

INTERNATIONAL BUSINESS PLAN

Advanced Plating Rocks



**Station Camp High School DECA Chapter
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I. EXECUTIVE SUMMARY

COMPANY INFORMATION

Advanced Plating Rocks is an electric guitar turnkey and plating manufacturer currently located in Nashville, Tennessee, with plans on international expansion into Seoul, South Korea. APR is a branch of Advanced Plating, Inc. that has been a national and international source for show quality plating for fifty years. APR's topnotch products are mainly aimed towards Original Equipment Manufacturers, or OEMs. The newest revolutionary product to be offered from Advanced Plating Rocks is The Pinnacle Bridge, a string-specific guitar bridge. With 20 firmly established South Korean buyers international expansion would bring endless benefits to Advanced Plating Rocks.

LOCATION

Seoul, South Korea serves as the perfect location to start up our new international venture. Seoul offers less expensive raw material and supply costs, labor costs, and 20 interested Asian manufacturers; all predominant reasons for choosing South Korea to be the home of Advanced Plating Rocks' first international branch. South Korea's economy is robust and growing, being the fifteenth largest economy in the world. The government of South Korea is also very lenient to foreign businesses with few regulations in place. The Foreign Investment Promotion Act says that foreign investors will have access to virtually all types of trade in South Korea. The "Free Trade Agreement" between South Korea and the United States has made business between the two countries easier than ever by eliminating 95% of tariffs.

PLANNED OPERATION

Advanced Plating Rocks does not want to leave anything to chance, so we will enter South Korea with a flawless business plan. We will start up as an S Corporation due to the fact that the American branch is an already established S Corporation. APR will be lead by a CFO and a plant manager with 45 other employees below them. Advanced Plating Rocks currently manufactures parts for the top guitar brands in the world, such as Gibson, Fender, and Epiphone, giving us major industry connections from the beginning. The Pinnacle Bridge is also a patented and completely new idea, therefore no competition exists. Considering the time and attention to detail put into this invention, few disadvantages are present.

PRODUCT AND DISTRIBUTION

The Pinnacle Bridge will change the electric guitar's sound forever by reducing buzz, therefore creating better sound quality and an enhanced tone. APR's invention has created string-specific notched saddles, which hold the guitar strings in place, therefore greatly enhancing the guitar's sound. This product will soon become the prevalent bridge used in every guitar around the world. Aside from the Korean clientele, we will be transporting our product via ocean freight to the US once a year, for Gibson Guitar, sending 203,000 pieces on each shipment. They will be sent from the port of Incheon, to a port in LAX, and sent to a holding area in Los Angeles. The rest will be distributed throughout South Korea at the expense of the buyer.

PRICING AND PROMOTION

The Pinnacle Bridge will be priced at \$8.93, costing \$4.99 total to make (\$1.87 for the part itself, \$3.12 to chrome finish), giving us a profit of \$3.94, or 79%. Advanced Plating Rocks does not have the traditional plan of most businesses; due to the fact that our target market is made up of manufacturers and they cannot be affectively targeted through most media outlets. While most business is focused on currently held accounts, we have a thorough plan for marketing to reach new potential clients. Firstly, we will promote through word-of-mouth marketing. We will also utilize trade promotion by attending two trade shows, one in America and one in China. This will attract not only American and Asian buyers, but buyers from around the world.

PROJECTED INCOME AND EXPENSES

Advanced Plating Inc. has provided us with a \$1,250,000 startup fund, most of which we will be able to save, due to the fact our start-up in South Korea is so inexpensive. The estimated start-up cost is \$106,896. Our yearly inventory will be 800,000 parts, and a majority of these parts have already been promised to buyers. APR will make an estimated \$7,144,000 in gross sales in the first year and have an overall net income of \$1,467,941, leaving us completely debt free after year one. Over the next three years, APR will grow by at least 54%, and will add American OEM's and American boutique builders to its repertoire of clients. We will also expand into specialty finishes such as gold, black nickel, and black chrome to appeal to more markets. Our factory will expand as well; we will hire ten new employees, and expand into the 7,000 sq. ft., which we will initially sublet. Due to our established Asian clients, our unique product, and our low operating costs in South Korea, we are confident that our first international expansion project will be a success.



II. INTRODUCTION

Advanced Plating has grown from a small local shop to a nationwide and international source for show quality plating within the last fifty years. The main branch of our company focuses on restoration of antique car parts. Within the past thirty years, we have slowly been creating a name for ourselves in the music industry through turnkey services (CNC matching, stamping, diecasting and assemblies), powder coating, and polishing and plating of guitar parts (bridges, jackplates, stop bars, tail pieces, pickup covers, and truss rod covers). Over the years, the music industry has evolved to such an extent that five years ago, Advanced Plating launched a separate branch of the business to deal solely with the music industry, named Advanced Plating Rocks.

Advanced Plating Rocks, an offshoot of Advanced Plating, has pioneered a product that will revolutionize the music industry. Our proposed product is called "The Pinnacle Bridge." The name in itself conveys excellence, and the product performance not only lives up to its name, but also exceeds musicians' highest expectations.

Our proposed product, The Pinnacle Bridge, is part of the soon-to-be international company, Advanced Plating Rocks, based in Nashville, Tennessee. This invention has created string specific saddles for the guitar bridge. The strings pass over the bridge, which is initially set to the tuning of the guitar so the guitar plays in tune with proper tone and timbre. This is an improvement of a normal guitar string bridge; but unlike the Pinnacle Bridge, a regular bridge only gives minimal performance of the strings. Not only will our new bridge fit the guitar strings precisely to size, it will also enhance the quality of sound and reduce buzz.

The manufacturing and plating of our new product, The Pinnacle Bridge, will be based in Seoul, South Korea, where we will also have a showroom. South Korea is the 3rd largest country economically in Asia, fifteenth in the world. It is adjacent to North Korea and very close to Japan via the East China Sea. It has a population of 49,779,000, and of that, they have a workforce of 25,100,000. 24.2% of the labor force is in the industry sector, which is what our business falls under. They have an unemployment rate of 3.4% and only 15% of the population is below the poverty line. We plan on hiring directly out of the South



Korean labor force, attempting to shrink both of those numbers. South Korea has a strong government, economy, and a captivating culture. Its powerful neighboring countries often overshadow South Korea, but it is quickly becoming an international powerhouse. South Korea's music industry is rapidly growing, and with our exceptional product, The Pinnacle Bridge, Advanced Plating Rocks is ready to take the music industry by storm.

There were many factors that went into our choice of Seoul, South Korea for the expansion of Advanced Plating Rocks. Our three main reasons are as follows:

In South Korea raw materials are not only easier to buy, but also easier to transport to our plating factory. Our raw main materials for plating: hexavalent chrome, nickel metal and copper metal that can all be bought in South Korea much cheaper than in America. To set up a bath (a vat of chemicals in which products are plated), is a very costly procedure that is the basis of our process. There are four main baths, which must be set up to begin operation. The startup variation in prices between America and South Korea is drastic:

- Cyanide Copper- America: \$30,000; South Korea: \$10,000
- Acid Copper- America: \$60,000; South Korea: \$20,000
- Bright Nickel- America: \$100,000; South Korea: \$33,000
- Hexavalent Chrome- America: \$45,000; South Korea: \$15,000

As you can see, our business will save \$157,000, if not more, on initial setup of the baths alone by beginning operations of the music sector in South Korea.

Operating costs in South Korea are also more cost effective than in the United States. This is one of the many benefits of doing business in South Korea. The average South Korean worker makes about \$678 United States' dollars, per month. Compared to the average American worker, making about \$3,000 per month in American dollars, labor costs would be roughly \$2,322 cheaper per employee in regards of employment.

The predominant reason our international expansion team has chosen Seoul, South Korea for the finishing of our new product is due to the fact that our manufacturer is already established there. The



manufacturer we use is Boo Heung Precision (BHP), located directly in the city. Also, as of now.

Advanced Plating Rocks has twenty current buyers and retailers in Asia, as well as one major client in America, Gibson Guitar. These customers have already confirmed their interest in the Pinnacle Bridge. We also would be able to provide better customer service and shipping times for customers in Asia. If we were to keep finishing of The Pinnacle Bridge in The United States, Advanced Plating would be paying freight costs for BHP to send the part to the United States branch, and then back to South Korea to other buyers. By also creating an establishment of Advanced Plating Rocks in Seoul, it would drastically cut our freight costs, creating a bigger profit for our company overall. APR has two finishing facilities, which provides a back up in case of any natural risks. Also, having a facility in South Korea would also open up the U.S.A. factory for further production.

Few trade barriers currently exist in South Korea, due to the fact they have taken the initiative to reduce their taxes and tariffs to a maintain a competitive edge. They have also implemented the Free Trade Agreement with the United States, which eliminates almost all of the tariffs on goods and created new protections for multinational businesses. This will also allow money to be spent in other areas, as well as help us focus on expanding the business even more internationally in a shorter period of time.

In order to help develop a thorough business plan, Steve and Sheri Tracy, the proprietors of Advanced Plating, have acted as advisors on the project providing us with background information and answering finance questions. Don Park of Boo Heung Precision, in South Korea, has acted as a consultant providing us with information on policies and laws, regarding international business in South Korea. South Korea's government website, as well as a variety of other websites, have been a target source of information we could not obtain from our previously listed sources.

III. ANALYSIS OF THE INTERNATIONAL BUSINESS SITUATION

A. Economic, political, and legal analysis of South Korea

1. Description of the South Korea's economic system

Korea currently has the thirteenth-largest world economy and is the United States' seventh largest trading partner. Its GDP growth rate is 3.6% with a per capita GDP of \$31,700. The Korean



currency is called won (KRW) and the 2011 exchange rate is 1,107.3 Korean won per United States' dollar. Korea's main industries are electronics, telecommunications, automobile productions, chemicals, shipbuilding and steel, with a 3.8% industrial production growth rate. They have a low commercial bank prime lending rate, only 5.9%, making the time ripe for investment.

All matters pertaining to foreign investment are facilitated by the Foreign Investment Promotion Act (FIPA), which was passed in 1998. The foundations of FIPA are: that foreign investors will have investment access to virtually all businesses in Korea and, potential foreign investors must only 'notify' the government authorities of their plans to invest, they need not seek consent. Under FIPA 99.8 percent of South Korea's industries are open to foreign investment. FIPA also qualified foreign investors for tax breaks, cash grants, and affordable land. In 1997 the number of foreign-invested businesses was less than 2,000 but it reached 14,000 as of 2010 in South Korea. Foreign-investment now accounts for 13 percent of sales, 12 percent of all exports, and 6 percent of employment in the manufacturing sector. With the Korean economy growing every day, it is an opportune time to begin manufacturing and selling of the Pinnacle Bridge.

There are other reasons South Korea is the perfect match for our business economically. Advanced Plating Rocks' business has grown by 40% since January 2012. We can cut labor costs by employing mostly South Korean factory workers; the average salary of a factory laborer per month is 1.2 million won, or \$960 American dollars. We plan on paying our standard factory laborers \$678.40 USD a month, which is minimum wage in South Korea. In comparison American factory workers make roughly \$3,000 USD per month so our company would be saving roughly \$2,040 per factory worker per month. We will also be cutting freight costs due to the fact we will be plating the Pinnacle Bridge in the same country in which it is manufactured. Raw materials in South Korea are much less costly. All these factors make now the best time possible to expand Advanced Plating Rocks into foreign markets.

2. Description of South Korea's governmental structure and stability

The government in South Korea is a republic with shared powers between their president, the legislature, and the courts. They have three branches of power: legislative, executive and judicial, similar



to the branches of the United States government. The legislative branch includes a President, also known as the chief of state that is elected for a single five-year term. A Prime Minister is also chosen to govern alongside the President. The 299 members of the unicameral National Assembly are each elected for four-year terms. Under the judiciary branch is a Supreme Court, appellate courts, and a Constitutional court. The judiciary branch stands independent under the Constitution. South Korea has nine provinces and seven separate cities, but the city most fitting for our business will be Seoul.

The most recent elections in Korea brought forth the presidency of Lee Myung-bak of the Grand National Party; which was renamed in February 2012. The new name "Saenuri Party" was used to symbolize a clean slate with voter dissatisfaction in the party. This political party has struggled since 1997, when the New Korea Party and the Democratic Liberal Party merged to form the formerly named Grand National Party. The party supports fiscal responsibility, a market economy, and caution when dealing with North Korea. South Korea has a well-functioning modern legal framework that ensures strong protection of private property rights. The rule of law is effective, and the judicial system is efficient. As for open markets, there is 76.2% trade freedom. As you can see, South Korea does not keep strict control of private business and trade, opening up endless opportunities in business freedom for Advanced Plating Rocks.

3. Description of laws affecting product and/or service

South Korea has many similar laws and governmental agencies to America that regulate the operation of the business in areas such as: health and safety of employees, trade laws, and waste management regulations that coordinate with each other. In the American branch of our company, the main governmental agency dealt with is Occupational Safety and Health Agency (OSHA). In South Korea it is known as Korean Occupational Safety and Health Agency (KOSHA). KOSHA uses strategies of implementing enforcement, assistance, and cooperation within the workplace. KOSHA enforces its regulations with no exceptions; assists businesses by offering outreach and trains employers and employees to protect themselves from possible injuries, and lastly, cooperation by establishing strong partnerships and alliances. KOSHA has random worksite inspections. If these inspections are failed it will result in citations and/or fines, and will possibly result in a cease of operation for the company. In South



Korea. Advanced Plating Rocks will also be under the inspection of the Ministry of Environment, put in implementation by the Republic of Korea. They target pollution and the effects of it on not only their country, but also on the world. They will focus on our emissions and air quality.

With the chrome plating process comes chemical waste, specifically f006, which creates two forms of waste: solid and liquid. Our solid waste is caused by the metals used in our factory and is removed through a water treatment that forms a sludge cake. Liquid waste is formed from the acids used in our processes. The used acids will be transported and recycled by World Resource Company.

APR will stick to the integrity of the company, no matter the lack of South Korean laws. Most companies in North Korea, Taiwan, and China dump waste into bodies of water. South Korea, although, usually disposes of their waste in landfills. While this may not be as harmful to the environment as dumping in bodies of water, it is still harmful to the environment. Recycling the materials is an even better solution, and because of The South Korean government's increased efforts to properly dispose of hazardous waste, this is a completely free process to us.

As for employment, according to the Labor Act, South Korea allows termination for any reason, both for-cause and no-cause. The Labor Act states that employees must not work more than 44 hours weekly, excluding breaks, and no longer than eight hours daily. Employees must be provided with a 30-minute respite period for every four hours worked, and at least one day per week of rest. Our employees would work a total of eight hours of the day, five days a week, with one thirty minute break period, to fit the guidelines set by The Labor Act. We will also set up optional Saturdays in case we do not hit our production quotas. It also states that children under 18 cannot work night shifts or dangerous jobs.

As of March 15th, 2012 South Korea and The United States established and put into force the Free Trade Agreement (FTA). The treaty's provisions eliminated 95% of each nation's tariffs on goods within five years, and also created new protections for multinational businesses. As for the effect of the treaty on our business, it is beneficial because it applies to our many services and will also benefit us by providing market access commitments that extend across virtually all major service sectors. It also includes greater and more secure access for international delivery services. This agreement opens up the Korean market



offering our American branch easier communication with our customers in South Korea, as well, if needed.

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B. Trade area and cultural analysis

1. Geographic and demographic information, important customs and traditions, other pertinent cultural information, competitive advantages and disadvantages

South Korea is situated in Eastern Asia in the southern half of the Korean Peninsula that surrounds the Sea of Japan and the Yellow Sea. The overall area of South Korea is 98,480 square kilometers, specifically 98,190 square kilometers of land and 290 square kilometers of water. For comparison, the size of South Korea is similar to the American state of Indiana. Geographically speaking, South Korea is mostly hills and mountains with wide coastal plains in the west and south. The South Korean coastline extends for 2,413 kilometers. The highest point in South Korea is Halla-San, which is 1,950 meters above sea level. The lowest point would be the Sea of Japan at zero meters.

The country of South Korea has a population of 48,860,500 people. Seoul, the home of our business, has a population of 10,464,051 million people, which gives us a wide range of people to market to. The languages widely spoken there are Korean and English. Christianity is the predominant religion with 19.9 percent Protestant and 6.6 percent Roman Catholic.



In Korean culture, Confucianism is a very large influence. Confucianism is a system of behaviors and ethics that emphasize the duties of the citizens towards each other based on the relationship they have. There are five different types of relationships in Confucianism: ruler and subject, husband and wife, parents and children, brothers and sisters, and friendships. Confucianism stresses duty, loyalty, honour, filial piety, respect for age and authority, and sincerity.

A person who lives out these important factors of Confucianism would make for an ideal employee. Since duty is stressed, they will tend to be hard workers and take initiative often during the workday. An employee who is loyal, honorable, and sincere would have integrity. They would keep the name and reputation of Advanced Plating Rocks clean and would be faithful to it as well. Respect for age and authority would minimize dilemmas and reduce power struggle in the workplace; this employee would be able to understand the structure of the job positions. These Confucian-minded employees will help guarantee the success of The Pinnacle Bridge through their hard work and devotion.

Since The Pinnacle Bridge is a completely new idea, there is no other direct competition. There is an extensive list of advantages, including the uniqueness of the product. The most essential advantage we have is the improvement of sound from the guitar, created by a more solidly mounted system for coupling the strings to a resonating guitar body. The solid connection allows for the guitar instrument to resonate better, thus transferring the sound to the instrument body and enhancing the played notes. This invention is designed to fit all different guitar makes without any modification to the original instrument. The new components do not detract from the original look of the instrument. The bridge also has an improved screw arrangement for securing the bridge and stopbar (tailpiece) to the body of the guitar.

Considering the time and attention to detail put into this invention, few disadvantages come with it. To adjust The Pinnacle Bridge you can only use a two-millimeter Allen wrench, while other bridges can be adjusted with a Phillips wrench or a standard slotted screwdriver. To resolve this issue, with the purchase of the guitar, OEM's will include a personal two-millimeter Allen wrench. The second disadvantage is more of a personal preference. The Pinnacle Bridge body and saddles are made of zinc. Some musicians prefer steel, aluminum, or brass bridges because they believe that it affects the tone



produced. In the future, we are planning to make our bridges out of all four different materials so that it will appeal to a wider audience of musicians.

2. Market segment analysis

Advanced Plating Rocks does not have the typical target market. Our company makes guitar parts, like our newest one The Pinnacle Bridge, and then sells them to major guitar manufacturers. Our target market is:

- Large OEMs (50,000-200,000 guitars/year)
- Electric, bass, dobro (guitar with metal resonator built into body) guitar manufacturers

Our company values the people who buy our products; we appreciate a customer who expects superior musical instruments, with exceptional sound quality, and strive to deliver that excellence.

Advanced Plating Rocks has built an enduring trust with our manufacturers due to strong partnerships, successful collaborations, and an extensive buying history. The general target markets of companies like Epiphone, Schleter, and Grestch (three major Asian manufacturers we supply), is:

- Social Group: Upper Middle Class
- Yearly Income: \$40,000-\$100,000
- Age: 16-35
- Interests: Music, Instruments
- Location: Anywhere our Clients Sell their Guitars (US and South Korea)

We rely on the companies we supply with parts to use the correct marketing strategies to ensure sales. These guitar companies sell to the general public through music stores, big chain retailers like Wal-Mart, and their own factory showrooms.

The customers buying behavior influences how many guitars each manufacturer produces each day.

The current totals are:

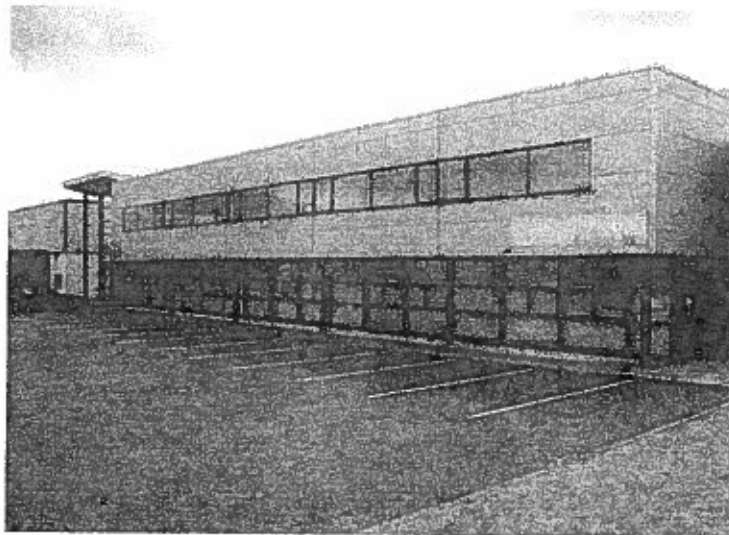
- Epiphone: 500 guitars/day (3500 guitars/week)
- Schleter: 250 guitars/day (1750 guitars/week)
- Grestch: 250 guitars/day (1750 guitars/week)



3. Analysis of the potential location

Advanced Plating Rocks will be based in Seoul, South Korea. Seoul has a population of over ten million making it the largest city in South Korea, and also classifying it as a megacity. Over half the population of South Korea lives in Seoul and the city generates 20% of the entire countries gross domestic product. Many global companies such as Samsung, LG, and Hyundai have chosen Seoul as there headquarters, so Advanced Plating Rocks will be following in very prestigious footsteps.

The potential location is Seocho-gu Bangbae-dong, a prime location in the city. This building will serve as the factory where all production will take place. The location will also hold offices for the CFO, purchasing agent, and secretary. As well as offices, the building will also have a separate showroom and stock room. The three sales associates and the IT associates will be in the showroom. Boxes of parts will be sold from the showroom and kept in the stock room. We will rent this 17,000 square foot building for \$23,096 USD/month, \$227,136 USD/year. Relative to neighboring buildings, this is a remarkable deal. With Seoul having such a high population and with the amount of businesses expanding there, space is very difficult to find and usually millions of dollars for a space so large.



In the first year we will be subletting out 7,000 square feet of the building as a warehouse unit to interested renters. This portion of the building is already sectioned off. Finding a renter will not be difficult because of the extreme desire for space in downtown Seoul.



Chromed parts and raw parts manufactured in the APR South Korea plant will be shipped to the American location (Advanced Plating USA) to receive other methods of finishing (gold plating, black nickel, and black chrome). Many trade documents are required to protect the content shipped and provide written documentation to assure the content will be delivered to the correct location.

The first document required is a Commercial Invoice. The original invoice, along with two copies, must be included with the package. The invoice contains the total value, unit value, and quantity. Transportation and insurance documents are also mandatory. This document shows a record of how the goods will get from Point A (Advanced Plating Rocks SOUTH KOREA) to Point B (Advanced Plating USA) and verify the insurance for those goods.

Lastly, a Bill of Lading document designates the type of transportation that will be used for the export of the goods, and dates and times proving the transportation has taken place. The documents required are very critical to the safety of our goods. They benefit us by assuring that our company will not lose money through possible misplacement of our product throughout the transportation process and also help both branches regulate shipment quantities either sent or received.

IV. PLANNED OPERATION OF THE PROPOSED BUSINESS/PRODUCT/SERVICE

A. Proposed organization

The division of Advanced Plating Rocks is an S Corporation and has elected to be one for many reasons. As an S Corporation, we pass incomes, losses, deductions, and credit through to shareholders (the owners Steve and Sheri Tracy), which they then put on their personal tax return. This allows us to avoid double taxation and save money.

S Corporations have many advantages with few disadvantages, making the decision perfect for our business. Advantages of an S Corporation are:

- **Protected assets-** Shareholders are not personally responsible for business debts and liabilities, so creditors cannot pursue their personal assets.
- **Pass-through taxation-** S Corporations do not pay taxes on the corporate level-they pass all incomes and losses through to shareholders to report on personal tax returns.
- **Tax-favorable characterization of income-** Shareholders can be employees of the business and draw a salary-they can also receive dividends from the company. Many owners elect to do this as to offset self-employment tax liability.
- **Straightforward transfer of ownership-** Interests can be freely transferred without



triggering adverse tax consequences.

- **Heightened credibility-** by formally declaring your business an S Corporation, it shows employees, vendors, and potential customers your commitment to the business.

S Corporation's also have disadvantages just like all types of ownership:

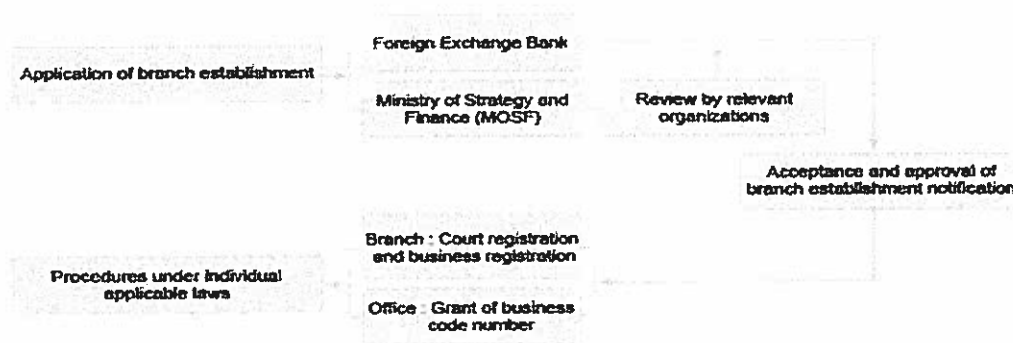
- **Formation and ongoing expenses-** Many fees, some one-time and some ongoing, that ownerships such as a Sole Proprietorship would not incur.
- **Tax qualification obligations-** Mistakes regarding various elections, consent, notification and filing requirements can accidentally result in the termination of S Corporation status, but it is rare and easily remedied.
- **Stock ownership restrictions-** Can only have one class of stock, and up to 100 shareholders, no more.
- **Closer IRS scrutiny-** Amounts distributed to a shareholder can be salary or dividends, the IRS closely scrutinizes payments to make sure characterization conforms to reality.
- **Less flexibility in allocating income and loss-** Due to the one-class-stock restriction, income and losses cannot easily be allocated to specific shareholders, which can be done in an LLC.

There are many steps to form an S Corporation, which all businesses must complete:

Step 1	Obtain Articles of Incorporation from Secretary of State	Form Available Online or through Agency's Brick and Mortar Office
Step 2	Complete Articles of Incorporation Form	
Step 3	Insert name of Business after Confirming Availability	Secretary of State Verifies Availability of Name
Step 4	Add Mailing Address for the Corporation	
Step 5	Insert Business Purpose of Company	
Step 6	List the Initial Board of Directors of the Corporation	
Step 7	Designate the Agent for Service of Process- They will accept summons and petitions for a lawsuit on behalf of corporation	
Step 8	File the Article of Incorporation with Secretary of State	
Step 9	Obtain a Form 2553- Election by a Small Business Corporation from the IRS (this form converts business to S Corporation)	
Step 10	Complete Form 2553, following directions from IRS	
Step 11	Obtain Signatures of all Shareholders of the Corporation	
Step 12	Submit form 2553 to the IRS- Submission of form completes process.	



The chart below shows the steps to establish a foreign branch in South Korea. This chart was found on investkorea.org and outlines each step our company will take.



Our team has broken down the staffing into three branches: the office, the showroom, and the plant. As for the office, one purchasing agent, one secretary, and one CFO would handle all financial and legal needs of the company. Three sales associates and one IT associate will manage the showroom. The IT associate will manage the Asian website and Asian marketing needs of The Pinnacle Bridge. For production in the plant, it will be divided into seven steps between 39 employees: polishing, racking, electroplating, de-racking, quality control, packaging, and shipping. One plant manager will supervise and oversee production involved in finishing of The Pinnacle Bridge.

Job Descriptions:

Office

- CFO- Manage accounts payable/receivable, forecasts expenses, checking accounts, overall income, and all legal matters. Boss of the Asian location. Salary: \$54,986 USD/year
- Purchasing Agent- Research and purchase all materials, chemicals, and supplies for Asian plant. \$11,980.80 USD/year
- Secretary- Handle office calls, incoming and outgoing correspondence, employee termination process, and errands. \$10,060.80 USD/year.

Showroom

- Sales Associates (3)- Manage customer service, inventory, and the storefront. Principal focus: professional selling. \$11,980.80 USD/year each
- IT Associate- Manage the website, fulfill marketing needs, take pictures of processes and parts, and handle relations with API USA. \$11,980.80 USD/year

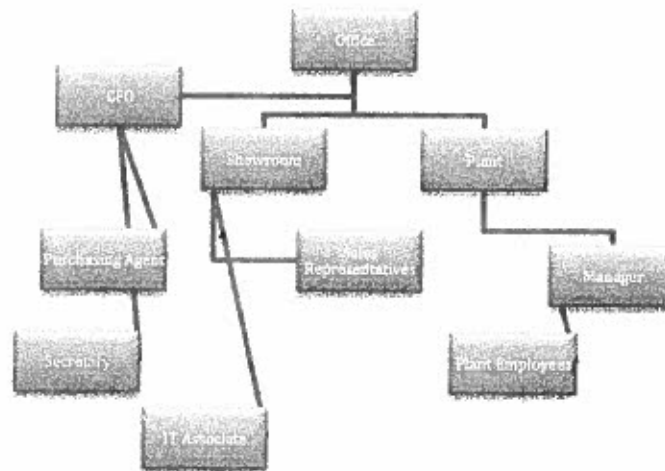
Plant

- Plant Manager (1)- Oversee all areas of production, handles employee conflicts and environmental regulations and policies. \$10,060.80/year
- Polishers (15)- Polish parts. \$8,140.80 USD/year



- Rackers (4)- Place The Pinnacle Bridge onto racks for the electroplating process. \$8,140.80 USD/year
- Platers (7)- Clean the part. Complete triple plating process (copper, nickel, chrome) by dipping the racks/placing the barrels into the different baths. \$10,060.80 USD/year
- De-Rackers (5)- Remove the finished part from the racks. \$8,140.80 USD/year
- Quality Control Managers (4)- Inspects parts for quality, and assembles the bridge. \$8,140.80 USD/year
- Packagers (2)- Package parts for orders. \$8,140.80 USD/year
- Shippers (3)- \$8,140.80 USD/year
 - TO ASIAN CLIENTELE (2): Print invoices, check orders, and ship part to buyers.
 - TO API USA (1): Review orders made by American OEM's and ship raw part to API USA for alternative finishing.

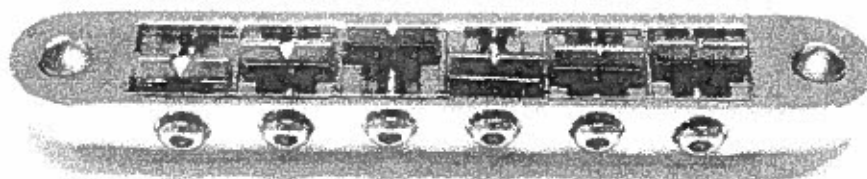
Below is Advanced Plating Rocks' South Korea division organization chart.



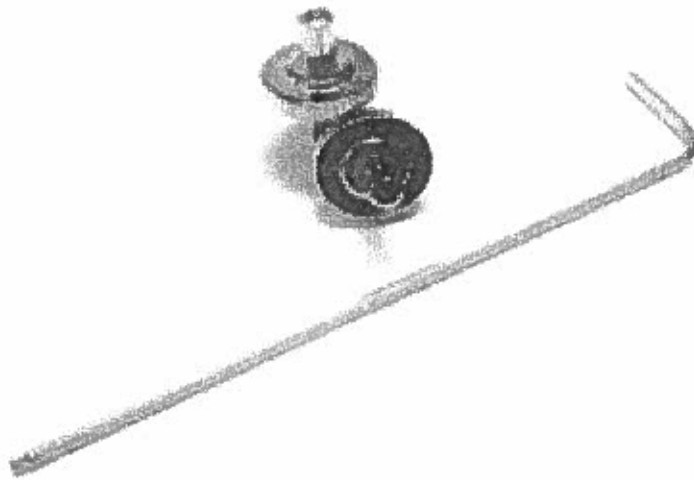
B. Proposed product/service

1. Details of the product(s)/service(s) to be offered.

The present invention is a guitar bridge that provides string-specific saddles which produces a sound quality. The Pinnacle Bridge is a zinc die cast, composed of six string specific saddles, six intonation screws (that hold the saddles in the bridge), and the bridge base. Included in the assembly are also two thumb wheel posts and two bushings. The thumb wheel posts thread into the bushing and are what holds the bridge on the guitar body.



The saddles are configured and optimized for a specific string size (diameter) or size range. Additionally, each of the saddles and the intonation screws for the bridge are of a uniform size, such that a single tool (a 2mm Allen wrench) is effective to make the different adjustments to the bridge. This stands as a benefit for not only the manufacturer, but also to the manufacturer's customers. For the customer, for example, the user utilizing a single tool is able to make adjustments to the guitar including: securing the bridge to their respective posts and the guitar, adjusting the position of each saddle along the string length, and adjusting the height of each post (to which the bridge is secured), amongst other contemplated adjustments made according to personal preference.



An important factor in a quality electric guitar is the guitar sound. The Pinnacle Bridge and its string-specific saddles include a respective notch structured and arranged for accommodating a respective string of the plurality of strings. Each of these figures are configured to produce a particular note, having specific string gauge, and within a range of string gauges configured to produce a particular note. This is even more effective because the bridge reduces buzz (vibration) produced by the guitar. No other product has ever been able to provide such a clear and crisp sound from an electric guitar.

DETAILS OF THE MANUFACTURING PLANS

In the Korean location, The Pinnacle Bridge will only be chrome plated. To complete the chrome plating process, the part must go through many different areas of operation and many different processes. Advanced Plating, for 50 years, has always been a company known for their great attention to detail. With



the field of business Advanced Plating Rocks is in, it is a requirement for employees to be very meticulous. Quality throughout the entire process in the Asian location will be stressed to all employees.

The part will go through a total of seven steps to be finalized and ready to be placed on the guitar: polishing, racking, electroplating, de-racking, quality control, packaging, and shipping. When parts come into APR's facility, polishers are in charge of unwrapping parts to check boxes and make sure they have the same number according to the BHP invoice. The polishers will then take the parts to the "polishing room". Polishing is metal preparation. The metal preparation process is broken down into three steps within itself. The raw core will be de-burred (using the sanding method), buffed, and then polished. There are many de-burring processes; we have found the most fitting method for The Pinnacle Bridge is the sanding method, and more specifically, the DA sanding method. This is used to remove burrs (casting marks) to smooth out the part. Next it is buffed on a hand-polishing lathe with a sisal buff and compound.

Finally, the polishing step takes place using a white coloring compound to brighten the metal and further smooth the part. The final finish is reflected in the preparation of the metal, making the polisher's jobs extremely important to the final product. The bridges will then be taken to the racking station. Here, parts are placed on pinch racks by rackers.

To track and obtain correct inventory numbers, invoices will receive an individual color code. These color codes are three colors placed at the top of the hook above chemical level using electrical tape. It then proceeds to the plating line. The operators (platers) stand on an elevated catwalk and are required to wear protective glasses, tyvek aprons and gloves, and rubber boots as a safety precaution and requirement from KOSHA. There will be five racks run in each bath, for a total of twenty racks on the line at one time. Operators will have a specific bath that they are responsible for. The first step is to put the racks into an alkaline soap cleaner tank to remove the buffing residue. Next, the parts go through a mild acid etch for 15 seconds. This step opens the pores of the metal for adhesion of plating, and then the racks are dipped into the acid etch rinse. These rinses are a crucial step to prevent contamination of the different chemical baths. Racks are then placed into a cyanide copper bath for five minutes. Cyanide copper is a base plating that bonds and encapsulates the metal. After parts are rinsed in the cyanide copper rinse, they are placed into



the acid copper bath and then rinsed in the acid copper rinse. The racks are proceed to the bright nickel deposit provides shine and depth that gives this part its cosmetic appeal. Finally, parts are hexavalent chrome plated for ten seconds and receive one final rinse in the chrome rinse tank. Chrome gives the part corrosion protection, guaranteeing that it will not tarnish. Racks are then taken back to the racking station for de-rackers to dry and remove the parts from the racks and place them on the quality control table.

The saddles, intonation screws, thumb wheels, and bushings go through almost the exact same process as the bridge itself. The bridge component hardware is plated in mechanical batter powered barrels that hold 3,000 pieces, minimizing time and number of runs needed to be made. The polishing process is tumble polishing that happens in the cleaning process. After that step, the barrels will be placed in the mild acid etch for ten seconds and then rinsed in the acid etch rinse. Next, the hardware is put into cyanide copper for three minutes and rinsed again. The barrels skip the acid copper step and go straight to the bright nickel tank for ten seconds. They are then rinsed and put into the chrome tank for another ten seconds. The barrel of hardware go through their final rinse and are taken to quality control and put into individual bins for assembly. Quality control managers visually inspect and assemble the bridge. Two quality control managers will screw intonation screws into the saddles, two will screw the saddles into the bridge, and two will clean the bridge. Packagers will then put the bridges into plastic bags and eggshell containers, recount numbers, and move them to the shipping department.

SUPPLIERS

PRODUCT	SUPPLIER	QTY	COST
Tanks	Technatic	10 STARTUP	\$375/tank \$3,750 STARTUP
Crystal Air Wetter	Jio Fine Chem Co	55 gal/year	\$555.50/year
Cyanide Copper Bath	Jio Fine Chem Co	850 gallons	\$10,000 (STARTUP)
Acid Copper Bath	Jio Fine Chem Co	850 gallons	\$20,000 (STARTUP)
Bright Nickel Bath	Jio Fine Chem Co	1,500 gallons	\$33,000 (STARTUP)
Hexalent Chrome Bath	Jio Fine Chem Co	850 gallons	\$15,000 (STARTUP)
Atotech Chromic	Jio Fine Chem Co	400 lbs./year	\$400/year
Aquaese E	Jio Fine Chem Co	400 lbs./year	\$400/year



Cleaner E	Jio Fine Chem Co	160 lbs./year	\$480/year
Coarse Filter Powder	Jio Fine Chem Co	10 gal/year	\$180.50/year
Criterion CU Additive	Jio Fine Chem Co	10 gal/year	\$1,375/year
Crystal Leveler	Jio Fine Chem Co	10 gal/year	\$250/year
Crystal QRD Adjuster	Jio Fine Chem Co	10 gal/year	\$1,182.50/year
Crystal Super Cat	Jio Fine Chem	5 gal/year	\$1,72.52/year
Racks	Jio Fine Chem Co	40 STARTUP	\$105/rack \$4,200 STARTUP
DA Sanders	Dynafide	8 STARTUP	\$71.40/sander \$571.20 STARTUP
Sandpaper	Wings Xu Hardware	3,000 pieces/month	\$0.05/piece \$150/month
Buffing Machines	Rancho	8 STARTUP	\$1,500/machine \$12,000 STARTUP
Buffing Wheels	Dapson Global Trading	80/month	\$10.86/wheel \$868.80/month
Sisal Compound	Handan Jiantuo Chemical Co	400 lbs./month	\$0.87/lb. \$348/month
Tyvek Gloves	Kyle PPE Co	10/year	\$3.18/pair \$31.80/year
Safety Glasses	Kyle PPE Co	60/year	\$0.80/pair \$48.00/year
Rubber Boots	Kyle PPE Co	10/year	\$6.90/pair \$69.00/year
Aprons	Kyle PPE Co	10/year	\$3.27/apron \$32.70/year
Plastic Bags	Quingbao Xirong Plastic	100,000/month	\$0.001/bag \$100/month

INVENTORY POLICY

An inventory policy is important to have in place to ensure that we have no errors throughout the manufacturing process. Advanced Plating Rocks' international expansion team has created an inventory policy that has done exactly this. When an order is placed from BHP, the physical invoice from the order is kept on file in the office and organized according to buyer and month by the office assistant.

Each rack will have a "color code" specific to each buyer. This is put in place to assure no parts will be lost and end up with the wrong buyer. Every invoice receives a specific color code based on the



company that placed the order. The color code is put on the hanging pinch racks with electrical tape. The packaging department is responsible for double-checking the invoice numbers before final packaging.

In the showroom located at APR, there will also be a stock room. Parts will be sold from the show room in boxes of 25 and 50. When these boxes are sold, sales associates will check it off of the inventory log. Parts sold from this storefront will go mainly to small guitar buyers or guitar "boutiques."

2. How the product/supplies will be transported to/from the United States

The Pinnacle Bridge will be shipped from our factory in Seoul, South Korea via ocean freight to Advanced Plating's warehouse in Los Angeles, California for holding until they are shipped by the means of semi-truck to Gibson Guitar, and also to our plant.

After carefully considering all shipping options we have decided to ship The Pinnacle Bridge via ocean freight shipping. According to the Bureau of Transportation, over eight million tons of merchandise was sent by ocean freight in 2007, and there are multiple reasons our company decided to ship via freight as well. Foremost, ocean freight is much cheaper than other forms of international transport; the price is often flexible as companies can negotiate less costly terms. Freightliners are capable of carrying a greater number of items than air cargo as well, so we can send more products at one time. Ocean freight companies have been established for much longer than air cargo companies. Due to this fact, they can comply with government regulations and assist our business in filling the correct documents needed for international freight.

Shipments of 203,000 pieces will be made once a year in December; 21,000 of which will be sent to API's facility for specialized plating, with the additional 182,000 sent to Gibson Guitar. They will be packaged in 10 x 10 x 4 boxes with 100 pieces to a box. 2,030 boxes will be loaded into a 20' Full Container load (FCL) and shipped via ocean freight cargo, parts will then be received in L.A. and sent in (15) pallets by semi-truck to their final destination, Nashville, Tennessee. Gibson Guitar will pay the price of shipping from Los Angeles to Nashville.

APR has decided to use DHL for our ocean freight needs; they gave us a quote of \$2,037 per shipment of 20' standard FCL container. As we are only making an ocean shipment twice a year, this will

be a yearly cost of only \$2,037, a very competitive price. To reduce risk of transportation, we have also made the decision to invest in all-risk shipping insurance. The best quote we received was from Ramon Incorporation, for \$195.44 a shipment. Our total shipping cost will be \$2,273.44, one of the best quotes on the market. Moreover, Advanced Plating Rocks is saving thousands of dollars in freight costs simply by having our factory in South Korea.

As with every business venture, there are also pitfalls to ocean freight shipping. A major pitfall is transit time; ocean freight can take up to five weeks, but as long as we time shipments, the problem can be mostly eliminated. International regulations for ocean freight change constantly making shipment policies confusing, but we can offset this by picking shipment companies with an extensive understanding of international policy. Our company must also consider the possibility of lost, or damaged goods while at sea. To remedy this issue, we have invested in all-risk insurance which covers our goods from nearly all-physical loss risk (stranding, sinking, burning, collision, fault of vessel management, bursting of boilers, latent defects of hull, explosion, water damage, heavy weather, ship's sweat, condensation, improper stowage by carrier, theft or pilferage, non-delivery, and breakage or leakage). The last pitfall is the cost of handling and clearance at ports, which varies depending on which port is used. There is no concrete solution to this problem other than to select ports with the least costly charges.

To import our product from South Korea, our company must fill out five documents to ensure legal transport. These documents are:

- Certificate of Origin- Certified document attesting the product has been wholly produced in the country of origin.
- Packing List- Stated list of products being shipped, includes the number of cases, weight and measurements.
- Commercial Invoice- A form identifying the seller and buyer of goods, identifying invoice number date, shipping date, mode of transport, port of entry, delivery and payment terms, and a complete listing and description of the goods sold including: quantities, prices, and discounts.
- Bill of Lading- A legal document between the shipper of the good and carrier detailing type,



quantity, and destination of the good being carried, it also acts as a receipt.

- Maritime Insurance- Proof of insurance covering cargo.

Once all of these documents have been fulfilled, our company is ready to make international freight cargo shipments as often as needed.

C. Proposed strategies

1. Proposed pricing policies

CURRENCY

We have found that it would be in our company's best interest to require purchases in South Korea to be made with American currency. This is a popular trend with international companies and, in our team's opinion, the safest and easiest option. Currently, the U.S. division of Advanced Plating Rocks buys from BHP, a South Korean established company, in American money. This keeps every occurrence with currency from start to finish in American dollars, decreasing confusion. Dollar to dollar, the South Korean won is always worth the same as American money, guaranteeing no loss in money during purchases for materials and supplies needed throughout the process.

COSTS

To purchase the raw core from BHP, it costs \$1.87 and costs Advanced Plating Rocks \$3.12 to complete finishing on the part. This particular total is configured by addition of money spent per part for materials and supplies needed. The Pinnacle Bridge itself is sold for \$8.93 by APR. By selling the pieces for this amount, it, in term, covers all expenses sorted out in the budget, labor costs, and materials/supplies needed. This creates a \$3.94 total pure profit per piece sold. This is a very large amount of money made off of only one part, and with major manufacturers buying in 50's and 100's, and the high demand our part has, success is guaranteed.

Our calculated markup on The Pinnacle Bridge is 79%. This exceeds the average markup of many other big name retailers. Markdowns would not be applicable for our product considering we will never have a surplus of parts. Prices are determined by looking specifically at the buyers, their buying behaviors.



and their history with APR. These companies have set numbers they are required to meet each day, generating unfluctuating economic dynamics.

FACTORS AFFECTING PRICE

Competition is not a factor in any way that could affect the price of The Pinnacle Bridge. The Pinnacle Bridge is a completely new idea with a patent (pending) officially protecting the idea from being stolen. Advanced Plating Rocks is the number one guitar hardware finisher in the world. Internationally recognized and extremely successful guitar manufacturers trust Advanced Plating Rocks to produce the best-finished parts to put on their guitars. For example, APR has been doing business with Gibson Guitar (the largest guitar manufacturer in the world) for 25+ years. APR has also recently gone from doing 50% of Fender's business (the second largest guitar manufacturer in the world) to 100% of their business as of August 2012.

Political conditions, tariffs, and transportation costs are also factors that do not have a direct affect on the price of The Pinnacle Bridge. First of all, South Korea has a powerful government that does not intentionally step into business affairs. As for tariffs, with the recent establishment of the Free Trade Act between South Korea and America, tariff prices have been greatly reduced. The export is only made two times a year, making it a figuratively transparent concern for the business. Lastly, transportation costs will be covered by buyers, in turn not having a part in the configuration of pricing for The Pinnacle Bridge.

2. Proposed promotional program

Advanced Plating and Advanced Plating Rocks has never ventured far into the world of advertising. The majority of our business has always come to us through word-of-mouth advertising, with few exceptions. In our Asian branch, we intend to make more promotional ventures to get the word out to potential Asian and American clients.

South Korea has a flourishing economy and culture, so there are multiple media outlets to choose from. While we have the option of advertising through television, print, and radio ads, these traditional forms of promotion are not particularly lucrative to our company. Our only market is guitar manufacturers, so the best way to reach them is through industry events and other outlets within the



industry. We plan on going to two very important trade shows in 2013 and use word-of-mouth marketing to promote our business to potential clients.

APR has always attended a trade show for the National Administration of Music Manufacturers (NAMM), which is being held in Anaheim, California starting on January 24, 2013 and ending January 27, 2013. Person-to-person events are the most effective resources to generate qualified business leads. Although it is in the United States, it attracts a multitude of international clients every year. This show in Anaheim is the perfect place to connect with the industry's premiere decision makers, such as: major retail chain representatives, independent retail storeowners, and corporate buyers from some of the largest national entertainment companies. The overall cost of the trade show and travel expenses is shown in the table below:

COST:	AMOUNT:
Booth	\$1,500
Flight (American Airlines)	\$193
Car (Avis)	\$159
Lodging (Fairfield Inn by Marriott)	\$590
Food	\$175
Overall	\$2,617

We will also be doing a trade show called Music China located in Hong Kong starting on October 10, 2013 and ending October 13, 2013. This show draws 52,186 visitors from 97 countries, many of those coming from the Asian markets we wish to target. This will attract Asian clients that are mainly instrument importers, musicians, distributors, and retailers. These are the exact people who we wish to reach. The overall cost of the trade show and travel expenses is shown in the table below:

COST:	AMOUNT:
Booth	\$320
Flight (Korean Air)	\$645
Transportation (Taxi)	\$140
Lodging (Hotel Pravo)	\$475
Food	\$180
Overall	\$1,760

We will also be using word-of-mouth marketing, which can be just as valuable as traditional marketing and cost free. Advanced Plating Rocks has gained their prestigious place in the plating industry totally from trade shows and word of mouth marketing, showing us that they are very reliable and beneficial forms of advertising. Advanced Plating Rocks takes great pride in our product, and we attempt to ensure that our buyers will too. We can guarantee excellent word-of-mouth marketing by having outstanding customer service and a flawless product we are proud of.

Attending these two trade shows will be all the traditional advertising we do throughout the year, but they are sure to bring in many valuable clients in both the Asian and American markets. We will also be using word-of-mouth advertising, which can be just as valuable as traditional and cost free. Advanced Plating Rocks has gained their prestigious place in the plating industry totally from trade shows and word-of-mouth marketing, showing us that they are very reliable and beneficial forms of advertising. Advanced Plating Rocks takes great pride in our product, and we attempt to ensure that our buyers will too.

Our official one-year promotional plan is this:

EVENT:	DATES:	COST:
NAMM Trade Fair	January 24-January 27 2013	\$2,617
Music China	October 10- October 13 2013	\$1,760
Word-of-Mouth Marketing	Yearlong	Free

V. PLANNED FINANCING

A. Projected income statements for first year's operation

The income statement on the following page outlines APR's projected first year of operation:



Income Statement

Advanced Plating Rocks

January 2014-December 2014

Financial Statements in U.S. Dollars

Revenue		
Gross Sales	\$7,144,000	
Less: Sales Returns and Allowances	\$83,583	
Net Sales		\$7,060,417.00

Cost of Goods Sold		
Beginning Inventory	\$72,727	
Inventory Available	800,000 units	
Less: Ending Inventory	\$16,258	
Cost of Goods Sold		\$3,992,000.00
Gross Profit (Loss)		\$3,068,417.00

Expenses		
Advertising	\$3,882	
Insurance	\$3,500	
Freight Shipping	\$2,037	
Legal and Professional Fees	\$2,500	
Licenses and Fees	\$600	
Miscellaneous	\$1,200	
Office Expense	\$800	
Payroll Taxes	\$7,617	
Rent	\$277,031	
Repairs and Maintenance	\$9,600	
Taxes	\$797,500	
Start-Up Costs	\$106,896	
Supplies	\$23,979	
Telephone	\$442	
Utilities	\$2,880	
Wages	\$474,084	
Total Expenses		\$1,714,548
Net Operating Income		\$1,353,869

Other Income		
Warehouse Space Sublet	\$114,072	
Total Other Income		\$114,072.00
Net Income (Loss)		\$1,467,941

B. Projected balance sheet for the end of the first year

The balance sheet below represents how Advanced Plating Rocks plans to balance their assets and liabilities to benefit financially in the first year of business.

Balance Sheet

Jan. 2014 to Dec. 2014

(all numbers in \$000)

Current Assets

Cash	\$1,125,000
Accounts Receivable	0
(less doubtful accounts)	0
Inventory	4,491,000
Temporary Investment	0
Prepaid Expenses	0
Total Current Assets	\$5,616,000

Long-Term Investments	\$0
Land	0
Buildings	277,031
(less accumulated depreciation)	0
Plant and Equipment	20,521
(less accumulated depreciation)	0
Furniture and Fixtures	1,455
(less accumulated depreciation)	0
Total Net Fixed Assets	\$299,007

\$5,915,007

Current Liabilities

Accounts payable	\$1,821,234
Short-term notes	0
Current portion of long-term notes	0
Interest payable	0
Taxes payable	0
Accrued payroll	448,201
Total Current Liabilities	\$2,269,435

Long-term Liabilities

Mortgage	\$0
Other long-term liabilities	0
Total Long-Term Liabilities	\$0

Shareholders' Equity

Net Income	\$1,755,255
Retained earnings	1,890,317
Total Shareholders' Equity	\$3,645,572

TOTAL LIABILITIES & EQUITY **\$5,915,007**



C. Three-year projection plan

Advanced Plating Rocks already has many confirmed customers ready to purchase The Pinnacle Bridge and put them on their guitars in the Asian market. With Advanced Plating Rocks currently possessing their business, our team can guarantee that business will not only be strong and stable for the first year, but experience rapid growth within the next two. The operation has been set up based on the expectation of further growth within the division. Advanced Plating Rocks coming from an already established business makes the startup of the operation very cost effective. The \$1,250,000 dollars granted to us to set up the operation virtually leaves us with no debts to worry about within the future. Within the second year, all specialty finishing such as: black nickel, black chrome, and gold will be no longer be completed in the USA. Bridges with alternative finishes will be \$13.40/piece, a 50% markup. This price is determined to compensate for the new chemical baths and labor. APR will hire 10 more South Korean employees to accommodate the growth. In year two, we will use the 7,000 sq. ft. of the building, being rented as a warehouse unit in year one, to accommodate the new tanks, employees, and increase in business.

In the second year alone APR's production will grow by 65%, or 432,000 parts, this number is essentially guaranteed due to the fact we factored it by adding the production rates of existing American clients onto our inventory. This will give us a guarantee of new business that will be gained through advertising and increases in the OEM's production, South Korean boutique builders, and American boutique builders. Business is expected to increase by 54% in three years. Our inventory in the first year will be 800,000 bridges, going the second year 1,232,000, and in the third year 1,476,800.

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