

# Henderson's Computer Repair



Business Plan



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# Executive Summary

Today, a person's computer or mobile phone is their lifeline. It connects people to their friends, family, interests, and work. As portable devices become smaller, faster, and less expensive, they will continue to permeate more and more into our lives. As a result, electronics also become more vulnerable to damage. Therefore, it is not surprising that dependable services that help people get right back on track are becoming part of the fabric of people's daily lives.

Henderson's Computer Repair will provide repair services for a wide variety of computerized electronic equipment from desktop to laptop computers, mobile cellular devices, and tablet PCs. The company will be owned and operated by Robert Henderson, a master repair technician with a passion for computers that began when the first home computers were created in the early 1980s. Old-school computer savvy doesn't mean you can make it in today's electronics industry, but Robert has evolved along with the technology, allowing him to service the newest products as well as more standard office computers.

Henderson's Computer Repair mission is to keep people rolling along in their lives and to help them get past the inconvenience of broken electronic devices as quickly as possible. The Company's service goals are very straightforward but extremely important to the success of this business; we will offer fast repairs at guaranteed prices, exceptional customer service, and intend to always exceed customer expectations.

Customers include individuals who use personal computers and small businesses, since medium to large businesses tend to have their own IT departments. The target market will range from age 13 to 85, as nearly 80% of the U.S. population owns one of the products the Company services and repairs. Even with a broad target market, the Company will focus mainly on the average consumer and small businesses that aren't aware of how to operate and update these products. The younger age set (less than 25 years old) tend to be more technically savvy and can repair (or have friends that can repair) electronic equipment.

Henderson's Computer Repair flat pricing will be widely advertised, taking a lot of the guesswork out of the equation for our customers. The Company's blog and the search engine optimization of the Company's website are planned to drive traffic and help establish Henderson's Computer Repair as experts in local computer repair in the north San Diego metro area, the second largest city in California.

San Diego is major city with an affluent demographic that is able to afford the latest electronic equipment. Aside from free exposure like Facebook, the blog, SEO, and signage, most of the Company's advertising budget will go allocated to its online marketing efforts.

Robert Henderson is seeking an investment in the amount of \$185,000 to launch the business while purchasing assets needed upon startup. Henderson's Computer Repair will obtain this loan and will pay 7% as detailed in the business plan.



## Objectives

As a startup business, Henderson's Computer Repair Computer Repair understands the challenges and tasks that lie ahead, which is why the Company has organized a list of objectives they must overcome during the first three years of operation. The Company's objectives are the following:

- > Secure the necessary funding to formally launch the Company's operation
- > Secure a strategic location within the target market that has excellent foot traffic
- > Become profitable within one year
- > Form a team of technicians who will provide exceptional customer service
- > Increase the number of clients per year by 15%

## Mission Statement

Today, a person's computer or mobile phone is their lifeline. It connects people to their friends, family, interests, and work. As portable devices become smaller, faster, and less expensive, they will continue to permeate more and more into our lives. As a result, electronics also become more vulnerable to damage. Henderson's Computer Repair aims to keep people's lives and businesses humming along and shorten those frustrating glitches when electronics get cranky and things grind to a halt.





## Keys to Success

The following identify the essential keys to success for Henderson's Computer Repair:



### LOCATION

Clients are drawn to local services, conveniently located within the San Diego community, only minutes away to thousands of potential customers. The Company will focus on finding a location with minimal competitive interference



### PRICING

Henderson's Computer Repair's pricing strategy is crucial to the success of the Company's operation. Pricing needs to be affordable enough so potential customers seek to repair rather than replace, yet high enough to ensure Henderson's Computer Repair generates enough revenue to earn a profit by the end of the first year.



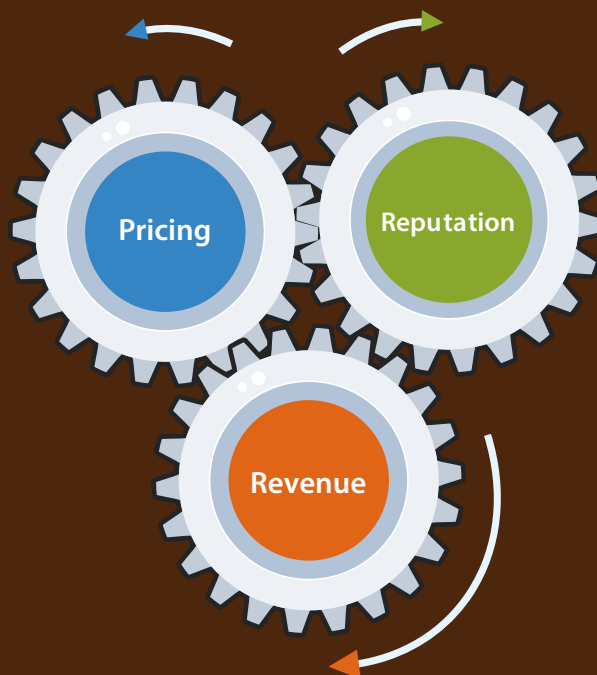
### MARKETING

Getting the word out to consumers and corporate communities as a reliable source for computer and electronic repair services gaining sufficient market visibility.



### BUSINESS EXPERTISE

the Company's owner is a master computer technician with years of experience in the industry. This will give the Company an extra edge.



# Description of Business

Henderson's Computer Repair is a startup computer and electronic repair store located in San Diego, California. The Company will repair desktops, laptops, printers, monitors, as well as mobile devices such as phones and tablets. Henderson's Computer Repair will offer straightforward pricing and specialize in the very latest high-end products. The Company will operate out of a 450 sq. ft. retail space in a busy retail shopping center.

With new markets being introduced such as mobile devices and tablets, the Company feels it is a great opportunity to specialize in new high-end equipment. Henderson's Computer Repair will also service and repair notebooks, desktop computers, and other electronic items however, intends to specialize in Apple and other major products.






## Company Ownership/Legal Entity

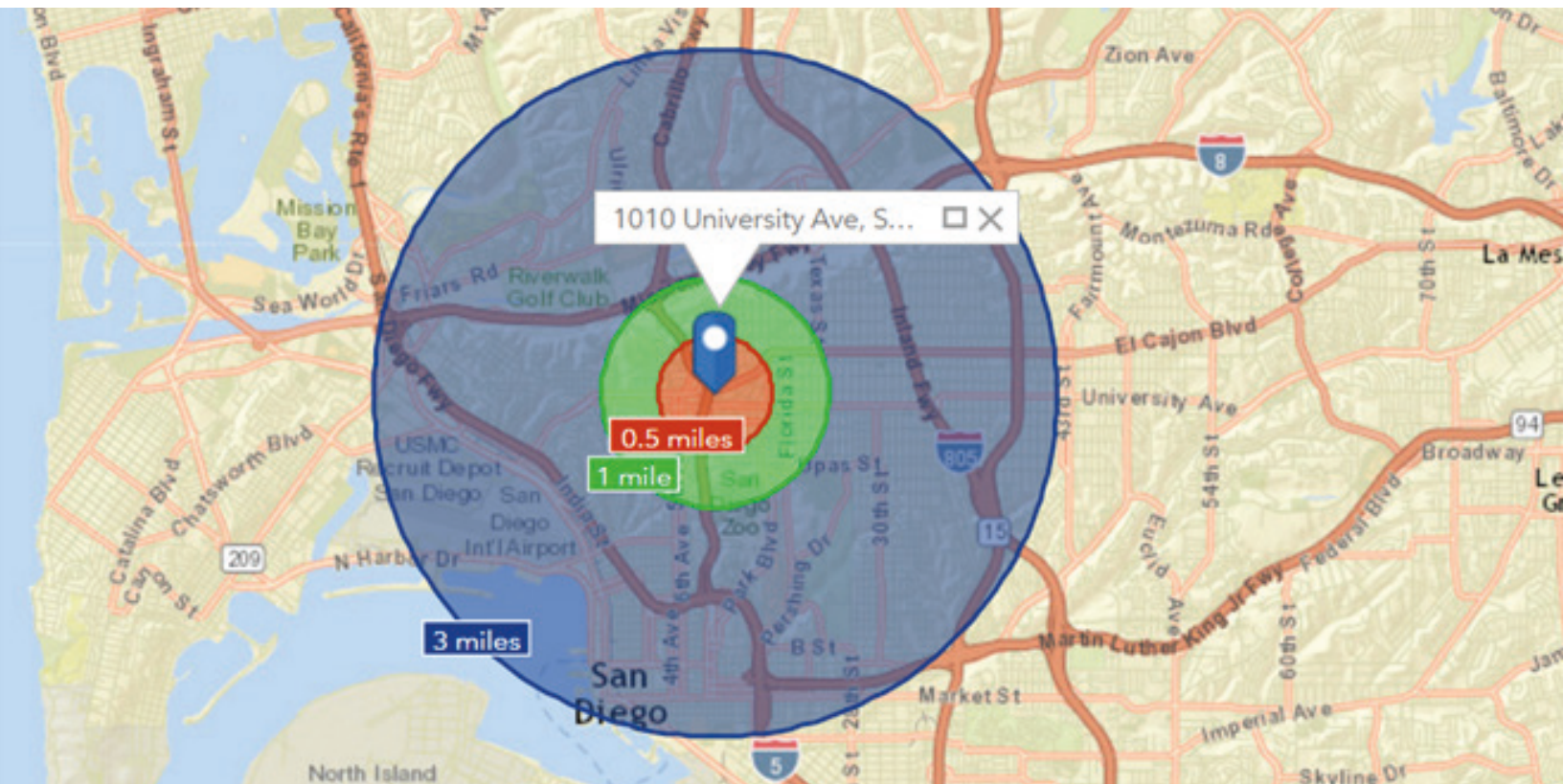
Henderson's Computer Repair will be solely operated by Robert Henderson as an S-corporation. Mr. Henderson, has earned a B.S. in Electrical Engineering from the California Institute of Technology in 1995. But, he was taking apart Atari computers long before that. A computer buff at heart, Robert has always managed to figure out and stay on top of the latest developments in computer engineering. He spent the past 10 years as a manager in the IT department of Hewlett Packard. Mr. Henderson will be involved with the daily operations of the business and will help manage his staff to ensure each and every customers needs are met.



## Location

Henderson’s Computer Repair is conveniently located in a busy retail shopping center in San Diego California. The shopping center features larger retailers including Target, Ralphs, Lowes, Marshalls, and Costco. The Company intends to sign a 3 year lease for the space and will minimize overhead expenses due to the relatively small area it will occupy. The shopping center attracts heavy foot traffic due to its popular retailers, which will be beneficial for Henderson’s Computer Repair. The affluent demographics in the area support this type of establishment as it is commonly understand that the higher the disposable income result in high end electronics including iPhone, iPad, and notepads.

<div><div></div><div></div></div>	
Monday through Saturday	9 a.m. to 6 p.m.
Saturday	8 a.m. to 5 p.m.
<div><div></div><div>Closed Sundays</div></div>	





## Products and Services

Henderson’s Computer Repair will specialize in desktop, laptop, mobile phone, and tablet repair and upgrade services. The Company will provide exceptional service and quick turn-around time to exceed every client’s expectation. Henderson’s Computer Repair will only carry the most up-to-date and highest quality software and equipment to stay competitive. With new markets being introduced such as mobile devices and tablets, the Company feels it is a great opportunity to specialize in new high-end equipment. Henderson’s Computer Repair will also service and repair notebooks, desktop computers, and other electronic items however, intends to specialize in Apple and other major products.

The Company’s comprehensive services include:

⚙	Networking support
⚙	Data recovery
⚙	Computer tune ups
⚙	Virus and spyware removal
⚙	Diagnostics testing and repair
⚙	Software and email setup
⚙	Operating system and password troubleshooting
⚙	Printer help

Henderson’s Computer Repair also offer a money-back guarantee. The Company will refund any customer who is not fully satisfied with the service they have received. The Company will also include a 30 day warranty, to ensure any issues which recur within 30 days will be repaired at no additional cost to the customer.

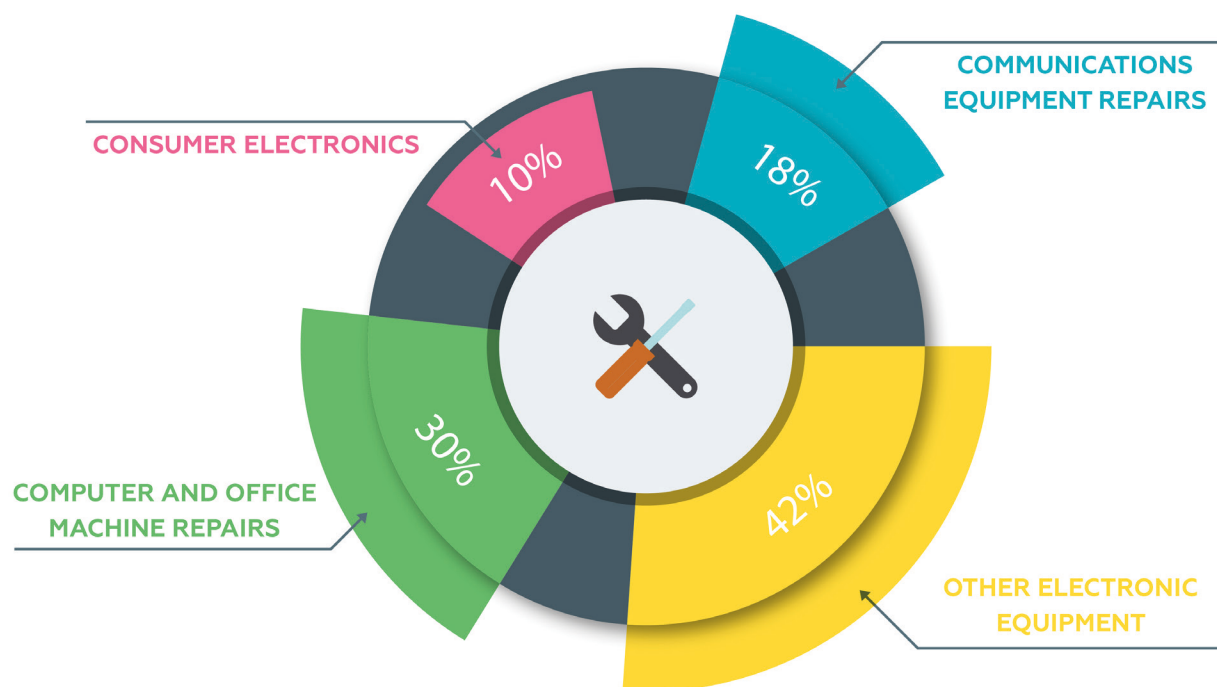
## Computer and Office Equipment Repairs

The industry’s largest segment is the repair of computers and office equipment such as photocopying machines, computer terminals, storage devices, printers, and CD-ROM drives. It generates a third of total revenue. The past five years have seen a decline in this industry as a result of customers’ tendency to replace rather than repair electronic items. Technological advancements result in models becoming rapidly outdated. There has also been a decline in the production of spare parts for older models, contributing to demand for replacement of devise. Growing technological advancements have also made newer models more affordable when compared to the high labor costs or repair. However, higher end devices come with such a high price tag that repair costs become cost effective. Thus, going forward the industry will likely concentrate more on the repair of higher-end expensive devices.

## Communications Equipment Repairs

This segment includes the repair and maintenance of communication equipment, including fax machines, public address systems, and telephones. Over the past five years, this segment has maintained stability at lower levels, as the products typically need less maintenance than in other segments.

### PRODUCT ANALYST



## Consumer Electronics Repair (radio, TV and DVD players)

This segment has an overall revenue share of 9.9% in the industry, and includes the repair and maintenance of cameras, photographic equipment, radios, stereos, TVs, MP3 players and DVD players. This segment has declined in the past five years, and market indications point to the devices' lower costs and increasing convergence into one device.

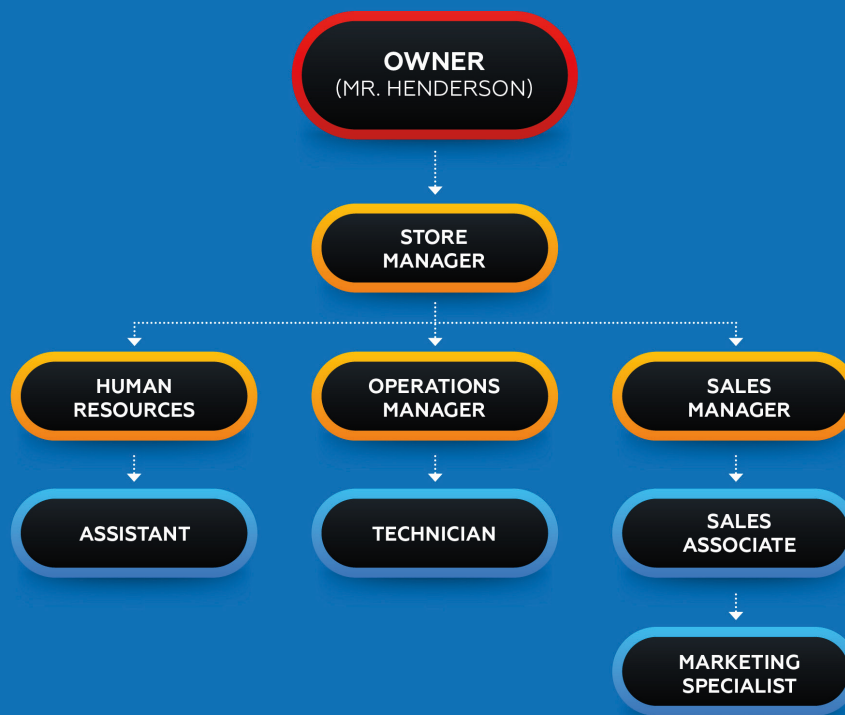
However, consumers' buying patterns have shifted more towards high-end household electronics requiring more maintenance. These include LED (light-emitting diode) TVs, sound systems and digital cameras. These products are increasingly expensive and consumers are incentivized to repair rather than replace. However, given the technological advancement of these products, the need for repairs is diminished by the fact that these products do not require regular tuning or repair. For example, LED TVs only need repairs an average of once every three years.

## Management

Henderson's Computer Repair will be operated by Robert Henderson as an S-corporation. Mr. Henderson, has earned a B.S. in Electrical Engineering from the California Institute of Technology in 1995. However, he was taking apart Atari computers long before that. A computer buff at heart, Robert has always managed to figure out and stay on top of the latest developments in computer engineering. He spent the past 10 years as a manager in the IT department of Hewlett Packard.

Mr. Henderson will be involved with the daily operations of the business and will help manage his staff to ensure each and every customer needs are met.

Henderson's Computer Repair will retain and hire the best computer technicians and will ensure they are fully trained. This will be essential for promoting strong word-of-mouth referrals.



## Financial Management

Henderson's Computer Repair will retain and hire the best computer technicians and will ensure they are fully trained and familiar with the Company's policy and procedures. This will be critical for maintaining a positive reputation within the local community. Growth of the business will be continuously maintained through reinvestment of profits into additional marketing efforts as well as the opening of additional locations. Additional financial data will be available through the Appendix.



# Market

Henderson's Computer Repair understands the computer and electronic repair industry is highly competitive. This is how the Company will set itself apart from the competition by aggressively marketing itself as the local expert in customer and electronic repair services. In addition to the local community, Henderson's Computer Repair will also heavily market online consumers looking to purchase affordable refurbished electronics.

## Marketing Strategy

The Marketing Strategy for Henderson's Computer Repair consists of several categories including the following:



### Online Advertising

#### > Search Engine Marketing (SEM/SEO)

Company's webpage will be optimized to ensure first page appearances on Google, Bing, Yahoo, and other search engines when customers input key words.

#### > Social Media

Henderson's Computer Repair will also focus heavily on social media marketing, because online presence is key in this industry. Proper exposure on Twitter and Facebook will let the Company reach its target client and foster community

#### > Pay-Per-Click (PPC)

Henderson's Computer Repair will also initiate a campaign with a large portion focused into pay-per-click advertising. However, because paid advertising on Google and other search sites is expensive, after the first year the Company will decrease the amount invested as search engine optimization and its social media presence will be set in motion.



## Local Advertising

### > Word of Mouth

First and foremost, word of mouth advertising is key in Henderson's Computer Repair industry. The Company will prioritize customer service and quality products to encourage that.

### > Advertise with Mail

Henderson's Computer Repair will work with the local press and be featured in regional newspapers and magazines to evaluate the return on print advertising. The Company will also reach out to its customer base by mailing out brochures and flyers.

### > Signage

Henderson's Computer Repair will commission signage that will attract the target market and ensure it's in an area with sufficient foot traffic.

The Company will attend most local chamber of commerce and local networking events, as well as work closely with local newspapers and article publishers. These publishers are crucial to boosting the word-of-mouth referrals as well as achieving the company's objectives. Henderson's Computer Repair as a company will also participate in various charitable events, for team building exercises as well as marketing within the community.

### Online

- > Social Media Marketing
- > Search Engine Optimization
- > Pay Per Click
- > Email Marketing

### Print

- > Post Cards/Flyers
- > Outdoor Advertising (Billboards)
- > Local Publishers (San Diego Tribune)

### Local

- > Local Television Ads
- > Word of Mouth

## Market Analysis

San Diego is the eighth largest city in the United States and the second largest city in California. It has a population of just over 1.3 million according to the 2010 census and, although it's growing at a slower rate than it has historically over the past 100 years, it still grew almost 7% since the last census.

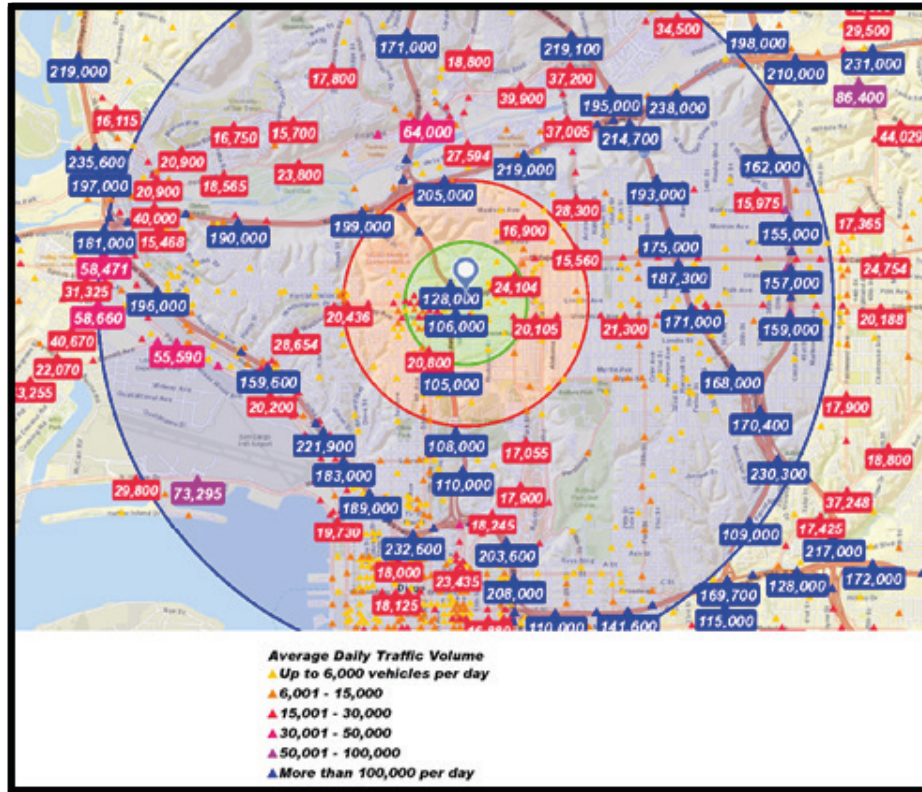
The economics of San Diego support high-end computer equipment, and thus the necessity for repair. As reported in 2010, the median income for a household in the city was \$45,733, and the median income for a family was \$53,060. According to Forbes in 2005, San Diego was the fifth wealthiest U.S. city and is consistently rated as one of the best places to live in the U.S.

Demographic behavior		5 Miles from 92093	
Product/Consumer Behavior	Number of Adults/HHs	Percent	MPI
Owns a Computer	101,401	7.00%	147
Owns a Laptop	139,473	9.70%	95
Owns a Smart Phone	338,445	23.50%	147
Owns a Tablet	251,527	17.40%	117
Upgrades their electronics annually	68,744	4.80%	113
Requires a computer or mobile device daily	60,553	4.20%	116

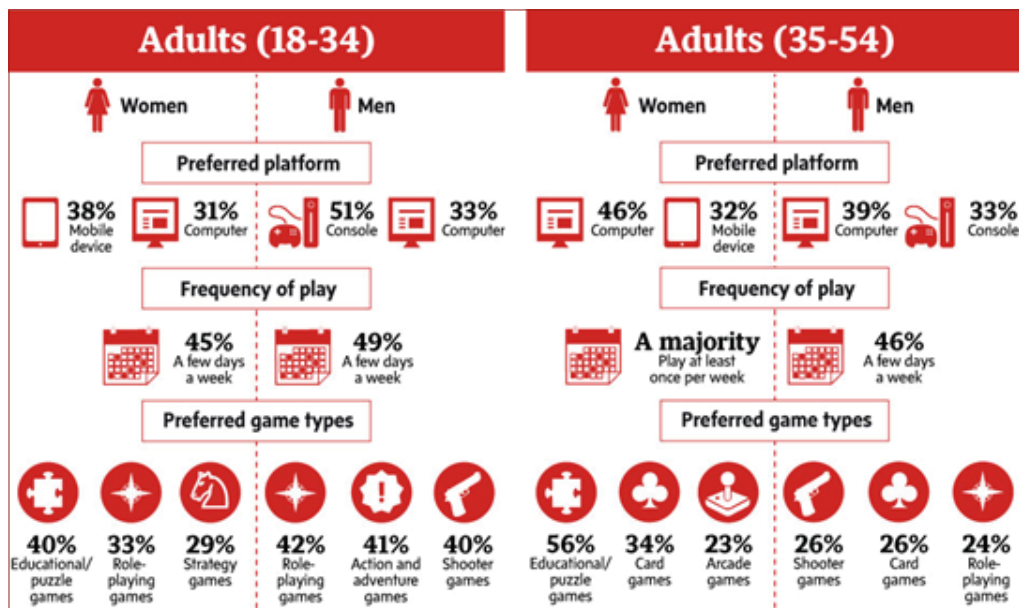
There are four computer repair listings within a five-mile radius of the proposed shop at 1234 Technology Avenue in north San Diego. There are no computer repair shops within a three mile radius of the proposed site, however. Two of the four shops specialize in Windows operating systems, and a third provides only Apple repairs. The fourth shop appears to offer services similar to the Company.

With more and more people using multiple devices from Windows-based to Apples to tablets, and the wide variety of cell phone manufacturers, the Company offers a one-stop repair service, generating repeat business by being able to solve problems on all devices, especially the very latest, which are more expensive and more likely to be repaired than replaced.





Customers will be home users and small businesses, since medium to large businesses tend to have their own IT departments. The target market will range from age 13 to 85, as nearly 80% of the US population owns one of the products the Company services and repairs. Even with a broad target market, the Company will focus mainly on the average consumer and small businesses that aren't aware of how to operate and update these products. The younger age set (less than 25 years old) tend to be more technically savvy and can repair (or have friends that can repair) electronic equipment.



## Market Segmentation

### Businesses and Not-For-Profit Organizations

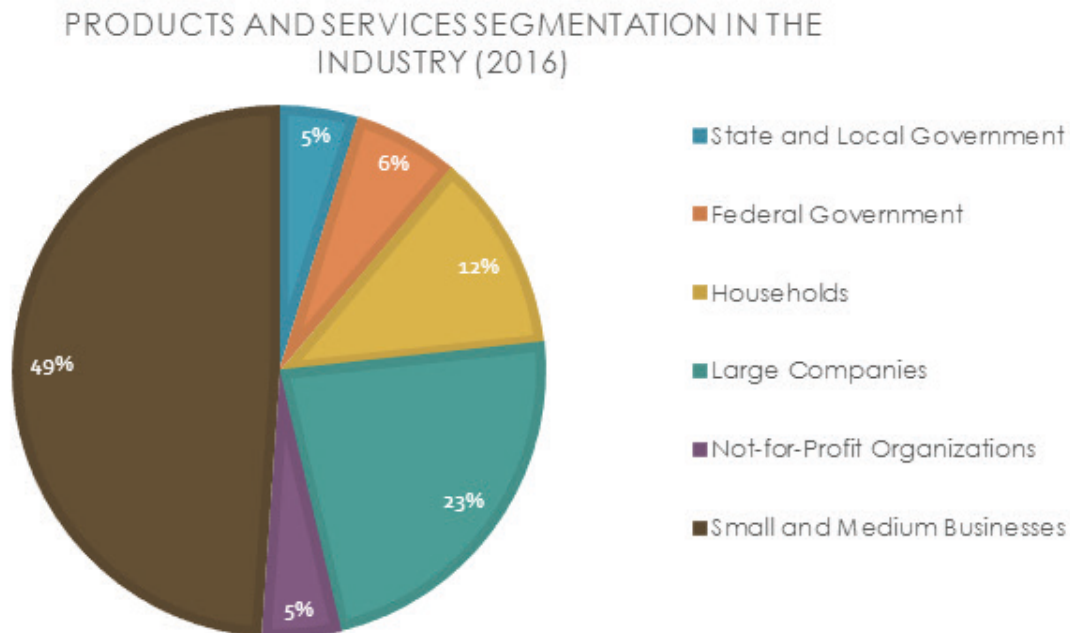
Making up 76.7% of industry revenue is the market segment for businesses, nonprofit organizations, private hospitals and medical laboratories and farms. Business sectors in this segment include finance, insurance, property and business services, manufacturing plants, the wholesale and retail trade and other business services. These businesses frequently require the repair of their regularly used electronic devices and computers. The market share for this segment has increased during the past five years as businesses opt to repair instead of investing in new machines.

### Households

Households make up approximately 12.1% of industry revenue, because they are not as reliant on leading-edge electronic equipment and have leeway to postpone repairs and maintenance. However, their significance cannot be ignored—consumers repair electronic equipment regularly instead of purchasing new computers and devices in order to save money. With the economic recovery and increased disposable income, this trend may not continue.

### Federal, State and Local Governments

Local, state and federal government offices account for the remaining 11.2% of industry revenue. These offices are limited by the governing body's annual budgets, but will tend to more consistently opt for repairs over replacement.



## Competition

Like most industries, the cell phone retail and repair industry is highly competitive. Customers tend to first time price into consideration, but also want to ensure they are receiving high-quality service. Buyers also appreciate knowledgeable staff who can guide them to finding the perfect accessories and repair requirements for their devices. Henderson's Computer Repair's competitors in San Diego include:



### Strengths

Geek Squad provides a large selection of high-quality accessories and staff who are knowledgeable in the products and services that they sell and repair.



### Weaknesses

Due to their significant overhead costs, Geek Squad has decreased profit margins, which pushes its prices for accessories to much higher levels. This drives customers away towards smaller retailers and repair shops.



### Strengths

Some customers on Yelp.com indicate that WizKid Computer Repair provides a quick turnaround time for repairs and affordable products.



### Weaknesses

According to most customers, however, they received poor customer service and the quick turnaround time for repairs was at the sacrifice of a quality repair job.





### **Strengths**

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Computer Repair provides a large selection of high-quality accessories and staff who are knowledgeable in the products and services that they sell and repair.



### **Weaknesses**

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Due to their significant overhead costs, Computer Repair has decreased profit margins, which pushes its prices for accessories to much higher levels. This drives customers away towards smaller retailers and repair shops.



### **Strengths**

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Some customers on Yelp.com indicate that PC Masters provides a quick turnaround time for repairs and affordable products.



### **Weaknesses**

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According to most customers, however, they received poor customer service and the quick turnaround time for repairs was at the sacrifice of a quality repair job.

Generally, firms compete on the basis of location, convenience, quality of repairs, price and speed of service. The quality and reliability of services provided play an important role in determining the competitiveness of a company. Repairs of electronic and computer equipment are principally provided to customers who seek fast turnaround times to avoid work downtime. The necessity for quick service requires that an establishment be located close to customers, have access to a reliable supply of raw materials, parts and repair equipment as well as efficient and technically trained staff.

Cost is also a point of competition among firms. Price is determined on completion of the repairs. However, an initial quote may be provided free of charge or at a set fee that is refundable after repair. The cost of repair can determine a customer's decision whether to repair or replace an item. Furthermore, repairers need to decide whether to charge a repair on an hourly rate or on a flat rate. Quick repairs can be charged per hour, whereas longer repairs need to be charged using a flat fee. Repairers need to have a flexible pricing structure to remain competitive.

In addition, experience and reputation are important as customers seek to find a reputable electronic and computer repair and maintenance service provider. In recent years, however, with more manufacturers operating their own repair services, the brand of the electronic and computer equipment has been important in determining the service provider. These manufacturers often appoint accredited service agents to service and repair their equipment, thereby covering repairs under warranties.

Repair shops that provide warranties on repair jobs are more likely to maintain a competitive edge. Customers are reassured when warranties are provided in case technicians inadvertently or negligently damage equipment further. By the same token, employing certified technicians and making sure customers know they are certified are key competitive factors within the industry.

## SWOT Analysis

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# S

One of the primary strengths for Henderson's Computer Repair include the adaptable business model, which can change types of products serviced in order to suit the climate.

The Company will heavily invest in marketing to differentiate itself from its competitors.

Mr. Henderson has several year sof experience working directly with personal and commercial computers. Mr. Henderson understands the customer's needs despite their budget, and operating system.

Mr. Henderson has established relationships with local suppliers and manufacturers of company parts giving him the edge over the competition and allowing him to capitalize.

The Company's strategic location and marketing plan will help estblish a loyal customer base which is forecasted to be consistent as people generally rely on electronics for their daily needs.

# W

The weaknesses for Henderson's Computer Repair are found within the local market and competitors. Other computer repair shops are already established and own an interest in the market share with their own loyal customer base. These customers will be difficult to pursue, but may reconsider based on geographical location of the Company.

Need to quickly hire and train individuals, which can result in downtime for servicing. The Company must tdo this effeciently in order to reduce unnecessary overhead.

Marketing can be expensive for a start-up venture, and not necessarily effective, this can set the Company back and reduce its cash flow to critical levels. This has been takeing into consideration in the projections.

Company must prioritize quality control as defective products will result in refunds and additional shipping expenses. This will not only be costly for the Company but will also jepordize the cash flow during the first year of operation.

# O

Opportunities to refurbish and sell new equipment will create new opportunities for the Company to increase its profit margin.

Can service other product segments, i.e. communication systems, medical equipment, etc.

Can create hiring strategy to hire from technology college in the area.

Open new locations once base retail location becomes profitable.

# T

Larger operators such as Geek Squad can continue to penetrate the market as they have stronger brand presence and can more easily attract customers.

Economy can become more volatile due to changing political environment and increasing interest rates, thus changing individuals disposable income.

## Exit Strategy

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The following breaks down the several exit opportunities available to investors who intend to provide the capital detailed in the business plan.

The primary exit strategy will consist of the sale of the Company or licensing its intellectual property to another entity. Other alternatives include acquisition by creating an opportunity for investors to purchase shares increasing the Company's cash flow and providing a long term alternative to the Company's interests detailed in the balance sheet.

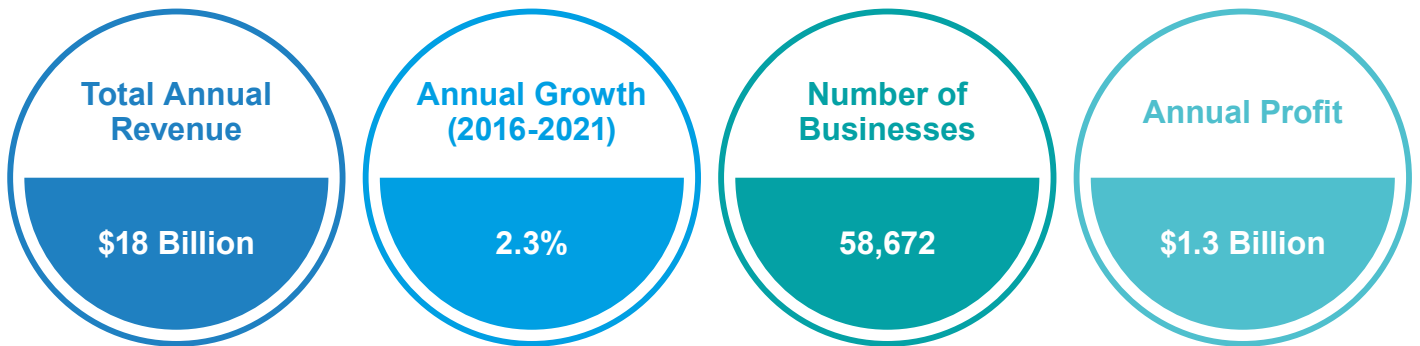
### **Henderson's Computer Repair will pursue several possible exit strategies:**

- > **IPO:** Depending on market conditions and the growth in our product lines, an IPO may be feasible in 2-3 years.
- > **Be acquired:** This is a fragmented market that will be ripe for consolidation in several years as more and more enterprises strive to incorporate X technologies into their business processes. A sample of companies that may benefit by acquiring Henderson's Computer Repair include Oracle (Nasdaq: ORCL), SAP (NYSE: SAP), IBM (NYSE: IBM), General Electric (NYSE: GE), and Autodesk (Nasdaq: ADSK).
- > **Stay Private:** If market conditions soften, we plan to continue to operate as a profitable private entity, distributing dividends to shareholders until liquidity opportunities become available."

### **Additional exit strategies include the following:**

- > **IPO:** Depending on market conditions and the growth in our product lines, an IPO may be feasible in 5 years.
- > **Be acquired:** This is a fragmented market that will be ripe for consolidation in several years as more and more enterprises strive to incorporate the technologies that we offer into their businesses. A sample of companies that may benefit by acquiring My Hot Electronics include Oracle (Nasdaq: ORCL),Google, IBM (NYSE: IBM), and Apple, (Nasdaq: AAPL).
- > **Stay Private:** If market conditions soften, we plan to continue to operate as a profitable private entity, distributing dividends to shareholders until liquidity opportunities become available.

## Industry Synopsis



Independent computer repair shops specializing in high-end product repair are well-positioned to succeed in this market where customers are growing increasingly dependent on their devices. According to researchers, sales of tablet computers, notably the Apple iPad, contributed to heavy growth in the computer industry, but at the expense of notebooks and netbook computers. "During the first quarter of this year, tablet shipments reached 6.4m units worldwide. Apple accounted for 74% of these shipments, while other vendors struggled to bring competitive products to market. Catalyst expects next quarter will see a significant change in the market, with products appearing from Acer, Asus, LG and RIM."

(<http://www.siliconrepublic.com/business/item/21584-tablets-help-bolster-comut>)

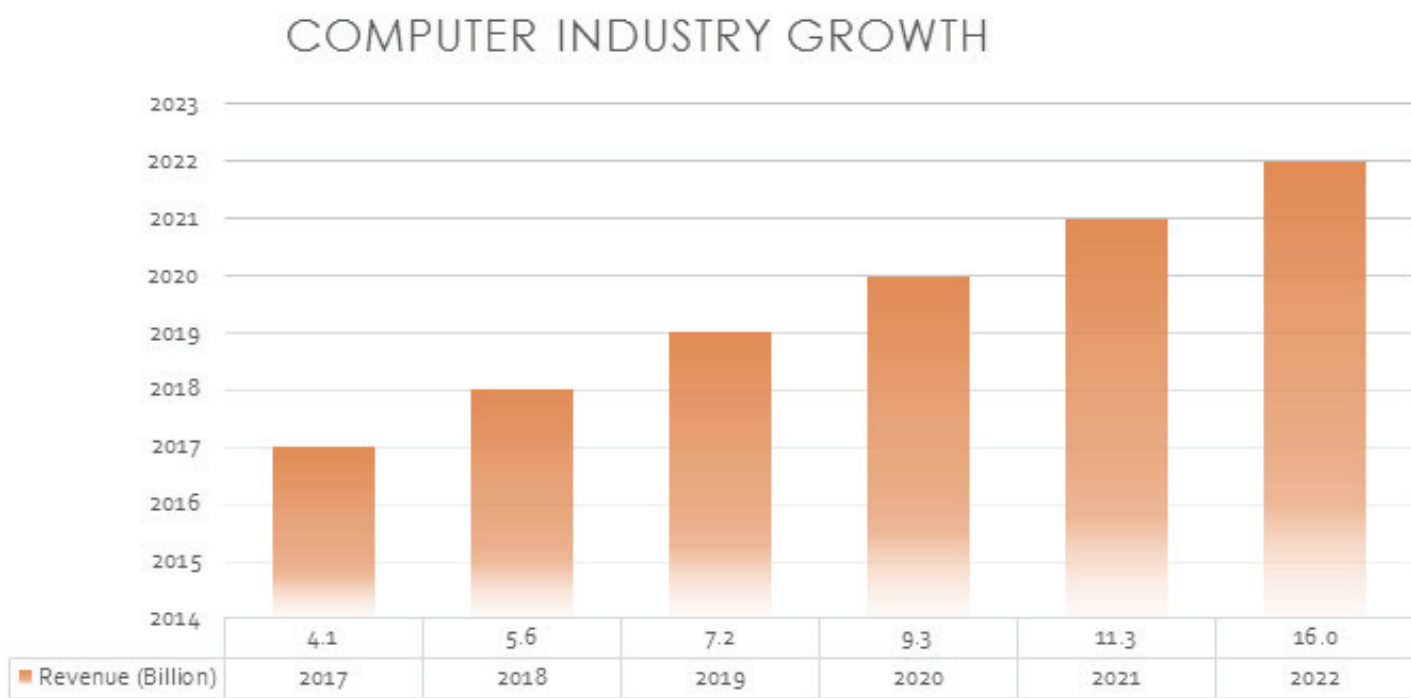
The Company owner's familiarity with the variety of products on the market will help set it apart. Further, the industry is such that participants can benefit from weak economic conditions. According to recent studies, the slow economic recovery and high unemployment rate will present opportunities for providers of electronic and computer repair services. Although electronic gadgets tend to become obsolete due to the rapid growth of technological advancements, and customers will be tempted to replace rather than repair their devices, high end-electronics will continually generate demand in this industry because of their high replacement cost.



Industry research also estimates that the industry is highly fragmented, with small operators like Henderson's Computer Repair dominating the industry. A few of the larger participants account for 13.3% of industry revenue, representing low industry concentration.



In the past five years, industry revenue fell at a rate of 1% per year to \$18.0 billion. Revenue is expected to continue to decline at the same rate as electronics become more affordable to buy new, rather than replace the old. Further, as technology continues to develop at a rapid pace, consumers will opt for the newest products rather than repairing outdated damaged ones. With the advent of new technology such as voice recognition, incorporation of the internet into cell phone devises, music, and media, single-purposes devices have also become obsolete. This results in the number of devices requiring repair declining as well, further spurring industry decline.



There does exist a silver lining for industry participants—while technological advancements have caused a noticeable decline in industry revenue, it has also had the effect of creating complex new electronic devices rendering do-it-yourself repairs difficult to accomplish. This will encourage consumers to seek help from industry operators such as Henderson's Computer Repair.

Overall, the industry will see a decline in the next five years due to dropping prices in new electronics and consumers' tendency to buy new instead of opting for repairs.

# Financials

## Assumptions

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### Startup

#### Fixed Assets

Henderson's Computer Repair is seeking to purchase several items for the startup of operations. These items include \$10,000 for computer equipment, \$1,500 for office equipment, \$15,000 in other assets and \$12,000 for the purchase of a food truck. These total \$31,000.

Fixed Assets		
	Computer Equipment	\$ 2,500
	Office Equipment	1,500
	Other Assets	15,000
	Vehicle	12,000
	<b>Total</b>	<b>\$31,000</b>

#### Marketing/advertising

The Company is seeking \$4,500 for start-up marketing costs. This is separate from their month-to-month expense, and will be necessary to create a strong online presence.

#### Inventory/Supplies

Inventory can only be held for a short period of time due to spoilage and so the Company will ensure that only what is needed will be purchased immediately. The Company is requesting \$4,000 to cover the costs of materials to produce juice.

#### Working Capital/Cash-Required

Working capital is to ensure the Company has enough cash to cover its operating expenses during the first year of operation regardless of any sales during that time. The Company requests \$9,000 worth of working capital.

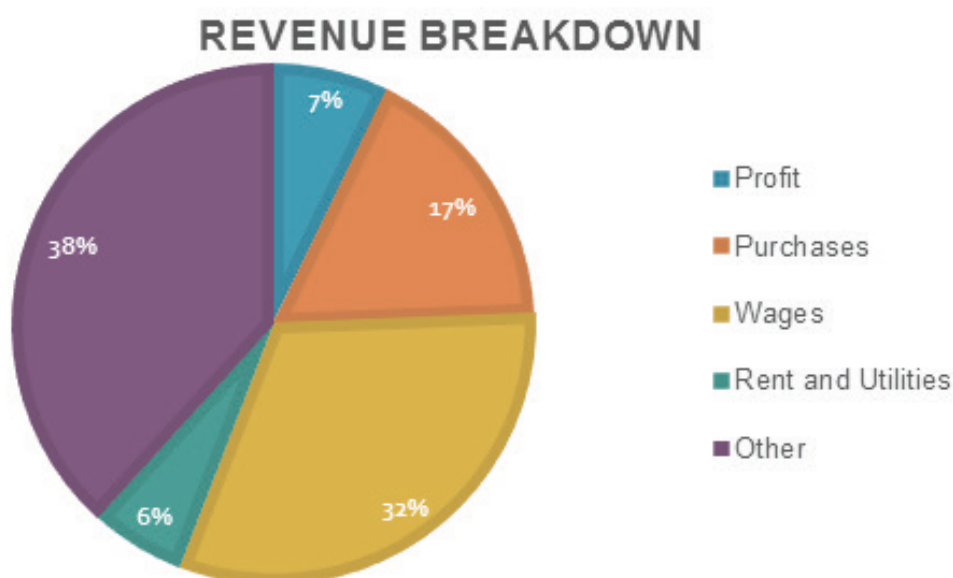
## Sales Projections

#### Sales

The Company has three main lines of revenue: Computer Repair, parts sold, and on-going maintenance. The Computer Repair is the most popular item, and so it was estimated that the Company would be repairing 75 computers per month during the first year. Each computer repair is estimated to be \$210.

Computer parts sold are estimated to be \$80 per component. The Company anticipates to sell at least 466 parts during the first year of operation. Monthly memberships will be available to businesses in the area who prefer on-going maintenance. After the first year, the Company estimates that sales will stay the same.

Growth will occur in Year 2 and 3, with 20% growth for both revenue lines. Cost of sales for these items was estimated at 25% of the revenue produced.



## Payroll

### Mr. Henderson, Owner

Mr. Henderson will be paid \$25,000 per year. His salary will be raised in Year 2 by 2.5% and 2.5% in Year 3

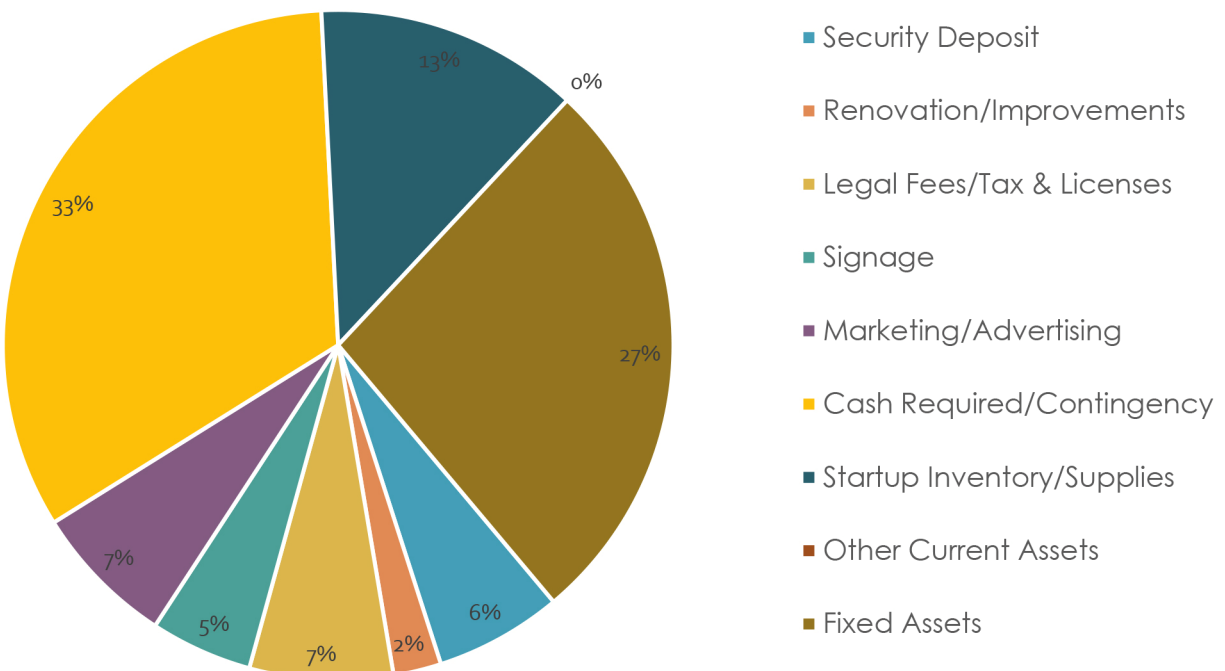
### Assistant Salesperson

A Store Manager will be hired to work alongside Mr. Henderson. This individual will be paid \$10.50/hour and will work up to 35 hours a week. For the purpose of this analysis, this individual was estimated at 35 hours per week for a four-week month. This individuals' wage will increase in Year 2 by 2.5% and 2.5% in Year 3. In addition, two Technicians will be hired to service customer computers.

## Startup Expenses

Startup Expenses	Requirements	
	Startup Expenses	
	Security Deposit	\$4,000
	Renovation/Improvements	\$1,500
	Legal Fees/Tax & Licenses	\$4,500
	Signage	\$3,200
	Marketing/Advertising	\$4,500
	<b>Total Start-up Expenses</b>	<b>(\$17,700)</b>
	Startup Assets	
	Cash Required/Contingency	\$21,500
	Startup Inventory/Supplies	\$8,300
	Other Current Assets	\$0
	Fixed Assets	\$17,500
	<b>Total Assets</b>	<b>(\$47,300)</b>
	Total Requirements	
		<b>(\$75,000)</b>

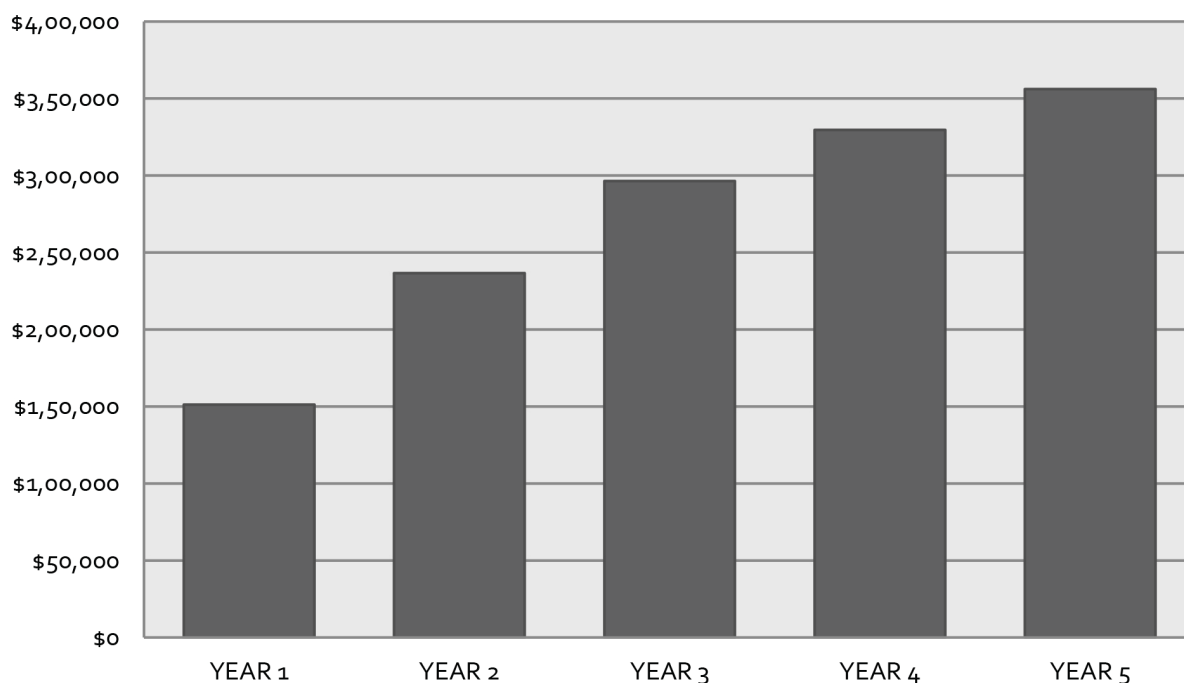
## Startup Expenses



## Annual Sales Projections

Sales Projections		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	Sales					
	Computer Repair Service	\$68,761	\$108,749	\$137,193	\$152,169	\$163,453
	Computer Parts Sold	\$51,328	\$79,096	\$98,993	\$110,349	\$119,967
	Monthly Fees	\$31,175	\$48,789	\$60,255	\$67,094	\$72,696
	Total Sales	\$151,263	\$236,634	\$296,442	\$329,612	\$356,116
	Cost of Sales					
	Computer Repair Service	(\$17,983)	(\$28,441)	(\$35,880)	(\$39,796)	(\$42,748)
	Computer Parts Sold (35%)	(\$18,109)	(\$27,906)	(\$34,926)	(\$38,933)	(\$42,326)
	Monthly Fees (5%)	(\$1,783)	(\$2,790)	(\$3,445)	(\$3,837)	(\$4,157)
	Subtotal Direct Cost of Sales	(\$37,875)	(\$59,137)	(\$74,252)	(\$82,566)	(\$89,231)

### Annual Sales



## Annual Payroll

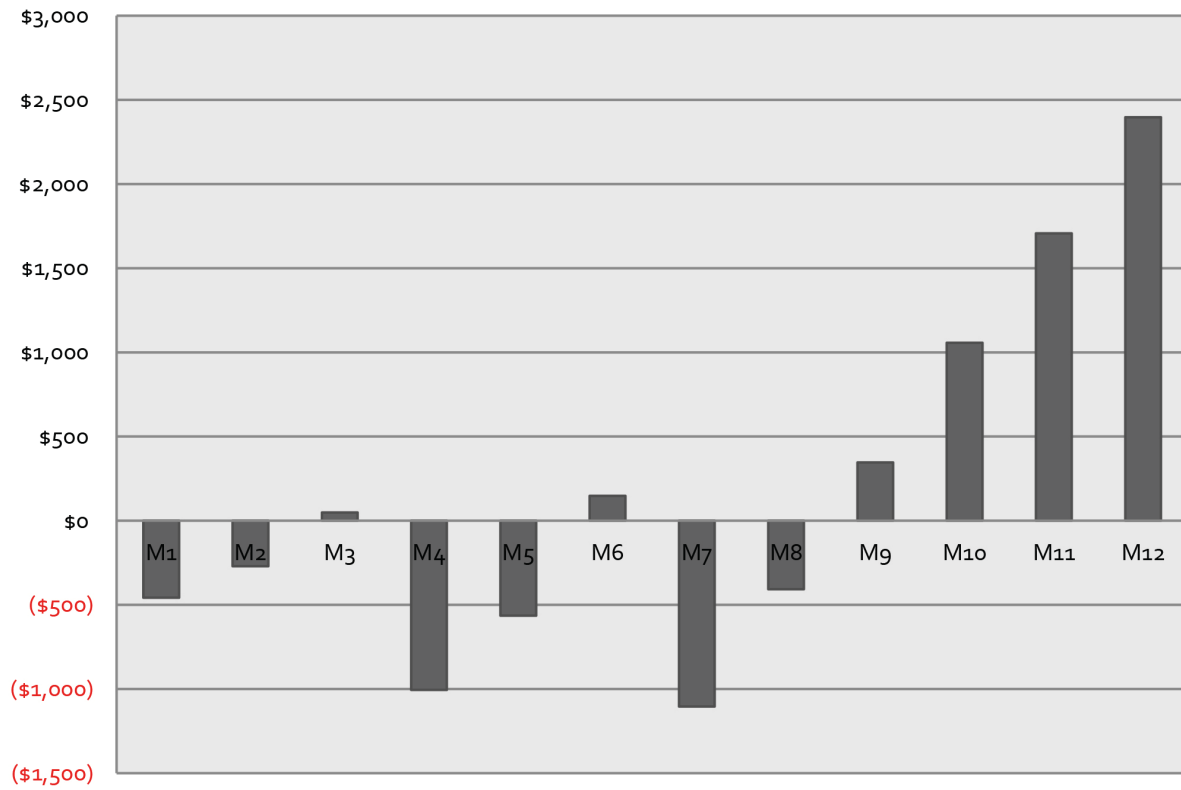
Company Payroll		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	Owner's Salary	\$18,000	\$18,900	\$19,845	\$20,837	\$21,879
	Store Manager	\$16,500	\$20,625	\$21,656	\$22,739	\$23,876
	Technician	\$10,620	\$15,399	\$16,169	\$16,977	\$17,826
	Technician	\$7,080	\$13,098	\$13,753	\$14,441	\$15,163
	Total Payroll	\$52,200	\$68,022	\$71,423	\$74,994	\$78,744



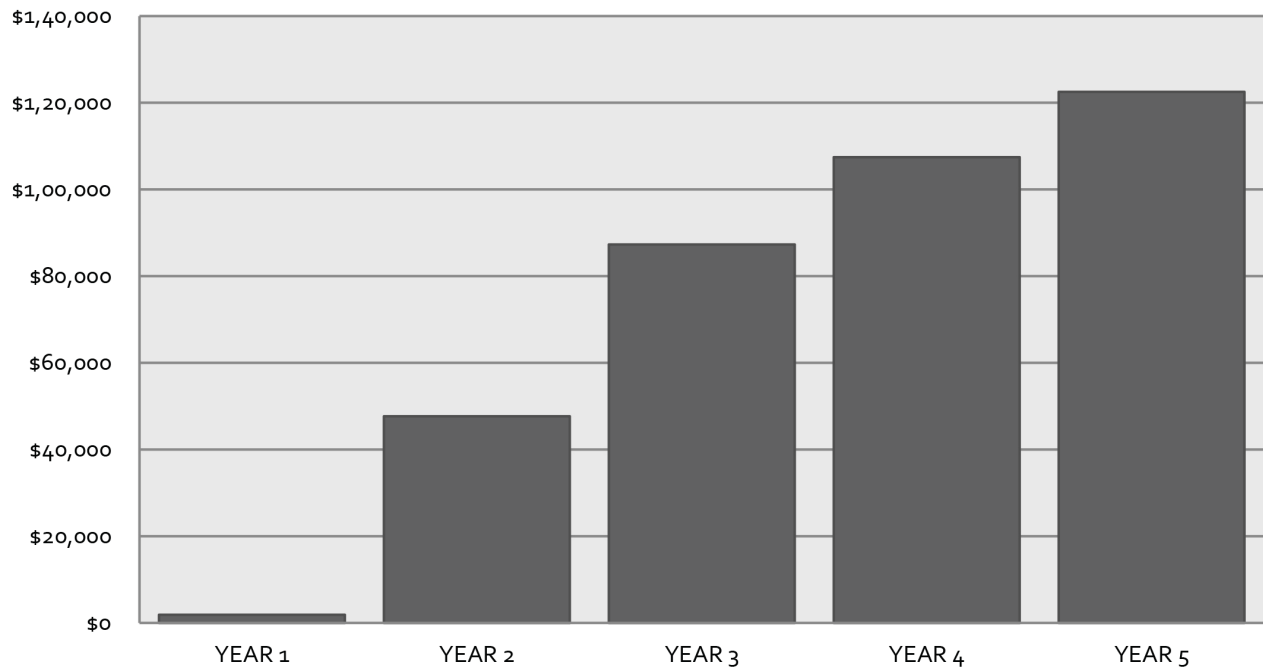
## Annual Profit & Loss Statement

Pro Forma Profit and Loss		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	Total Sales	\$151,263	\$236,634	\$296,442	\$329,612	\$356,116
	Computer Repair Service (26%)	(\$17,983)	(\$28,441)	(\$35,880)	(\$39,796)	(\$42,748)
	Computer Parts Sold (35%)	(\$18,109)	(\$27,906)	(\$34,926)	(\$38,933)	(\$42,326)
	Monthly Fees (5%)	(\$1,783)	(\$2,790)	(\$3,445)	(\$3,837)	(\$4,157)
	Total Direct Cost of Sales	(\$37,875)	(\$59,137)	(\$74,252)	(\$82,566)	(\$89,231)
	Gross Margin	\$113,389	\$177,497	\$222,190	\$247,046	\$266,886
	Gross Margin %	74.96%	75.01%	74.95%	74.95%	74.94%
	Expenses					
	Payroll	\$52,200	\$68,022	\$71,423	\$74,994	\$78,744
	Payroll Taxes	\$5,063	\$5,165	\$5,268	\$5,373	\$5,481
	Rent/Lease	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
	Marketing & Advertising	\$2,063	\$2,105	\$2,147	\$2,190	\$2,233
	Credit Card Fees	\$2,980	\$4,662	\$5,840	\$6,493	\$7,015
	Commercial Liability Insurance	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360
	Workers Comp Insurance	\$1,566	\$2,041	\$2,143	\$2,250	\$2,362
	Internet/Telephone	\$1,320	\$1,320	\$1,320	\$1,320	\$1,320
	Legal & Accounting Services	\$780	\$796	\$812	\$828	\$844
	Repairs & Maintenance	\$1,805	\$1,842	\$1,878	\$1,916	\$1,954
	Traveling Expenses	\$1,934	\$1,973	\$2,013	\$2,053	\$2,094
	Utilities	\$5,352	\$5,352	\$5,352	\$5,352	\$5,352
	Miscellaneous Expenses	\$6,448	\$6,577	\$6,709	\$6,843	\$6,980
	Total Expense	\$102,873	\$121,213	\$126,264	\$130,972	\$135,740
	Total Operating Expenses	(\$102,873)	(\$121,213)	(\$126,264)	(\$130,972)	(\$135,740)
	EBITDA	\$10,516	\$56,284	\$95,926	\$116,074	\$131,145
	Loan Repayment	(\$8,622)	(\$8,622)	(\$8,622)	(\$8,622)	(\$8,622)
	Net Profit	\$1,894	\$47,662	\$87,304	\$107,452	\$122,523
	Net Profit/Sales	1.25%	20.14%	29.45%	32.60%	34.41%

## Monthly Net Profit



## Annual Net Profit



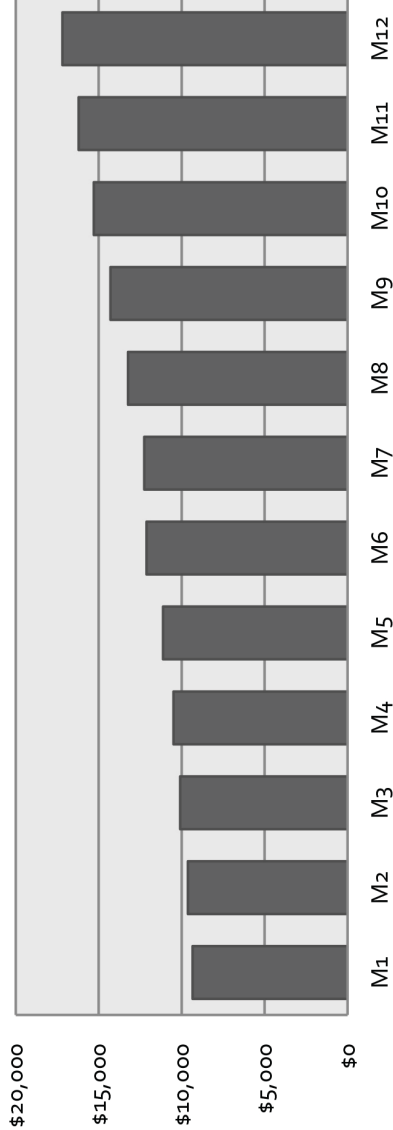
## Annual Balance Sheet

Pro Forma Balance Sheet		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	Assets					
	Current Assets	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300
	Cash	\$23,394	\$71,056	\$158,360	\$265,813	\$388,336
	Total Current Assets	\$31,694	\$79,356	\$166,660	\$274,113	\$396,636
	Fixed Assets	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500
	Total Fixed Assets	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500
	Total Assets	\$49,194	\$96,856	\$184,160	\$291,613	\$414,136
	Liabilities					
	Loan Balance (Principle)	\$44,492	\$38,159	\$31,469	\$24,401	\$16,935
	Total Liabilities	\$44,492	\$38,159	\$31,469	\$24,401	\$16,935
	Capital					
	Paid-in Capital	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	Retained Earnings	(\$10,298)	\$43,697	\$137,691	\$252,211	\$382,201
	Earnings	\$1,894	\$47,662	\$87,304	\$107,452	\$122,523
	Total Capital	\$4,702	\$58,697	\$152,691	\$267,211	\$397,201
	Total Liabilities and Capital	\$49,194	\$96,856	\$184,160	\$291,613	\$414,136
	Net Worth	\$4,702	\$58,697	\$152,691	\$267,211	\$397,201

## Monthly Sales

Sales Projections												
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Sales												
Computer Repair Service	\$4,248	\$4,375	\$4,585	\$4,769	\$5,055	\$5,510	\$5,571	\$6,016	\$6,498	\$6,952	\$7,369	\$7,812
Computer Parts Sold	\$3,171	\$3,266	\$3,423	\$3,560	\$3,773	\$4,113	\$4,158	\$4,491	\$4,850	\$5,190	\$5,501	\$5,831
Monthly Fees	\$1,926	\$1,984	\$2,079	\$2,162	\$2,292	\$2,498	\$2,526	\$2,728	\$2,946	\$3,152	\$3,341	\$3,542
Total Sales	\$9,345	\$9,625	\$10,087	\$10,491	\$11,120	\$12,121	\$12,254	\$13,235	\$14,294	\$15,294	\$16,212	\$17,185
Cost of Sales												
Computer Repair Service (26%)	(\$1,111)	(\$1,144)	(\$1,199)	(\$1,247)	(\$1,322)	(\$1,441)	(\$1,457)	(\$1,573)	(\$1,699)	(\$1,818)	(\$1,927)	(\$2,043)
Computer Parts Sold (35%)	(\$1,119)	(\$1,152)	(\$1,208)	(\$1,256)	(\$1,331)	(\$1,451)	(\$1,467)	(\$1,584)	(\$1,711)	(\$1,831)	(\$1,941)	(\$2,057)
Monthly Fees (5%)	(\$110)	(\$113)	(\$119)	(\$124)	(\$131)	(\$143)	(\$144)	(\$156)	(\$168)	(\$180)	(\$191)	(\$203)
Subtotal Direct Cost of Sales	(\$2,340)	(\$2,410)	(\$2,526)	(\$2,627)	(\$2,784)	(\$3,035)	(\$3,068)	(\$3,314)	(\$3,579)	(\$3,829)	(\$4,059)	(\$4,303)

## Monthly Sales



## Monthly Payroll

Company Payroll												
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Owner's Salary	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Store Manager	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375
Technician	\$0	\$0	\$0	\$1,180	\$1,180	\$1,180	\$1,180	\$1,180	\$1,180	\$1,180	\$1,180	\$1,180
Technician	\$0	\$0	\$0	\$0	\$0	\$0	\$1,180	\$1,180	\$1,180	\$1,180	\$1,180	\$1,180
Total Payroll	\$2,875	\$2,875	\$2,875	\$4,055	\$4,055	\$4,055	\$5,235	\$5,235	\$5,235	\$5,235	\$5,235	\$5,235

## Monthly Profit & Loss Statement

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Total Sales	\$9,345	\$9,625	\$10,087	\$10,491	\$11,120	\$12,121	\$12,254	\$13,235	\$14,294	\$15,294	\$16,212	\$17,185
Computer Repair Service (26%)	(\$1,111)	(\$1,144)	(\$1,199)	(\$1,247)	(\$1,322)	(\$1,441)	(\$1,457)	(\$1,573)	(\$1,699)	(\$1,818)	(\$1,927)	(\$2,043)
Computer Parts Sold (35%)	(\$1,119)	(\$1,152)	(\$1,208)	(\$1,256)	(\$1,331)	(\$1,451)	(\$1,467)	(\$1,584)	(\$1,711)	(\$1,831)	(\$1,941)	(\$2,057)
Monthly Fees (5%)	(\$110)	(\$113)	(\$119)	(\$124)	(\$131)	(\$143)	(\$144)	(\$156)	(\$168)	(\$180)	(\$191)	(\$203)
Total Direct Cost of Sales	(\$2,340)	(\$2,410)	(\$2,526)	(\$2,627)	(\$2,784)	(\$3,035)	(\$3,068)	(\$3,314)	(\$3,579)	(\$3,829)	(\$4,059)	(\$4,303)
Gross Margin	\$7,005	\$7,215	\$7,562	\$7,864	\$8,336	\$9,086	\$9,186	\$9,921	\$10,715	\$11,465	\$12,153	\$12,882
Gross Margin %	74.96%	74.96%	74.96%	74.96%	74.96%	74.96%	74.96%	74.96%	74.96%	74.96%	74.96%	74.96%
Expenses												
Payroll	\$2,875	\$2,875	\$2,875	\$4,055	\$4,055	\$4,055	\$5,235	\$5,235	\$5,235	\$5,235	\$5,235	\$5,235
Payroll Taxes	\$279	\$279	\$279	\$393	\$393	\$393	\$508	\$508	\$508	\$508	\$508	\$508
Rent/Lease	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Marketing & Advertising	\$160	\$162	\$164	\$166	\$168	\$171	\$173	\$175	\$177	\$180	\$182	\$184
Credit Card Fees	\$184	\$190	\$199	\$207	\$219	\$239	\$241	\$261	\$282	\$301	\$319	\$339
Commercial Liability Insurance	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280
Workers Comp Insurance	\$86	\$86	\$86	\$122	\$122	\$122	\$157	\$157	\$157	\$157	\$157	\$157
Internet/Telephone	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110
Legal & Accounting Services	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65
Repairs & Maintenance	\$140	\$142	\$144	\$146	\$147	\$149	\$151	\$153	\$155	\$157	\$159	\$161
Traveling Expenses	\$150	\$152	\$154	\$156	\$158	\$160	\$162	\$164	\$166	\$168	\$171	\$173
Utilities	\$415	\$420	\$426	\$431	\$437	\$443	\$448	\$454	\$460	\$466	\$472	\$478
Miscellaneous Expenses	\$500	\$507	\$513	\$520	\$527	\$533	\$540	\$547	\$554	\$562	\$569	\$576
Total Expense	\$6,744	\$6,767	\$6,795	\$8,151	\$8,181	\$8,220	\$9,571	\$9,610	\$9,650	\$9,689	\$9,727	\$9,767
Total Operating Expenses	(\$6,744)	(\$6,767)	(\$6,795)	(\$8,151)	(\$8,181)	(\$8,220)	(\$9,571)	(\$9,610)	(\$9,650)	(\$9,689)	(\$9,727)	(\$9,767)
EBITDA	\$261	\$448	\$767	(\$287)	\$154	\$866	(\$385)	\$311	\$1,065	\$1,775	\$2,425	\$3,115
Loan Repayment	(\$719)	(\$719)	(\$719)	(\$719)	(\$719)	(\$719)	(\$719)	(\$719)	(\$719)	(\$719)	(\$719)	(\$719)
Net Profit	(\$458)	(\$271)	\$49	(\$1,005)	(\$564)	\$148	(\$1,104)	(\$407)	\$346	\$1,057	\$1,707	\$2,396
Net Profit/Sales	-4.90%	-2.81%	0.48%	-9.58%	-5.07%	1.22%	-9.01%	-3.08%	2.42%	6.91%	10.53%	13.95%

## Pro Forma Profit and Loss



# Monthly Balance Sheet

Pro Forma Balance Sheet												
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Assets	Starting Balances											
Current Assets	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300
Cash	\$21,500	\$21,042	\$20,772	\$20,820	\$19,815	\$19,399	\$18,295	\$17,888	\$18,234	\$19,291	\$20,998	\$23,394
Total Current Assets	\$29,800	\$29,342	\$29,072	\$29,120	\$28,115	\$27,699	\$26,595	\$26,188	\$26,534	\$27,591	\$29,298	\$31,694
Fixed Assets	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500
Total Fixed Assets	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500
Total Assets	\$47,300	\$46,842	\$46,572	\$46,620	\$45,615	\$45,199	\$44,095	\$43,688	\$44,034	\$45,091	\$46,798	\$49,194
Liabilities												
Loan Balance (Principle)	\$50,000	\$49,511	\$49,019	\$48,525	\$48,029	\$47,531	\$47,030	\$46,527	\$46,022	\$45,514	\$45,004	\$44,492
Total Liabilities	\$50,000	\$49,511	\$49,019	\$48,525	\$48,029	\$47,531	\$47,030	\$46,527	\$46,022	\$45,514	\$45,004	\$44,492
Capital												
Paid-in Capital	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Retained Earnings	(\$17,700)	(\$18,158)	(\$17,939)	(\$17,910)	(\$17,978)	(\$17,332)	(\$17,935)	(\$17,839)	(\$16,988)	(\$15,423)	(\$13,207)	(\$10,298)
Earnings		(\$458)	(\$271)	\$49	(\$1,005)	\$148	(\$1,104)	(\$407)	\$346	\$1,057	\$1,707	\$2,396
Total Capital		(\$3,158)	(\$2,939)	(\$2,910)	(\$2,978)	(\$2,332)	(\$2,935)	(\$2,839)	(\$1,988)	(\$423)	\$1,793	\$4,702
Total Liabilities and Capital	\$47,300	\$46,842	\$46,572	\$46,620	\$45,615	\$45,199	\$44,095	\$43,688	\$44,034	\$45,091	\$46,798	\$49,194
Net Worth	(\$2,700)	(\$3,158)	(\$2,939)	(\$2,910)	(\$2,978)	(\$2,332)	(\$2,935)	(\$2,839)	(\$1,988)	(\$423)	\$1,793	\$4,702