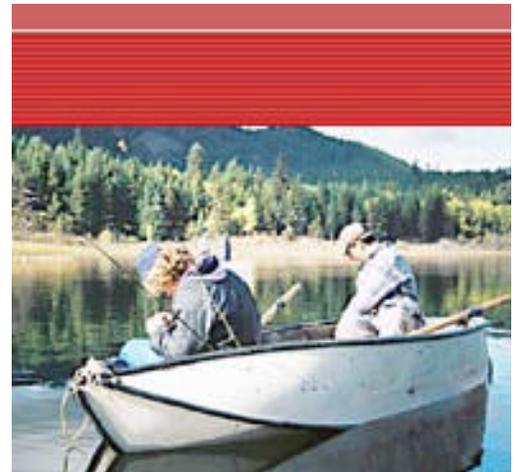


YouCan Adventures

Sample Business Plan (Other - Adventure Tourism)

Canada / British Columbia Business Services Society
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YouCan Adventures

Business Plan for the period
starting May 2001

Executive Summary

Business Description

YouCan Adventures has been offering canoe and kayak rentals, expedition tours and guiding services in Tripping Falls, Yukon since 1990. Joe Crow started the business 8 years ago and Tad Ishiyama has been the operations manager of the business for three years. They plan to diversify the business and expand the length of the operation schedule by adding mountain biking, dogsledding and ski touring activities to their product offering.

Ownership and Management

Joe and Tad have agreed to restructure the business as a new corporation. Joe Crow will roll the assets of his existing proprietorship into the newly created business and Tad Ishiyama will contribute \$100,000 in capital. Each will own 50% of the shares. Tad will have the option to buy out the other half at a later date. Joe Crow spent the first 10 years of his career prospecting for Eureka Gold Consortium. He moved on to work for Tundra Sport Outfitters in Northern Alberta as a guide then manager of operations. He left Tundra after 20 years to start YouCan Adventures and has built the business up over the past 8 years.

Tad Ishiyama has been the operations manager of the business for three years. He came to Tripping Falls from the Lake Louise, BC where he was the manager of a bicycle and clothing shop following his wife's career move to the Yukon Ministry of Environment. Tad has a Bachelor of Commerce in accounting and spent 4 years as an account manager at Big Bank in Nelson before moving to Lake Louise for the skiing. Tad has been an avid cyclist for many years and brings with him a numerous experiences as a customer on mountain biking trips in the United States and Canada.

Key Initiatives and Objectives

The primary objective of the company is to expand the business to provide better utilization of assets. This will be achieved by lengthening the period of operations from 4 months to about 9 months of the year. On top of the \$100,000 investment by Mr. Ishiyama, the expansion will be financed by a \$50,000 term loan.

Marketing Opportunities

The Canadian Adventure Travel Industry grossed \$165 million in revenues in 1993. Within this market, the Yukon industry has grown at the rate of almost 20% per year since 1987 and revenues totaled \$5.74 million in 1995. Of the 118 adventure travel operators in the Yukon in 1995, 21 provided guided canoe tours, 11 provided cycling tours, 13 provided dogsledding and 9 provided ski touring. Although the industry has come a long way in 10 years, there is still much room for expansion for well-run, professional tour organizations in this region.

Competitive Advantages

YouCan Adventures has been in operation for 8 years. Joe Crow has built a reputation for excellence in guiding services. He has a steady and growing stream of business, with over 20% of his customers returning for other trips. Our additional product line includes mountain biking, ski touring and dogsledding in some of the most beautiful terrain in the Yukon. YouCan has negotiated a contract with a First Nations band to put shelter cabins on this land to service our adventure activities. Included in the contract are restrictions on similar tourism-oriented leases for a term of ten years. Having these exclusive rights to these structures on such ideal land will constitute a large benefit for the company.

Marketing Strategy

Our market is made up of a mixture of Americans, Canadians and off-shore visitors. Over half of the total is US citizens, divided equally between Alaskans and other Americans. The majority of Canadians are from BC or Ontario. Canoeists are generally from Ontario, Minnesota or Germany. Dogsledders come primarily from Japan and mountain-bikers come mainly from BC, Alaska and the West Coast. The promotional plan targets these geographical regions as well as sport-specific media. The Internet will be used as an effective promotional avenue and inclusion in key guides via association membership will be pursued.

Summary of Financial Projections

Revenue projections for 1998 total \$243,000. Canoe revenues are expected to decrease by about 5% to \$125,970, reflecting a diversion of resources toward developing the new products. Revenues from camping and lodge receipts will be roughly the same, bringing in \$9030. First year revenue projections for newly added activities include: \$42,000 for mountain biking; \$18,000 for ski touring; and \$48,000 for dogsledding. Projections for years two and three show a moderate but steady growth in revenue as they become established, resulting in \$317,556 in 1999, and \$347,498 in 2000. Net income is expected to increase from \$7,743 in 1998, to \$31,051 in 2000.

Confidentiality and Recognition of Risks

Confidentiality Clause

The information included in this business plan is strictly confidential and is provided on the understanding that it will not be disclosed to third parties without the express written consent of Joe Crow and Tad Ishiyama.

Recognition of Risk

This business plan represents management's best estimate of the future potential of our business venture. It should be recognized that not all the major risks can be accurately predicted or otherwise avoided and that few business plans are free of errors of omission or commission. Therefore, investors should be aware that this business has inherent risks that should be evaluated prior to any investment.

Business Overview

Business History

YouCan Adventures has been offering canoe and kayak rentals, expedition tours and guiding services in Tripping Falls, Yukon since 1990. Joe Crow is 55 years old and intends to retire in the next few years. He started the business as a single proprietorship 8 years ago after 20 years of working as a guide and manager for Tundra Sport Outfitters. Tad Ishiyama has been the operations manager of the business for three years.

Joe and Tad have agreed to restructure the business as a new corporation. Joe Crow will roll the assets of his existing proprietorship into the newly created business and Tad Ishiyama will contribute \$100,000 in capital. Each will own 50% of the shares. Tad will have the option to buy out the other half at a later date. They plan to diversify the business and expand the length of the operation schedule by adding mountain biking, dogsledding and ski touring activities to their product offering.

Vision and Mission Statement

YouCan Adventures Ltd. is dedicated to providing quality adventure services and accommodation to a selected range of customers.

Objectives

Our main objectives for the next year are to:

1. Increase existing rental and expedition revenues by 75%.
2. Obtain \$50,000 term loan for new equipment.
3. Expand product and service line to include mountain bike tours and rentals in the summer, and dogsledding and ski touring in the winter.
4. Expand and better target marketing effort.

Ownership

Joe Crow and Tad Ishiyama will each own 50% of the outstanding shares of the company.

Location and Facilities

YouCan Adventures is located near the confluence of two of the most beautiful rivers in the Northwest Rockies. Despite the proximity to the mountains, Tripping Falls also is at the edge of 2000 square miles of flat or moderately hilly terrain. It is also within easy driving distance of Whitehorse and is situated close to one of the major traffic routes between BC and Alaska.

Tripping Falls is an ideal base camp to start or end river canoe and kayak journeys. The

nearby lake is suitable for landing floatplanes and is used for transport into more remote expedition sites. In addition to water access, the foothills and mountain plains are ideal for mountain bike excursions ranging from one day to two weeks. During winter months, this terrain is also suitable for dogsledding and ski touring activities.

YouCan Adventures currently offers lodging to its customers. The lodge has an expansive living room and four guest rooms. Two rooms have queen-sized beds while the two other rooms each contain two bunk beds, sleeping four apiece. One room has an ensuite bathroom; the others share two common bathrooms.

There are also 10 campground spots set up on the property, 6 with electricity and water facilities.

Products and Services

Description of Products and Services

YouCan Adventures has offered canoe touring, rental and expedition services for 8 years. In addition, seeing an opportunity to offer complementary services, Joe Crow and his wife Pamela started offering camping and lodging services 5 years ago. This allowed the business to expand their revenue base by capturing a steady amount of pass-by overnight traffic. As a result, they developed a market for 1 to 2 day excursions and straight rentals from customers coming into camp for a night. Rental customers can either canoe the mild river conditions for up to 50 km downstream from Tripping Falls, or strap the equipment on their vehicle for a trip to one of ten suitable lakes within two hours of base camp. YouCan will also provide transportation services for an extra charge to and/or from a site. This service is included in any river trip from the lodge.

This season, the company plans to further offer mountain bike rentals and touring services. The nearby terrain allows for an ideal mix of levels of difficulty and endurance. Tours can range from a relatively low stress combination of local highway and mining roads, to more challenging animal tracks and rocky, mountainous terrain. Excellent opportunities exist for bikers who can afford fly-in expeditions as well. Two superb routes exist for tours such as these, lasting 7 and 10 days respectively. Food and supplies will be air dropped along the route near pre-defined camp spots so customers can limit the amount of extra baggage they need to transport on the expedition to personal articles.

YouCan will begin offering dogsledding and ski touring activities starting next winter season. Dogsledding will include lodge-based day tours as well as multi-day expeditions. Ski touring will also be offered this coming season. The terrain near Tripping Falls is well suited for these activities and a number of preset routes are being developed.

Key Features of the Products and Services

All our adventure products come in pre-packaged and customizable form to provide as much flexibility to the customer as possible. Taking into account the diverse range of customers who come to the Yukon, it is important to offer a wide selection of activities.

The combination of products we offer is designed to attract both the pre-booked customer as well as transient traffic and customers already in the Yukon looking for exciting activities to add to their travel experience.

We offer two tours that combine canoeing and mountain biking. This is a unique tour feature and will appeal to people who look for a varied routine in their adventure vacation. These tours are designed so that neither activity is overly taxing, making them accessible to a wider range of customers. Tour guides cater to a specific group's capabilities, making the route more lenient or rigorous as required. Winter activities also have the flexibility for combining both activities as well as varying the skill level.

For those customers who do not wish professional guiding services, we can provide rental equipment and/or access to our cabins at camp areas out in the field. There are four sites where we plan to build well insulated, basic, yet comfortable shelters for mountain-biking tours. This service option reduces the weight of equipment needed to be packed and increases the breadth of terrain that can be covered in each leg of the journey. They are placed in sites that are ideal for one or two day excursions. They can be used as base camps for excursions or can be linked together with two other existing cabins in a looped circuit, covering a diverse variety of terrain. This route and the equipment stashes would also be suitable for ski touring expeditions.

Production of Products and Services

Suitable transportation is required to move people, equipment and supplies from the various points of activity. The company owns a van and trailer that will hold up to 10 people and their respective gear. If additional capacity is required, a similar van is available for rental. A four-wheeler can be used to stock equipment storage sites and provide any emergency services required during an expedition. Similarly a snowmobile is available for this purpose during the winter months.

Tours involving air travel usually require advanced notice due to a high demand during the summer months. Package tours needing the use of aircraft are pre-booked and require a three week cancellation notice to avoid paying penalties. In the case of last minute custom tours, availability is up to the luck of the draw. Any cost premium will be transferred to the client as this type of customer is relatively insensitive to price.

Experienced guides are required to offer the customers a safe and interesting experience. All of our guides are proficient in canoe and kayaking skills. Two of the four regular guides have their American Canoe Association (ACA) certifications. Our guides are also quite knowledgeable with respect to local history, native customs, geography and geology of the region. In addition, one guide speaks German and Tad speaks Japanese.

The addition of dogsledding will be achieved by a buy-out of an existing business 100 miles away. The owner, Jim Samson, will trade his dogs and equipment including three sleds in exchange for a guaranteed base salary and a percentage of the revenues resulting in dogsled activities. He will be responsible for any debt that exists in his name. His existing clientele will be retained and we will assume the marketing efforts.

Future Products and Services

We will continue to expand and diversify our editorial and magazine content according to the wishes of our readers. We also plan to introduce a new Internet website and e-mail "chat room" in order to solicit additional feedback from our customers.

Comparative Advantages in Production

Because of its road network, the Yukon has excellent highway access to back-country wilderness areas. This level of access into pristine terrain can be a distinct advantage over Alaskan operations.

Few local tour operators offer such a wide selection of activities. The wide range of activities allows us to make fuller use of our equipment and facilities, thereby achieving economies of scale. The length of our operating season helps us to retain staff year after year, which improves the quality of our product. Our guides have good personal skills and an in-depth knowledge of the area which can only be developed over many seasons. Secondary activities such as wildlife or bird watching attract some visitors and round out the experience of others.

Industry Overview

Market Research

To analyze market for adventure tourism and the segments, we collected information from various sources. We talked to a number of mountain bike tour operators in BC and Utah while participating in similar tour to understand the business, its customers and the quality of service provided by other operators. We also reviewed literature and market research reports covering the adventure travel industry. Sources included: Statistics Canada, the Canadian Tourism Commission, The Professional League of Mountain Sports, Adventure Research Group, the Yukon Department of Tourism, Discover BC and the Yukon Bureau of Statistics.

Size of the Industry

The Canadian Adventure Travel Industry grossed \$165 million in revenues in 1993. Of this, \$21.5 million was spent on canoeing amongst 96 operators, \$4.4 million on cross-country skiing amongst 19 operators, \$3.0 million on cycling amongst 20 operators, and \$1.0 million on dogsledding amongst 19 operators.

According to the Yukon Visitor Exit Survey, total travel expenditures in Yukon in 1987 were \$37 million, accounting for 193,000 visitors. The 1986 Interim Tourism Highlights report indicated that adventure travel in the Yukon had accounted for \$1.68 million in revenue. Tourism Canada's report Adventure Travel in Canada indicated that adventure travel revenues in the Yukon totaled \$5.74 in 1993, reflecting a 20% growth rate each year between 1986 and 1993. It shows little sign of slowing down. This region represents 3.4% of Canada's total adventure tourism receipts and 6.9% of the total number of operators in the country.

It should be noted that the adventure activity in the Yukon is understated since there are operators based in Vancouver, Toronto, and Alaska who plan and market tours that go to the Yukon but are not included in the regional data.

Key Product Segments

Reflecting its past experience in the canoeing segment, YouCan Adventures will continue to offer a range of products. YouCan's bread and butter business stems from tours lasting 6 to 10 days and requiring a low to moderate degree of skill. Canoeing has wide appeal for consumers because of its accessibility to most everyone. Despite this, there are those who are looking for more challenging expeditions in class 3 waters or higher and are willing to pay a premium to get to these spots. We will continue to offer products tailored to this segment. Depending on previous commitments, schedules can be rearranged at a moment's notice.

Revenues from one or two day trips are not an insignificant source of revenue for YouCan Adventures, but they are unreliable. The majority of these are arranged on an ad-hoc basis, primarily from transient traffic. As such, these are an integral part of the business, but are available secondary to pre-packaged tour products.

The preceding philosophy will apply to mountain biking, ski touring and dogsledding segments. We will continue to offer a range of products that satisfy a range of ability and time frames.

Key Market Segments

Next to Alberta, the Yukon has the highest number of foreign adventure travelers, accounting for 59% of the market. The majority of these travelers are from the US, which represents a large market for us. Roughly 40% of our canoe tour clients are American. An even larger proportion of all travelers in the Yukon are American (80%), but a large number of these are simply passing through to get to Alaska so they spend little money here. Nevertheless, this explains the fact that our transient guest count at the lodge and campsite accounts for 65% of this revenue segment. The other significant foreign segment for the canoe business is made up of Germans, which make up 30% of our business. Promotion in German guidebooks coupled with the strong interest of German's in this sport account for these numbers. The domestic market for canoe is split roughly equally between customers from BC, Ontario and the Yukon.

We expect our market for dogsledding will come primarily from the Japan. Forty-percent of customers in this category of adventure travel originate in Japan. Jim Samson has had some luck with this market segment; Tad Ishiyama plans on building a strong relationship with clientele through a focused marketing campaign using his language skills and knowledge of the culture.

The mountain biking crowd is developing into a definable market segment. Ten years ago, this was a very young market but it is now maturing and we see the main market aging. Sixty-seven percent of mountain biking clients are between 20 -44 years old, with a median age of 31. Twenty-seven percent partake as a couple but 32% participate with

one or more friends. Although mountain biking is most prominent in the West, from which the majority of clientele is expected to originate, it is gaining popularity across North America.

Similarly for ski touring, the median age is about 33 and consists mostly of people traveling in groups with their friends.

Purchase Process and Buying Criteria

Foreign visitors opt for higher-priced packages having a longer average duration (7 days) than those chosen by domestic adventure travelers (3.9 days). Foreign travelers prefer to stay in cabins or cottages (59%) in the wilderness, whereas domestic visitors prefer tents (32%). Despite the fact that foreign visitors in Canada prefer lodging, they realize that the Yukon is a wilderness area. Most travelers here expect to be "roughing it" for at least part of the time. We ensure that tenting on our canoe trips is as comfortable as possible. Extra amenities such as gourmet meals and communal tent/areas provide a feeling of relative luxury.

The quality of the guides is very important. The guide must be technically competent while being knowledgeable, interesting and entertaining at different times. Cooking is also the guide's responsibility. These factors can contribute to the customer's decision to purchase if they are communicated properly in well designed marketing material. Word of mouth regarding past experiences often results in repeat customers or spurs family and friends to try our product.

Along with the quality of amenities and service, customers buy adventure tours based on the quality of wilderness, scenery and wildlife they expect to see. In addition to spectacular mountain views and varied water scenery, wildlife siting and bird watching are two very important secondary activities within the adventure market. There is often a person on a trip that needs to know if he saw a varied purple-throated thrush. The promise of a siting of a moose or grizzly is always a selling point in this region of the world.

Description of Industry Participants

As of 1993, there were 46 adventure tour operators in the Yukon. Thirty-seven percent of these offer activities that are included in YouCan's offering. This represents 7% of Canada's 669 adventure tour operators. Within the North American perspective, Canada has 96 canoeing operations which represents 25% of the combined North American total of 386. The Yukon represents 2.6% of the North American total with 10 canoeing operations.

Key Industry Trends

There has been a softening of adventure market as older segments of the population and more women begin to participate in the various activities. Environmentally friendly activities sports are growing steadily while certain activities such as hunting are leveling off or declining in popularity.

Industry Outlook

Increasing sophistication of tour operators and increasing awareness of the Yukon as a destination has contributed to annual rate of growth in the industry of almost 20%. It is expected that this trend will continue for at least the next five years. Although the industry shows a fairly high turnover in companies, established businesses are becoming more sophisticated and larger as a result.

Marketing Strategy

Target Markets

We will continue to target canoe enthusiasts throughout North America. Americans represent 60% of the market for adventure travel in the Yukon. Of this, half come from Alaska. Minnesota, Michigan and Maine are known for high participation rates for canoeing. Germany is also an important target in this market. In Canada, the canoe market is concentrated in BC and Ontario.

We will concentrate on the Japanese and American markets with our promotions for dogsledding and ski touring activities. The majority of hard core participants for mountain biking will come from California, Washington, Utah, Colorado and BC but the sport's popularity is growing across North America.

Description of Key Competitors

Competition in the canoeing market in Canada comes from Ontario (28 operators), Manitoba, and Nova Scotia (both have 11 operators). Of the 96 operators in Canada in 1993, the Yukon had 10. Of these 10, 4 are based on lakes and are rental businesses only. Four businesses are based out of Whitehorse and provide up to 6 package tours as well as custom trips. The remaining two, including YouCan Adventures, are based outside of Whitehorse and offer a full selection of tour packages.

There are three companies offering mountain biking tours in the Yukon. One is based in Vancouver, one in Anchorage and the third in Whitehorse. The companies based outside of the Yukon are fairly well established and offer the Yukon trip as part of a larger offering of tours throughout the Pacific Northwest. The Whitehorse-based company provides three tours within the Yukon at this point in time. Judging from their success in the past three years, there appears to be room within this growing market to expand. Outside of the Yukon, there are a number of areas that have a number of mountain biking operators including California, Colorado, Utah, Wyoming and BC.

There are 5 dogsled operators in the Yukon and 2 ski touring concerns in the Yukon representing 26% and 11% of the Canadian market respectively. There are 9 dogsledding operations in Quebec, accounting for roughly half of the Canadian total. Competition for ski touring comes mainly from BC where 47% of operators are situated

Analysis of Competitive Position

In the canoe business, we feel that we are well established and have built a reputation for good service and value. Our tours are comparable or better than those offered by other operators in the Yukon and appeal to the person who likes the idea of having a base camp from which to centralize activities. We do not have a physical presence in Whitehorse, but still get many referrals from hotels, travel agents and the tourist bureau there.

The mountain biking industry is still small, especially in the Yukon. Despite this, the terrain and possible routes in the Yukon make the potential market look very good. We expect to see slow but steady growth in this sport and feel that now is the time to establish ourselves as the leader in this market. Two of the three competitors are not specifically committed to this area and the other is based out of Whitehorse. We believe that being based nearer to some of the best mountain biking spots in the Yukon is a distinct advantage in this market.

Pricing Strategy

We price our tours based on the market rates and our costs, targeting to achieve a gross margin equal to or exceeding the industry average. The industry average for canoeing was 19.4% in 1993. We have achieved an average gross margin of 24.3% over the past three years. Prices for our canoe trips have been slightly above the Canadian average of \$90.96 per day. Average prices per day and gross margins respectively for the other activities are: \$121.75 and 30.1% for mountain biking; \$202.30 and 24.8% for dogsledding; and \$115.01 and 10% for ski touring.

Promotion Strategy

Promotional tools must be designed with the following factors in mind: most adventure travelers come from the US, half of whom come from Alaska; only 17% come with the express purpose of adventure travel, it is just a part of their vacation; three-quarters of the potential market visited attractions, half visited a museum, and one-quarter attended arts and cultural events. We will continue to advertise in various magazines targeted specifically to canoeing such as Canoe Magazine and Canoe and Kayaker's Monthly. For the new activities, we will continue this strategy in magazines such as Bike and Ski. More important than magazine ads is inclusion in travel guides and ensuring accurate updates. The most widely distributed example of this is the Yukon Vacation guide, published by the Department of Tourism. Similarly, inclusion in books such as The Ultimate Adventure Sourcebook is invaluable. Offering familiarization (fam) tours may be necessary to gain access to these types of books.

We have created brochures in the past and find them an effective marketing tool. We will create a new brochure for distribution at museums, tourist info centres, to travel agents and enquiring customers. A direct mail campaign will be undertaken, targeting past customers and an appropriately segmented list of prospective customers.

YouCan will develop a promotional website that displays the products and provides other information. Registration on all the major search engines with appropriate search terms is essential. We will continue to use relationships with tour operators to promote our other products. We have joined the Canadasia Marketing Initiative. This association combines

the financial contributions of a number of Canadian tour operators and leverages this with federal funding to co-market these products in the Japanese, Korean and Taiwanese markets.

Distribution Strategy

Customers will be able to book with us directly through a 1-800 service and website as well as through tour operators, wholesalers and travel agents. We provide a commission to wholesalers and agents.

Management and Staffing

Organizational Structure

YouCan Adventures will be co-owned and operated by Joe Crow and Tad Ishiyama. Aside from Joe's wife Pamela, the company will have a seasonal staff ranging from four to six guides in the summer down to one or two guides in the winter months.

Management Team

Joe Crow spent the first 10 years of his career prospecting for Eureka Gold Consortium. He moved on to work for Tundra Sport Outfitters in Northern Alberta as a guide then manager of operations. He left Tundra after 20 years to start YouCan Adventures and has built the business up over the past 8 years.

Tad Ishiyama has been the operations manager of the business for three years. He came to Tripping Falls from the Lake Louise, BC where he was the manager of a bicycle and clothing shop following his wife's career move to the Yukon Ministry of Environment. Tad has a Bachelor of Commerce in accounting and spent 4 years as an account manager at Big Bank in Nelson before moving to Lake Louise for the skiing. Tad has been an avid cyclist for many years and brings with him a numerous experiences as a customer on mountain biking trips in the United States and Canada.

Staffing

The canoe business currently requires 2 guides plus Joe and Tad to run the operation during the four month season. It is expected that we will need one more guide to handle mountain biking operation in the first year. Idle time will be spent researching new routes and improving existing itineraries. Jim Samson will be employed to run the dogsled during the winter. He will also be used as a secondary guide during the summer on larger expeditions. He has some experience guiding in canoe trips and he is an excellent cook. Pamela Crow will continue to run the lodge accommodations and food services.

Labour Market Issues

It is difficult to find quality guides. There are not many trained guides available in North America which makes them a valuable commodity. As such, retention of staff is a priority, especially in a seasonal business such as this. Our ultimate aim is to extend the

season for at least 2 months on each side of summer with ski touring and dogsledding activities. This would better enable us to retain staff and reduce turnover year to year.

Regulatory Issues

Intellectual Property Protection

Trademarks, copyrights, or patents are not applicable to our business.

Regulatory Issues

There are no regulations at the moment for tour operators in our situation outside of our Yukon business license. We follow standard safety guidelines to ensure our customers are not put at unnecessary risk. Both of our guides are registered with the American Canoe Association.

YouCan has negotiated a preliminary agreement for the lease of First Nations land to be used for shelter cabin structures. Before construction is started on the shelter cabins, YouCan must get land lease approval under the Territorial Lands Act which is administered by the Department of Indian and Northern Affairs.

Risks

Market Risks

The number of competitors has increased steadily over the past 10 years. This competition for the adventure travel market is mitigated by two factors. First, the number of adventure tour participants has also steadily risen, allowing a growing number of operators to survive. YouCan has done well to survive in an industry that sees a high turnover in businesses. Secondly, YouCan believes that the development of the shelter cabins will provide the company with a unique product that will be a distinct competitive advantage in this market.

Other Risks

The Government of the Yukon may regulate this industry in the future. If this occurs, adventure tour operators will be subject to meet standards set out in the legislated code of standards. YouCan has kept high standards of conduct and safety in the past. It fully intends to continue this practice in all activities it plans to offer.

Implementation Plan

Implementation Activities and Dates

Feb 1997: New company will be incorporated and assets will be transferred. Tad Ishiyama will invest \$100,000 into the company.

March 1997: Lease arrangements will be finalized for the four shelter cabin locations with the local native band.

March 1997: Promotional plan put into motion. April-May 1997: Cabins will be built. New mountain biking and related equipment will be purchased

Financial Plan

Discussion of Projected Net Income

Revenue projections for 1998 total \$243,000. Canoe revenues are expected to decrease by about 5% to \$125,970, reflecting a diversion of resources toward developing the new products. Revenues from camping and lodge receipts will be roughly the same, bringing in \$9030. First year revenue projections for newly added activities include: \$42,000 for mountain biking; \$18,000 for ski touring; and \$48,000 for dogsledding. Projections for years two and three show a moderate but steady growth in revenue as they become established, resulting in \$317,556 in 1999, and \$347,498 in 2000.

Direct cost of sales averages 40%, leaving a gross margin of 60%. Roughly half of this direct cost goes to wages for the guides. The partners will be paid a monthly salary out of overhead, however, so their guiding activities are not included in the direct cost figures. Sales and marketing costs account for 7% of gross sales which is consistent with industry practice.

Operating expenses account for 2% of gross sales. This is lower than the industry average due to the low maintenance costs associated with canoes and bicycles.

Net income is projected to be \$7,743 in 1998 to \$31,051 in 2000. The increase in income is due to increased revenue generation and better use of resources. The term loan is payable over 3 years at an interest rate of 8%. Depreciation is calculated on a number of items including the lodge and shelter cabin structures, touring equipment, computers and vehicles at their respective rates. Combined provincial and federal taxes are calculated at 22.8% of net income before taxes.

Discussion of Monthly Cash Flow Statement

The \$50,000 term loan and Tad Ishiyama's contribution of \$100,000 will finance the purchase of equipment and the building of the shelter cabins. In contrast to previous years, YouCan will not rely on operating loans to finance activities in the off-season. The company strategy will spread out the revenue stream over the full year, providing a smoother cash flow in 1998 onwards.

Discussion of Projected Annual Cash Flow

Revenue streams will be adequate in 1999 and 2000 to ensure positive cash flows. The planned \$50,000 loan will be fully paid by the end of 2000.

Discussion of Pro-Forma Balance Sheet

The starting balance reflects the formation of the new corporation, with Tad contributing \$100,000 cash and Joe transferring assets from the existing business. Expansion plans in the first year, including the purchase of land and equipment and the building of new

structures raise fixed assets to \$250,000. The business will continue to add \$25,000 of equipment each year in 1999 and 2000 to accommodate projected growth in customer volume.

Discussion of Business Ratios

We have compared our ratios to those compiled in a study by Tourism Canada of the adventure travel industry. YouCan's overall gross margin of 60% is high with respect to the industry average. However, if the partner's wages are worked into the cost of sales, the margin is 30%, which is comparable. Return on assets climbs from 4% in 1998 to 15.5% in 2000 as the new product lines become established and equipment is better utilized. Similarly, return on owner's equity rises from 4.8% in 1998 to 15.9% in 2000. Times interest coverage climbs quickly in Year 3, reflecting climbing income versus dwindling term loan interest charges.

Note 1: Revenue Assumptions

a. Our Revenue projections by product and by month for the first year are:

| Year 1 | Canoe | Bike/Ski | Dogsled | Camp/Lodge | Total |
|----------|-----------|----------|----------|------------|-----------|
| Month 1 | | | | 70 | 70 |
| Month 2 | | | | 70 | 70 |
| Month 3 | | | | 105 | 105 |
| Month 4 | | | | 350 | 350 |
| Month 5 | 25,555 | | | 700 | 26,255 |
| Month 6 | 32,395 | 12,000 | | 1,575 | 45,970 |
| Month 7 | 32,395 | 15,000 | | 1,750 | 49,145 |
| Month 8 | 25,555 | 15,000 | | 1,750 | 42,305 |
| Month 9 | 10,070 | | | 1,575 | 11,645 |
| Month 10 | | 6,000 | 16,000 | 700 | 22,700 |
| Month 11 | | 6,000 | 16,000 | 350 | 22,350 |
| Month 12 | | 6,000 | 16,000 | 35 | 22,035 |
| Total | \$125,970 | \$60,000 | \$48,000 | \$9,030 | \$243,000 |

b. Our revenue projections by product for Years 2 and 3 are:

| | Canoe | Bike/Ski | Dogsled | Camp/Lodge | Total |
|--------|---------|----------|---------|------------|---------|
| Year 2 | 132,269 | 90,000 | 84,000 | 11,288 | 317,557 |
| Year 3 | 138,882 | 108,000 | 88,200 | 12,416 | 347,498 |

Note 2: Assumptions Regarding the Collection of Sales Revenue

a. We assume that the percent of our sales which are collected: in the month they are made; in the month following; in two months; and in three months are:

| | |
|------------------------|------|
| Current Month | 90% |
| In the Following Month | 10% |
| In Two Months | 0% |
| In Three Months | 0% |
| Total | 100% |

b. Based on these assumptions we have projected how much we will collect from our sales in each month. The following table also identifies any adjustments we may have made to these figures.

| Year 1 | Projecte d Collectio ns | Adjustm ent | Revised Estimate |
|----------|----------------------------------|----------------|---------------------|
| Month 1 | 63 | | 63 |
| Month 2 | 70 | | 70 |
| Month 3 | 102 | | 102 |
| Month 4 | 326 | | 326 |
| Month 5 | 23,665 | | 23,665 |
| Month 6 | 43,999 | | 43,999 |
| Month 7 | 48,828 | | 48,828 |
| Month 8 | 42,989 | | 42,989 |
| Month 9 | 14,711 | | 14,711 |
| Month 10 | 21,595 | | 21,595 |
| Month 11 | 22,385 | | 22,385 |
| Month 12 | 22,067 | | 22,067 |
| Total | \$240,800 | \$0 | \$240,800 |

c. Not all of our sales in the first year will be collected during that year. Based on the assumptions shown above our Accounts Receivable at the end of Year 1 will be:

\$2,200

d. We assume that our Accounts Receivable at the end of Years 2 and 3 will be:

| | |
|--------|---------|
| Year 2 | \$3,000 |
| Year 3 | \$3,000 |