

Company Investment Summary Guidance

This guidance is intended to define the different components of Ben Franklin Technology PARTners – CNP Investment Summary and suggest the intention of the topics that a company must respond to.

1. Business Summary:

- a. Question: Summarize your business
- b. Clarification: N/A
- c. Hypothetical response: AutoDyne designs and manufactures aftermarket car engine products for Japanese-designed cars that enhance performance and extend the life of the engine.

2. Total Available Market:

- a. Question: What is the total available market in dollars, and how did you derive this figure?
- b. Clarification: TAM is defined as the company's annual sales in a perfect world where there is no competition; the product or service is accepted as the de facto standard and is used by all. This number will represent an upper limit on sales and is more realistic than using broad industry sales forecasts.
- c. Hypothetical response: The U.S auto parts aftermarket market is estimated to be \$85 billion, of which 53% are Japanese-designed cars. Of the remaining \$45 billion market, only 0.5% is attributable to engine performance enhancing and/or life-extending products, resulting in a T.A.M. of \$225 million.

3. Customer Problem:

- a. Question: Define the customer problem
- b. Clarification: N/A
- c. Hypothetical response: Car owners almost always sacrifice engine life for performance, so many are disinclined to purchase performance enhancing products. Additionally, car owners who purchase products that extend the life of the engine rarely enhance performance.

4. Customers:

- a. Question: Who are your current customers? Please be as specific as possible. (If you do not have any current customers, who do you expect to be your customer?)
- b. Clarification:
- c. Hypothetical response: AutoDyn sells primarily to U.S. men ages 18-28. We have 3 regional aftermarket auto parts dealers located in Pennsylvania and one nationwide catalog dealer (Aftermarket Plus!). We have just added the nationwide dealer to our list of dealers, but only a few of our products have made it into their online and print catalogs. We are targeting two other nationwide dealers, namely Japanese Aftermarket, and Asian Auto Parts as they have a more focused customer profile.

5. Product/Service:

- a. Question: Describe the product or service you sell.
- b. Clarification: N/A
- c. Hypothetical response: We sell modified fuel injection systems for Honda's VTEC engines, Toyota engines since 1992, Suzuki engines since 1996, and Hyundai engines since 1999. We also design exhaust manifolds designed to boost horsepower. In most cases the systems can be installed by an amateur mechanic, but any ASE certified mechanic can install the system for under \$200.

6. Value Proposition:

- a. Question: Explain your value proposition
- b. Clarification: A value proposition is a clear and specific statement that answers "Why should I buy *this* product or service?" as well as "Why should I do anything at all".
- c. Hypothetical response: The fuel injection systems increase city-MPG by 9-13%, boost horsepower by 5-6%, and decrease piston wear by an estimated 50%. This translates into an average annual savings of \$1,750 per car. This is especially important in given the current gasoline prices.

7. Intellectual Property:

- a. Question: What intellectual property protection, if any, do you have? Please be as specific as possible.
- b. Clarification: Intellectual property (IP) is an umbrella term for various legal entitlements which attach to certain types of information, ideas, or other intangibles in their expressed form. The holder of this legal entitlement is generally entitled to exercise various exclusive rights in relation to the subject matter of the IP. IP is held in the form of a patent (provisional or otherwise), copyright, trademark, industrial design right, or trade secrets/confidential information.
- c. Hypothetical response: AutoDyne hired Pillsbury, Winthrop, Shaw, and Pittman, LLP to do our patent work and has submitted one patent application for the fuel injection system technology (still awaiting feedback). We also filed a provisional patent independently for our exhaust manifold technology (expires 2/07).

8. Competitors:

- a. Question: Describe the competitive landscape and list your competitors.
- b. Clarification: N/A
- c. Hypothetical response: The Japanese aftermarket auto parts market consists of many small players, each maintaining market shares of <1%. A few, however, have risen to prominence through top quality design and performance coupled with aggressive marketing campaigns. These competitors are Haiku Auto Parts, Performance Engine Supply, Ellicot Research and Design, and Cummins Engine.

9. Competitive Advantage:

- a. Question: Define your competitive advantage and list barriers to entry.
- b. Clarification A: A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.
- c. Clarification B: Barriers to entry are obstacles in the path of a firm which wants to enter a given market.
- d. Hypothetical response: Our fuel injection systems are the only systems that increase city-MPG while also increasing horsepower. This represents a breakthrough technology that has not been seen in the aftermarket industry. There is some threat of backwards integration, and/or engine redesign, but we estimate our lead time to be 2+ years, and we will also continue to sell systems for older models.

10. Sales/Marketing Strategy:

- a. Question: Explain your sales and marketing strategy for acquiring and maintaining customers.
- b. Clarification: N/A
- c. Hypothetical response: The aftermarket auto parts market relies on a large and diverse group of dealer and dealer relationships. This group is broken down into niche markets based on manufacturers and geography. In addition to our current dealer relationships, we want to form new relationships with the top two foreign aftermarket auto parts dealers in the country (ForeignParts.com and Advanced Asian Auto). When we list our products with these dealers, we will increase our exposure by a factor of 30.

11. Revenue Model:

- a. Question: Describe your revenue model.
- b. Clarification: The revenue model is simply the way the company makes money through a variety of revenue flows.
- c. Hypothetical response: AutoDyne will earn revenues by selling parts through dealerships. Many of the large dealerships, and the one's we will be targeting in the future, purchase products from us directly. Smaller dealers prefer drop-shipments directly to the customers. We will offer volume discounts as well as new-dealer discounts to increase market penetration and awareness.

12. Use of Funds:

- a. Question: How will you use the money?
- b. Clarification: N/A
- c. Hypothetical response: We intend to use the money primarily to build relationships with targeted dealers, which includes costly demonstrations and a rigorous due diligence process. The remainder of the funds will be used to improve our marketing material.

13. Management:

- a. Question: What specifically makes your management team qualified to build this business? Please include relevant industry experience if applicable.
- b. Clarification:
- c. Hypothetical response: Mario Andretti, the president, has over 40 years experience in the auto industry, 10 years managing a dealership. Bobby Vans, VP of R&D, worked for Ellicott Research in the R&D department, and Judy Workhorse is a former financial analyst for Tony's Honda.

14. Economic Development:

- a. Question: Describe how you will maintain a significant presence in Pennsylvania over the next 5 years. Please include employment estimates if possible.
- b. Clarification: N/A
- c. Hypothetical response: We are and will be headquartered in Erie, PA and expect to hire between 5 and 10 people to expand our dealer relationships, build our R&D capabilities, and manage production.