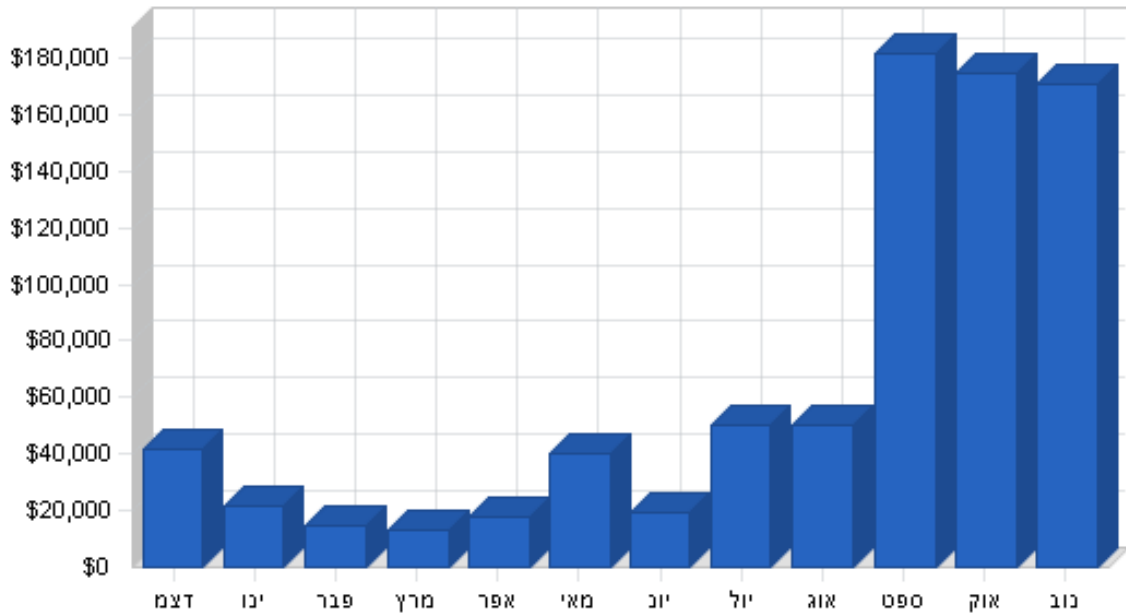


## Profit Yearly

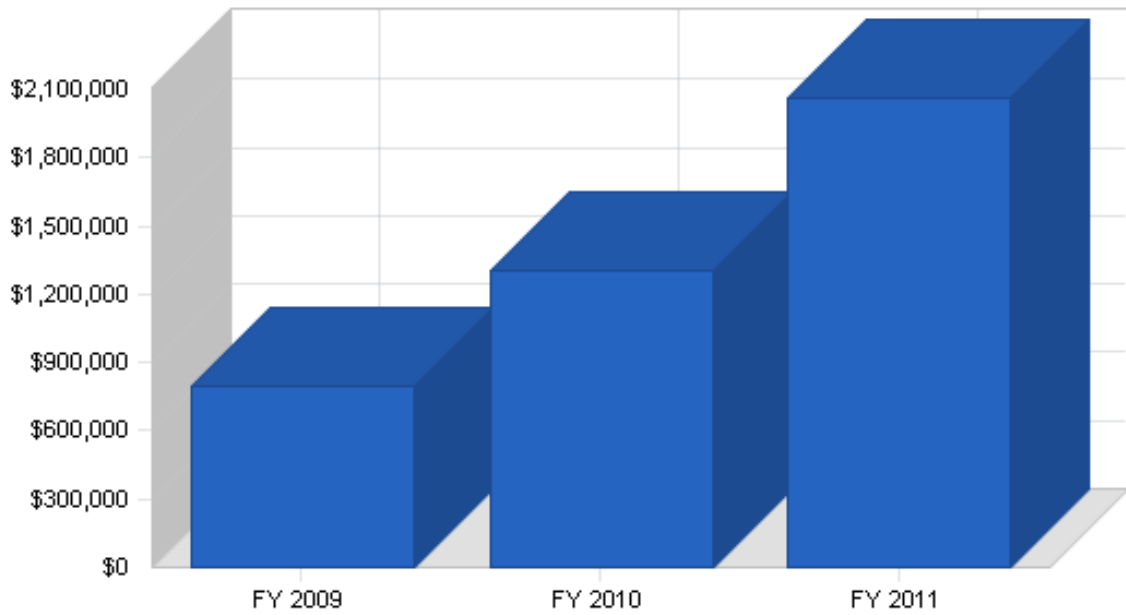


# My Business Plan

## Gross Margin Monthly



## Gross Margin Yearly



# My Business Plan

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## 7.5 Projected Cash Flow

The following table and chart are the projected cash flow figures for Air4zero. As can be seen from the Cash Flow chart and table below, Air4zero has a number of advantages that provide for a large amount of growth in the company's cash account.

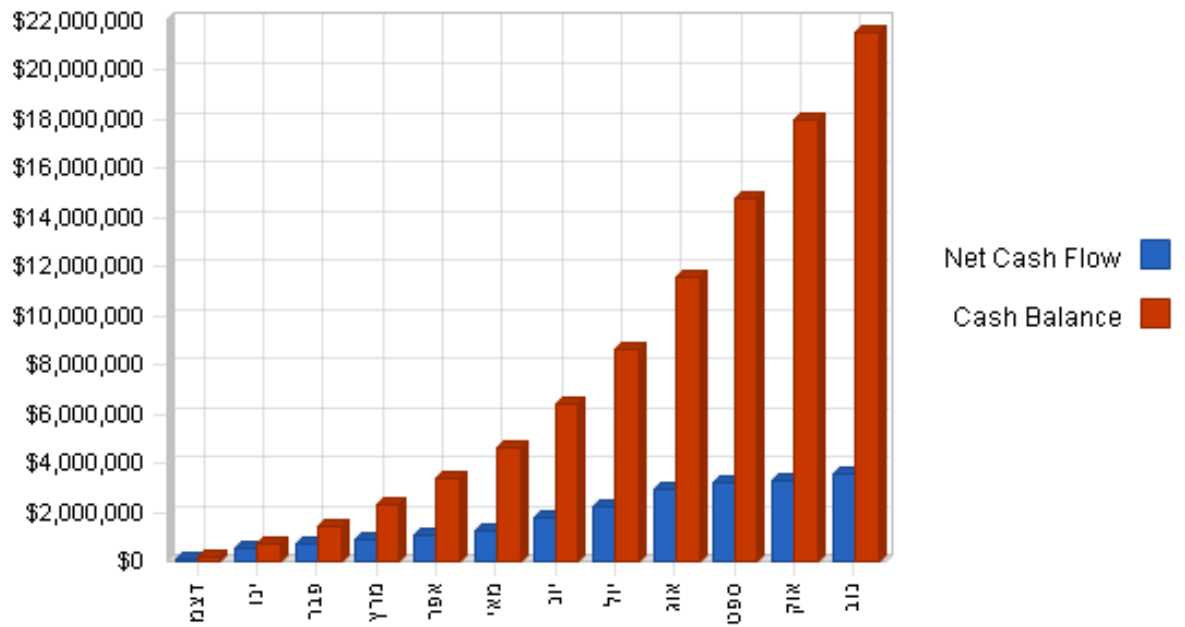
Because it is the policy of the company's clients to provide the fabric for the A4Z products, the company has a very low cost of goods sold account and therefore a high gross margin. Furthermore, the custom nature of the business means that there is no inventory cost to speak of or accounts payable. Finally, the company does not possess any debt or long term capital assets that would affect the cash flow. With the ability to generate so much cash flow, it is assumed that the company will seek to use this asset to expand its markets and production capacity in the near future.

**Table: Cash Flow**

Pro Forma Cash Flow			
	FY 2009	FY 2010	FY 2011
<b>Cash Received</b>			
Cash from Operations			
Cash Sales	\$3,746,500	\$4,125,070	\$5,954,165
<b>Subtotal Cash from Operations</b>	<b>\$3,746,500</b>	<b>\$4,125,070</b>	<b>\$5,954,165</b>
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$442,500	\$225,000	\$380,000
New Current Borrowing	\$145,100	\$114,000	\$125,000
New Other Liabilities (interest-free)	\$505,800	\$255,000	\$320,000
New Long-term Liabilities	\$35,100	\$28,500	\$35,000
Sales of Other Current Assets	\$503,212	\$447,000	\$525,000
Sales of Long-term Assets	\$4,028,000	\$2,450,000	\$2,700,500
New Investment Received	\$17,526,000	\$12,000,500	\$13,500,500
<b>Subtotal Cash Received</b>	<b>\$26,932,212</b>	<b>\$19,645,070</b>	<b>\$23,540,165</b>
<b>Expenditures</b>			
Expenditures from Operations			
Cash Spending	\$163,801	\$208,000	\$236,000
Bill Payments	\$2,946,358	\$3,673,123	\$4,669,000
<b>Subtotal Spent on Operations</b>	<b>\$3,110,159</b>	<b>\$3,881,123</b>	<b>\$4,905,000</b>
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$650,200	\$650,000	\$665,000
Principal Repayment of Current Borrowing	\$351,800	\$457,500	\$465,800
Other Liabilities Principal Repayment	\$314,500	\$425,000	\$427,800
Long-term Liabilities Principal Repayment	\$87,467	\$95,000	\$102,000
Purchase Other Current Assets	\$332,900	\$386,500	\$389,500
Purchase Long-term Assets	\$225,400	\$325,000	\$552,000
Dividends	\$300,000	\$1,304,500	\$1,306,500
<b>Subtotal Cash Spent</b>	<b>\$5,372,425</b>	<b>\$7,524,623</b>	<b>\$8,813,600</b>
<b>Net Cash Flow</b>	<b>\$21,559,787</b>	<b>\$12,120,447</b>	<b>\$14,726,565</b>
<b>Cash Balance</b>	<b>\$21,596,287</b>	<b>\$33,716,733</b>	<b>\$48,443,298</b>

# My Business Plan

## Cash



## My Business Plan

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### 7.6 Projected Balance Sheet

The following table shows the projected balance sheet.

**Table: Balance Sheet**

Pro Forma Balance Sheet			
	FY 2009	FY 2010	FY 2011
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$21,596,287	\$33,716,733	\$48,443,298
Other Current Assets	(\$10,312)	(\$70,812)	(\$206,312)
<b>Total Current Assets</b>	<b>\$21,585,975</b>	<b>\$33,645,921</b>	<b>\$48,236,986</b>
<b>Long-term Assets</b>			
Long-term Assets	(\$3,722,600)	(\$5,847,600)	(\$7,996,100)
Accumulated Depreciation	\$19,920	\$34,930	\$54,942
<b>Total Long-term Assets</b>	<b>(\$3,742,520)</b>	<b>(\$5,882,530)</b>	<b>(\$8,051,042)</b>
<b>Total Assets</b>	<b>\$17,843,455</b>	<b>\$27,763,391</b>	<b>\$40,185,944</b>
<b>Liabilities and Capital</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$482,235	\$285,751	\$392,530
Current Borrowing	(\$92,700)	(\$436,200)	(\$777,000)
Other Current Liabilities	\$5,600	(\$589,400)	(\$982,200)
<b>Subtotal Current Liabilities</b>	<b>\$395,135</b>	<b>(\$739,849)</b>	<b>(\$1,366,670)</b>
<b>Long-term Liabilities</b>	<b>(\$10,367)</b>	<b>(\$76,867)</b>	<b>(\$143,867)</b>
<b>Total Liabilities</b>	<b>\$384,768</b>	<b>(\$816,715)</b>	<b>(\$1,510,537)</b>
<b>Paid-in Capital</b>			
Paid-in Capital	\$17,651,050	\$29,651,550	\$43,152,050
Retained Earnings	(\$337,550)	(\$1,496,864)	(\$2,377,943)
Earnings	\$145,186	\$425,421	\$922,374
<b>Total Capital</b>	<b>\$17,458,686</b>	<b>\$28,580,107</b>	<b>\$41,696,481</b>
<b>Total Liabilities and Capital</b>	<b>\$17,843,455</b>	<b>\$27,763,391</b>	<b>\$40,185,944</b>
<b>Net Worth</b>	<b>\$17,458,686</b>	<b>\$28,580,107</b>	<b>\$41,696,481</b>

## My Business Plan

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### 7.7 Business Ratios

The Business ratios give an overall idea of how profitable and at what risk level Air4zero will operate at. The ratio table gives both time series analysis and cross-sectional analysis by including industry average ratios. As can be seen from the comparison between industry standards and Air4zero own ratios, there is some differences. Most of these are due to the fact that there is a very large variance in assets, liabilities, financing, and net income between companies in this industry due to the vast differences in company size.

Overall the company's projections show a company that faces the usual risks of companies in this industry and one that will be profitable in the long-run. The company shows that it has higher SG&A costs than other competitors, however management has deliberately overstated costs and minimized profits in order to create a "safe" or "buffer" zone in case of hard times or other unforeseeable problems. Pre-tax return on net worth and pre-tax return on assets appears to be very high, especially within the first two years, however this is due to the fact that the company will be operating with fewer assets than most companies in the first few years until it can build up enough cash to acquire the tools and facilities that are desired and go beyond the "adequate" level.