

The New San Jose Mile Karting Facility

Business Proposal Prepared By Cambrian Go Karts

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Table of Contents

Executive Summary.....	3
Business Description and Vision.....	4
Description of the business.....	4
Mission Statement.....	4
Company Vision.....	5
Business Goals and Objectives.....	5
Brief History of Business.....	6
Definition of a Market.....	7
Sales Strategies.....	8
Description of the Products and Services.....	9
Products.....	9
Services.....	9
Organization of Management.....	11

Executive Summary

On any given weekend during the 11 month kart racing season, thousands of karters travel from all around the Western United States as well as other parts of the country to participate in local or national kart races. All of these karters share a common love for their sport, spending many hours working on their karts, preparing for race day, and practicing throughout the week. What they also have in common is they often spend hours out of their days driving to the races.

One of the main problems with go-karting in California is the absence of a world class kart track. What is also absent from these tracks is a nice, family environment, where racers' families can watch and enjoy themselves, while their loved ones are doing what they love to do. Instead, they often spend their weekends escaping the heat by staying their motor homes or trailers, simply waiting to go home. And this is what makes The San Jose Fairgrounds Karting Facility different.

The Facility takes the professionalism of kart racing to a whole new level by providing an atmosphere that is family friendly, relaxing, and comfortable. In addition to providing racers with a world-class racing track, we are equally committed to making the Facility an environment where families can come, watch, and enjoy themselves.

The Facility is not only for the enthusiastic racer, however. It is also for those who have little or no knowledge of go-karting and the entertainment that it can provide for people of all ages and skill levels.

With a track based in San Jose, local enthusiasts will be saved the long distances currently required of them to get to a track, and the city's large population, most of whom are entirely unfamiliar with go-karting can have an opportunity to try it out themselves without the large start-up costs and time commitments currently associated with competitive kart racing.

Drive into our facility through the row of palm trees sign up at the registration office and rent a kart for the day, the hour, or the weekend. Unload your own kart out of your trailer or our storage facility where we keep it for you and let the fun begin.

Business Description and Vision

Description of the Business

The San Jose Fairgrounds Karting Facility (henceforth “the karting facility”) is a one-mile long, twenty-five foot wide, asphalt racing track at the Santa Clara County Fairgrounds in San Jose, California. It is paved in a way that allows for the number and severity of the turns to be modified based on a variety of skill levels of drivers. Approximately twenty, forty-foot, air-conditioned, modified shipping containers will line the eastern side of the track. These modified containers serve a variety of purposes including: storage, maintenance, new equipment sales, registration, and offices as well as restrooms and showers. The roof deck of these containers will be affixed with permanent shade structures supporting solar panels, and guardrails around the perimeter in order to double as a rooftop-viewing and seating platform for spectators as well as a green power source for the entire facility.

The Karting Facility will be a seven-day a week operation. It will be open to the general public for recreational rental kart use, similar to what can be found at indoor kart tracks locally. Additionally there will be designated daily times for enthusiasts of varying skill levels to practice, learn, and drive their personally owned go-karts. The Karting Facility will also provide storage and maintenance services for enthusiasts who own their own go-karts but have little time to work on it themselves.

In addition to providing a world-class karting track that drivers will appreciate, the Karting Facility will boast a number of fan-based and family-friendly amenities that are absent from most go-kart tracks in the nation. This will include a playground for young children, a small arcade, an indoor/outdoor eating area where guests can relax and watch TV, an apparel store, and gift shops.

Mission Statement

The purpose of Karting Facility is to provide a safe, family-friendly, world-class go-karting environment where people of all ages and skill levels can get together and enjoy the exciting world of go-karting without having to travel the long distances and endure the considerable costs that they are currently faced with. We envision the Karting Facility to be multi-purpose, allowing enthusiasts time to race seriously, as well as beginners and newcomers to be introduced to the sport that they may otherwise never have the opportunity to take part in. **Consider that 65-70% of competitive racing is done by drivers under the age of 16 years old.**

Company Vision

It is anticipated that the Karting Facility will grow rapidly in the first five years of operation.

At the outset, it must be made clear that Cambrian Go-Karts will pay for all of the engineering costs associated with the development of the Karting Facility. The company will procure private investors to support building and other associated costs in the development of the Karting Facility.

We envision a breakdown of the rent as follows:

- During the construction of the Karting Facility until the first month of operation, estimated at one year from beginning to end, Cambrian Go-Karts would pay **\$100.00** per month in rent.
- From the second month of operation until the end of the first year, Cambrian Go-Karts would pay **\$12,500** per month.
- From the second year until the end of the fifth year, Cambrian Go-Karts would pay **\$25,000.00** per month.
- From the sixth year to the end of tenth year Cambrian Go-Karts would pay **\$30,000.00** per month.
- At the end of the first 10 year lease we would renew looking at another 10 year lease with rent adjustments appropriately **year 11 to 15 and year 16 to 20.**

Business Goals and Objectives

Year One: Our goals in the first year of operation are to develop the culture of the Karting Facility by:

- Building our customer base through various advertising, media, word of mouth and through our existing racing networks throughout the state and the country;
- Making the property known throughout the karting networks around the country;
- Creating a rental kart league (for newcomers);
- Creating a racing kart league (for enthusiasts);
- Expose the Facility to other entities such as Bicyclists and Marathon Runners
- Build networks with other local businesses and develop a working relationship with them for our mutual benefit. For example: Patrons at a given restaurant will receive a discount on a particular race/rental package at our track and visa versa, patrons at our track would receive incentives to stay at local hotels and patronize local restaurants.

By the end of the first year, we expect to host at least one large, national event, probably two, drawing hundreds of racers from across the country and possibly internationally. The formula that has been proven by other promoters in major races in the industry is 3.8 to 1. For every 1 racer entry there is 3.8 other people that accompany him or her. These people need a place to sleep, places to eat, buy their groceries, or just go shopping while they are in town.

Year Two and Three: By the end of the third year of operation, we will have expanded both the rental kart league and the racing kart league, with the hope that those introduced to karting through the rental kart league might become more serious in their involvement. We expect to have a position within the company dedicated to reaching out and liaising with the many organizations in the Bay Area in search of outdoor events, commonly referred to as “team building,” with the goal of hosting on average a different company each month throughout the year. At this stage we expect to be holding 2-4 national racing events per year, which typically draw enthusiasts from the surrounding states. Additionally, we will hold monthly club races drawing enthusiasts from San Jose and the Northern and central California as well as Oregon and Nevada.

Year Five: By the end of year five we expect the Karting Facility to be a regular fixture in the Bay Area among recreational karters, as well as a permanent fixture on the national racing scene. We want it to be a desired destination to hold numerous national-scale events in addition to continuously building its local presence as a desired recreational destination.

Brief History of Business

In 1994 Donald Durbin Jr. purchased a used racing kart with the money that his late grandmother had left him. He and his father traveled to Davis California to attend the closest kart racing school and they fell in love with the sport. From 1994-2003 Donald and his father Don Sr. enjoyed the challenge, the competition and the time they spent together while doing it. Over the years they made contacts in the industry, became a successful duo and became sought after by others for help and advice. In 2004 it became clear to Jr. that he had a passion for the sport and really enjoyed working with people and recognized that he was good at it, and Cambrian Go-Karts was born. It began in an 1800 sq. foot building in San Jose and in 3 years they quickly outgrew it and moved in to the building next door occupying 5,000 sq. Feet. The move was positive, allowing the team to help more people, do better business and reach more families.

Daily, Cambrian Go-Karts deals with the public, introducing all types of people to their beloved sport. New and used karts are assembled, sold, delivered and maintained by our staff. We understood going in that there were no nearby tracks and that traveling to our customer would be the only way to sustain ourselves in the industry, so a 30 foot concession style trailer was purchased and has had a huge role in our success. By traveling with a mobile store stocked with all the needed parts to service all the racers at any given track we made our mark in the industry and are counted on by hundreds of different families and individuals. This also allowed us introduce ourselves to many people that do not reside anywhere near our San Jose based store and extended our reach much further than what it would have been had we just stayed put and hoped to succeed solely from home.

This introduces our newest dream project, the construction of “The New San Jose Mile” at the Santa Clara County Fairgrounds, introducing a venue unparalleled in the Western United States. This will allow Cambrian Go Karts to reach more people, and introduce them to what we consider the best-kept secret there is...karting. With our shop and

track all tied together, it will allow us to conduct business the way it should be done, getting young families involved, watching them grow and succeed all while providing them a place to do it, right here at home.

Definition of the Market

The go-karting industry is comprised of a variety of different sub-groups or target markets. Its base is comprised of enthusiasts who spend their weekends travelling around the country to different race tracks in order to participate in go-karting. The largest concentration of tracks in California is on the outskirts of the Sacramento area (5), and Southern California (5). There is currently no track in the Bay Area, and we see this as an untapped market.

It is clear from the success of our current business located a minimum 2 hours from any track, that there is high demand for a kart track in the Bay Area. This is based on the number of individuals we are actively involved in supporting at more distant tracks, and the number of customers who have expressed a strong interest in go-karting but are prevented from taking part due to the time involved in travelling to and from distant tracks. For example, it is not uncommon for us to hear from customers that a track in San Jose would convince them to get their whole family involved. Additionally, the prospect of this track being built has sparked a very high interest and anticipation of it being completed, as it is exactly what many customers have been waiting for.

In addition to the location of this track, a further added benefit when compared with the rest of the tracks in the state is its location in a large city, its family friendly atmosphere, and the variety of products and services offered at the track itself. None of these can be found at any of the competing tracks in the state and only a few in the nation, due to the fact that most of them are found in rural areas and are frequented by people who do not in fact live nearby the tracks themselves.

Our secondary market consists of newcomers and recreational drivers, which makes the track's location in the heart of Silicon Valley a huge advantage. At our current location in Campbell, we often receive weekly enquiries from local businesses and companies, party planners, visitors, and parents concerning rental karts and the possibility of team building outings, birthday parties, and summer activities for kids. And this is all without

advertising. Unfortunately we are unable to provide any of these services, however we see the Karting Facility as an enormous opportunity to make these events and more happen.

We are in a unique opportunity in that our potential market for rental and recreational/competition imposes very few barriers to entry. Currently, our customers range from five years to seventy-six years in age. While the relatively high cost and time investment that is required for serious competition in karting can often act as a disincentive, none of these are barriers for recreational and rental kart use. We expect that by providing rental and recreational use will allow people to become familiar with go-karting and potentially become enthusiasts themselves without having to travel up four hours and spend thousands of dollars just to find out whether or not they like it.

Sales Strategies

The largest asset for potential customers is the track itself. While we have a strong customer base from experienced enthusiasts, newcomers and other potential new customers are often let down by the fact that they cannot try the product before they buy it. Picture going to a car dealer, expressing interest in a brand new car, only to be told that test driving it before deciding to purchase it is not an option. This is a common scenario for us at Cambrian Go-Karts. Not only is the inability to try the product a problem, it is compounded by the fact that once a purchase is made, the product can only be driven on certain tracks located a minimum of two hours away.

Now imagine, walking into the Karting Facility, expressing interest in purchasing a new kart for yourself and your child, and immediately being able to sit down in a number of different karts and testing them out on the track itself. This would result in accelerated sales and increased number of enthusiasts taking part in the club races.

Other sales strategies include direct mail promotions to local businesses that have already enquired about the possibility of rental karts for "Team Building" days. Companies that have already contacted us without a track or advertising include: Netflix, Google, Yahoo, Apple Computers, Cisco, Oracle, IBM, as well as high-end party planners, and consulting firms such as TRS.

Prior to the opening of the track, we would advertise on radio, city busses and other media as well as through our existing store and other national go-kart networks. We also anticipate partnering with local business.

Description of the Products and Services

Products

- New and used racing karts (\$2000-\$12,000)
- Thousands of associated parts and accessories (safety equipment, stands, tools, replacement parts, etc.) (10\$-\$3000)
- Food (1\$-10\$)
- Clothing/safety equipment (\$10-\$600)

Services

- Go-kart rental (concession kart: \$60 per person per half hour race)
- Insured Go-kart storage (\$100 per month)
- Team-building outings (\$550 per person for half day, based on 10 person minimum)
- Driving lessons (\$100 per hour)
- Private coaching (\$500 per day)
- Vehicle and engine maintenance (\$70 per hour)
- Mechanics (i.e. individual mechanic for karters on race day) (\$250 per day)

All of our pricing is based on industry standards and many cross over from our current business products and services at Cambrian Go-Karts.

Cambrian Go-Karts is currently the only go-kart retailer in the Bay Area. Our closest racing kart competitor is based in Sonoma. While we currently offer a number of these products and services to our customers through our Campbell shop, the combination of the track and shop on a single site will make doing good business easier, and introduce newcomers to karting by providing them with a facility that is in their own city. Cambrian Go Karts would maintain its existing location.

There is potential competition for casual customers from various indoor kart rental facilities such as LeMans Karting in Fremont, Go-Kart Racer in Burlingame, Umigo in Livermore, and K-1 Speed in Santa Clara. However all of these facilities share the common attribute that they are solely indoor, and remain focused purely on casual customers. Because they don't offer any further steps in kart racing, it is not uncommon for Cambrian Go-Karts to experience walk in customers searching for the next level of go-karting experiences. While this is great for the karting community, the main obstacle is distance, cost and time, and most locally based enquiries fall flat due to the barriers of the distant track location.

By having a track in their own city that not only provides casual entertainment for newcomers but also a professional quality racing environment for experts, for those interested in taking their karting experience to the next level, the Karting Facility will provide services that exceed any and all other facility's.

In addition to the distance of most go-kart tracks from the Bay Area, one of the major problems with these other tracks is their lack of a comfortable environment for family members and spectators. While go-kart racing is exciting to watch, due to the remote location of the current go-kart tracks in California, it can be difficult to include one's family or loved ones in their karting hobby. Our Karting Facility will embrace racers' family members by providing them with a comfortable area to watch, either indoors or outdoors, enjoy a nice meal, play on the playground, watch from the VIP observation decks, and enjoy themselves rather than simply tolerating it.

Organization and Management

The Karting Facility will be a Corporation.

There are no industry specific licenses or taxes required to operate this facility. However, normal taxes incurred by corporations will apply.

The Karting Facility will have the following insurance coverage: Participant legal liability; Products and completed operations; spectator liability; personal and advertising injury; Unintentional errors and omissions, and; Damage to premises rented to you.

This insurance covers:

- Any person or organization involved in operating, managing, sanctioning, sponsoring, or providing the premises for sanctioned events.
- Any participant, go-kart owner, as well as any go-kart stored on the property on behalf of its owner by Cambrian Go-Karts.

Currently, we anticipate the following full time roles at the Karting Facility:

- General Manager: Oversees all day-to-day activities at the Karting Facility.
- Sales Manager: Oversee the sales of new and used products; manage the pro shop.
- Service/Storage Manager: This person will be in charge of all of the daily service work that comes and goes from the property; organizing and keeping inventory of vehicles stored on behalf of customers.
- Maintenance: This will be divided between two roles: One will maintain the grounds, keep the track clear of debris, and maintain landscape issues. A second will be in charge of maintaining the fleet of rental karts, which will require daily attention.

- IT, electrical and mechanical maintenance person.
- Office Manager: Bookkeeping, paying bills, liaising with outside groups and potential customers.
- Registration/sign ups/scoring.
- Corner workers on the track
- Engine department: specialized service department devoted to high-end, technical maintenance of racing engines.
- Outside Sales and Marketing Manager: Sole job of seeking and organizing large events, corporate events, birthday parties etc.

It is anticipated that by the end of year 2 the facility will employ 14-18 full time employees and an additional 6-8 part time on event weekends.