

The Case for Adding (or building your first) EXPRESS Exterior Tunnel Carwash Right Now

FUTUREWATCH FILE - Scenario Planning for Carwash Investors

INDUSTRY: Car Wash

MODEL EXAMINED: EXPRESS Exterior Tunnel Carwash (ECW)

TIMEFRAME: Forward 5 years from 06.15.11

OBJECTIVE:

- I. Research assumptions for consumer behavior, capital availability, interest rates, cost of real estate, cost of CW construction, etc. during the forward 5 years; and
- II. Reach a conclusion about when to build the first (or another) ECW unit.

RESEARCH ASSUMPTIONS - GENERAL ECONOMY (Source: "Aftershock" by David Wiedemer, PhD, Robert A. Wiedemer & Cindy Spencer pub'd 2010 by John Wiley & Sons, ISBN 978-0-470-481156-1. Their first book, "America's Bubble Economy", not only predicted the subprime credit meltdown well in advance, it offered Main Street investors a winning strategy. Now they've done it again - Paul B. Farrel, columnist, Dow Jones / MarketWatch.)

1. **"Pop" goes the Housing Bubble** - By the end of 2011 almost half of mortgage holders, about 25 million borrowers, will be under water on their mortgages (pg. 34).
2. **"Pop" goes the Stock Market Bubble** - It's a bubble on the way down. The long term trends for the market based upon economic fundamentals are definitely down (pg. 41).
3. **"Pop" goes the Private Debt Bubble** - The private debt bubble started to pop in 2008, 2009 and 2010, with some bad loans going into default. This will become even bigger in 2011 when many more bad loans go bad with the help of a continuing downturn in the economy. The private debt bubble will more fully collapse when the dollar bubble pops and *good* loans go bad (pg. 46).
4. **"Pop" goes the Discretionary Spending Bubble** - As the bubbles are falling, jobs are disappearing and credit is getting harder and harder to come by (and existing consumer credit cards are starting to pop). High-end and luxury (discretionary) item purchases are replaced with low cost goods and services to satisfy needs while 'wants' get placed on the back burner (53).

5. **"Pop" go the Dollar and Government Debt Bubbles (pg. 60)**

Dollar Bubble (pg. 65): As foreign investors begin to significantly lose confidence in their U.S. holdings sometime in 2010 or 2011, and increasing over time, the likelihood of a mass exit by 2012 to 2014 becomes very high....and not too many U.S. investors will want to stick around at that point, either. Using printed money (further increasing the money supply) the Fed buys the U.S. Treasury Bonds foreign & U.S. investors no longer see as safe and the dollar loses value. Result: Capital availability is greatly reduced.

Govt. Debt Bubble (pg. 75): The U.S. Govt. is the largest holder of Adjustable-Rate Debt in the world. Govt. Debt is our 'accumulated annual deficits' which have gotten so large it will be impossible to pay back and soon impossible to just pay the annual interest on same. The "Triple Double-Digit" Economy is expected by the year 2011 (pg. 81) - Double-digit unemployment; plus Double-digit inflation; plus Double-digit interest rates.

6. **When All the Bubbles Fully Collapse (pg. 89)**

- Interest rates will skyrocket
- Inflation will be very high
- Unemployment will soar
- U.S. Stock Market will crash but still be open
- Real Estate market will crash
- Consumer discretionary spending will dry up
- The number of banks will be greatly reduced
- The dollar will be worth a fraction of its peak value relative to the euro
- Gold will be a stellar investment for many years
- Most Americans (who don't follow the advice in Chapter 5) will lose most of their money but we don't starve in the streets

7. **Covering Your Assets: How Not to Lose Money (pg. 115)**

Rule #1: Stay away from stocks and real estate until after the dollar bubble pops.

Rule #2: Stay away from long-term bonds and all fixed-rate investments (including whole life insurance).

Rule #3: Stash the cash you get from selling your stocks, real estate and businesses dependent consumer discretionary spending in anything short-term like money markets, short-term govt. bonds and so forth. As the mega-recession deepens and we get closer to the dollar bubble pop, the cash should be moved more heavily into gold and similar investments like the euro govt. bond funds such as the T. Rowe Price International Bond Fund (RPIBX). We will be in a dynamic situation but the authors will keep us up to date on what to do with our cash in their newsletter at www.aftershockeconomy.com/newsletter .

These rules need to be followed until after the Dollar and Government Debt Bubbles pop [the timing of which are hard to predict exactly because these events are highly influenced by foreign investor sentiment and the declining willingness (and ability) of

foreign governments, such as China, to intervene in the foreign exchange markets to keep the value of the dollar high]. Once enough foreign investors stop putting money into the United States, other investors will quickly do the same, and the dollar and government debt bubbles will fall (pg. 121).

8. What Else Can I Do to Protect Myself (pg. 124)?

- Pay off all variable-rate credit cards and personal debt with adjustable interest rates.
- Convert your adjustable-rate mortgage to a fixed-rate, 30-year or 40-year mortgage
- If you have an adjustable-rate home equity loan, refinance it to a fixed-rate loan.
- Do not pay off or make accelerated payments on your fixed-rate mortgage or home-equity loan.
- Reduce spending as much as possible and save it for future expenses and investments (don't wait, do it now).
- Sell collectibles, art, jewelry and other valuables (other than gold) that don't have sentimental value now, while they are worth more than they will be later.
- Take extra care to hang onto your job and definitely don't quit without having another good job lined up (see Chapter 7 for relatively safe Bubblequake and Aftershock jobs and careers).

9. Cashing in on Chaos - Best Bubblequake & Aftershock Investments (pg. 127) - They will come in two basic flavors:

1. Investments that take advantage of the falling stock market (Phase I: the Bubblequake, which we are in now).
2. Investments that take advantage of a falling dollar (Phase II: the Aftershock, which is still ahead).

10. Aftershock Jobs and Businesses - The Good, the Bad and the Ugly (pg.148) - It helps to think of the U.S. economy in three parts:

1. **The Capital Goods Sector** - cars, construction, major industrial equipment and so forth. This sector will slow considerably. Parts of it will grind to a halt. Manufacturers of major industrial equipment may close the doors unless the equipment they make is installed in a 'Necessities Sector' business, preferably one they own or control (QSR w/ Mexican or Chinese food menus, EXPRESS Exterior Tunnel Carwash priced at \$5.00 and so forth).
2. **The Discretionary Spending Sector** - fine dining, entertainment, travel, high fashion, art, home improvement and so forth. This sector will also slow considerably then grind to a halt. If your business serves this sector, sell it now. If you are employed here, find another job now.
3. **The Necessities Sector** - basic food, shelter, clothing, energy, health care, transportation, utilities, government services and so forth. This sector will suffer the least. And some offering good quality at a low price will actually thrive. Businesses that will survive these

leaner days will include low-end restaurants, low-end clothing stores, discount shops of every description, used clothing and household furnishings stores, and businesses that cater to local, inexpensive travel.

CONCLUSION: Everyone should do the following ASAP:

1. Renegotiate personal debt to reduce the amount needed for monthly debt servicing;
2. Pay down personal debt to reduce debt service cash drain;
3. Increase cash reserves by selling stocks, selling the business if it's not serving the 'necessities sector' (i.e. capital goods & discretionary goods / services will take a beating);
4. Hang onto your job as long as possible to continue receiving income;
5. **If possible, acquire a business (or start one from scratch) serving the 'necessities sector';**
6. If possible, reorient your business away from capital goods or discretionary goods/services and into the 'necessities sector'.

RESEARCH ASSUMPTIONS - CARWASH INDUSTRY IN THE ABOVE DESCRIBED ECONOMY

1. **Most Full Service Carwash businesses will experience reduced revenues** since their service is perceived by most consumers as DISCRETIONARY because less expensive ways to clean the car are available; many will try to sell their business; many will default on their loans.

Opportunities for acquisition & conversion to the EXPRESS Exterior Tunnel Carwash model will increase but care must be taken not to pick up one that is unlikely to produce the high washed car volume needed to generate high net cash flow. Expert ECW advice from a disinterested third party regarding this type of site should be obtained prior to closing any such transaction.

2. **Most In-bay Automatic carwash (rollover) profit centers at gas stations will experience reduced revenues** because it's a cross-merchandised service directed at consumers who are already on the property buying the ever-increasingly high priced fuel and c-store merchandise.
3. **Most Coin-op Carwash (wand style) will experience increased revenues (unless it competes with an EXPRESS Exterior Carwash)** because those patronizing Full Service Carwash facilities will be seeking lower cost services than the Full Service business is able to provide.
4. **Most well located, correctly designed, aggressively priced, well managed EXPRESS Exterior Tunnel Carwash businesses will experience increased revenues** because they serve the needs of all of the customers no longer able to (or desiring to) patronize the above types of carwash facilities...plus its primary, targeted market segment (the largest in the industry)...those folks who wash their car on the driveway at home.

CONCLUSION: Now is the perfect time to open another EXPRESS Exterior Tunnel Carwash for the following reasons:

1. It is a well qualified business for serving the needs of consumers needing a clean car in the above described economy.
2. Excellent, pre-qualified, affordable sites have already been located (contact Jack Muellerleile).
3. The necessary debt capital is readily available to fund up to 85% of the project costs at very attractive rates (contact Jack Muellerleile).
4. Employee problems, unionization, shrinkage are not issues because the facility is run almost entirely by computers.
5. It offers an established, creditable, alternate income stream for almost everyone especially if your current income depends upon the "at-risk" DISCRETIONARY goods and services marketplace such as delayed maintenance and luxury items (home improvements, jewelry, expensive watches, high end restaurants, luxury vehicles, vacation travel, high end hotels & casinos, expensive clothing and so forth).

RECOMMENDATION: If you are cash & credit qualified to develop a new-to-industry EXPRESS Exterior Tunnel Carwash (ECW) or a FSCW to ECW Conversion Unit, do so without further delay. If you are short on the cash insertion component, find investors who are willing to fill in your shortfall but don't delay in getting this done.

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