

MATT'S ELECTRIC



Human Intelligence
Business Plans

BUSINESS PLAN

Table of Contents

1.0 Executive Summary	4
2.0 The Financing	6
2.1 Funds Required	6
2.2 Management Equity	7
2.3 Board of Directors Composition.....	7
2.4 Exit Strategies	7
3.0 Electrical Services.....	8
4.0 Overview of the Organization.....	9
4.1 Registered Name	9
4.2 Commencement of Operations	9
4.3 Mission Statement.....	9
4.4 Vision Statement.....	9
4.5 Organizational Objectives.....	9
5.0 Strategic and Market Analysis	10
5.1 Economic Analysis	10
5.2 Industry Analysis	10
5.3 Customer Profile	10
5.4 Competition.....	11
6.0 Key Strategic Issues	13
6.1 Sustainable Competitive Advantage	13
6.2 Basis for Growth.....	13
7.0 Marketing Plan.....	14
7.1 Marketing Objectives.....	14
7.2 Revenue Forecasts	14
7.3 Revenue Assumptions.....	15
7.4 Marketing Strategies	15
8.0 Organizational Plan.....	17
8.1 Corporate Organization.....	17
8.2 Organizational Budget	17

9.0 Financial Plan.....	19
9.1 Underlying Assumptions	19
9.2 Financial Highlights.....	19
9.3 Economic Analysis	19
9.4 Source of Funds	19
9.5 Financial Proformas	20
A) Profit and Loss Statement.....	20
B) Common Size Income Statement.....	21
C) Cash Flow Analysis	22
D) Balance Sheet.....	23
9.6 Breakeven Analysis	24
9.7 Business Ratios	24
Appendix A - SWOT Analysis	25
Appendix B – Risk Analysis.....	26
Appendix C - Reference Sources.....	27
Appendix D – Expanded Profit and Loss Statements.....	28
Appendix E – Expanded Cash Flow Analysis	34

1.0 Executive Summary

The purpose of this business plan is to showcase the ongoing development of an electrical contracting business based in Plano, Texas. Matt's Electrical Service, LLC ("the Company") was founded by Matthew Deutsch. The company will provide a wide range of services specific for the needs of both homeowners and commercial property owners within the target market area. At this time, the founder is seeking \$175,000 of capital via an SBA loan to establish operations.

The Services

The primary revenue center for the business will come from the ongoing repair of existing electrical systems within homes and commercial properties. The business will also have the ability to provide services to industrial enterprises. This aspect of the Company's operations is extremely important as electrical repairs are only something that can be completed by a properly trained electrician. The Company will employ a master electrician as well as several journeymen electricians that will render services.

Beyond general repairs, the business will also provide installations of new electrical equipment. This will include the installation of generators, which are becoming very popular in this market given the frequency of power outages as a result of stresses on the electrical grid. The Company will also work with construction firms that will outsource electrical component installation to the business during the course of renovations as well as new construction. This will be a very high margin revenue center for the business.

An analysis of the services offered by the Company will be expanded in the third section of the business plan.

The Financing

The Company is currently seeking \$175,000. The terms of this financing are to be determined during negotiation. This document assumes that the company will receive a 10-year loan carrying an 8% interest rate. The founder will contribute \$50,000 towards the venture. The funds will primarily be used for the following:

- Vehicles
- Furniture, Fixtures, and Equipment
- Working Capital

On an as needed basis, Matt's Electrical Service will be able to secure additional capital in order to expand its operations. Moving forward, the company may use lease financing in order to acquire additional vehicles that will be used by the Company's journeyman electricians.

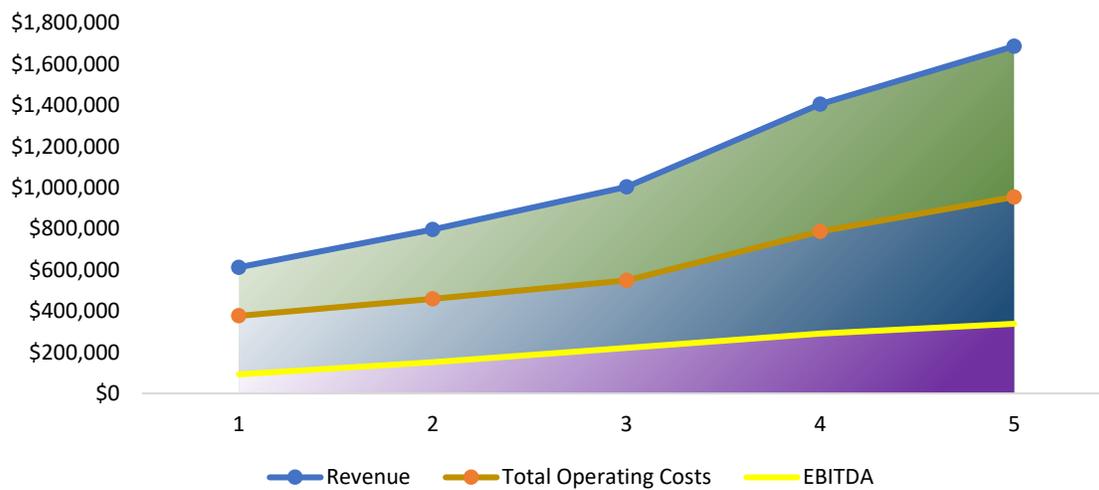
The Future

The Company will continue to work with homeowners and commercial property management firms throughout the greater Plano area. Matt's Electrical Service will also continually hire additional staff electricians in order to accommodate a larger number of repair engagements as well as for installations of new electrical equipment. There is the possibility that the company will acquire existing electrical contracting businesses although this is not expected to occur within the first five years of operation.

Revenue Forecasts

Proforma Profit and Loss					
Year	1	2	3	4	5
Revenue	\$613,000	\$796,900	\$1,004,094	\$1,405,732	\$1,686,878
Cost of Revenue	\$143,150	\$186,095	\$234,480	\$328,272	\$393,926
Gross Profit	\$469,850	\$610,805	\$769,614	\$1,077,460	\$1,292,952
Total Operating Costs	\$376,983	\$459,788	\$548,377	\$787,299	\$954,565
EBITDA	\$92,867	\$151,017	\$221,237	\$290,161	\$338,387

Revenue, Operating Costs, EBITDA



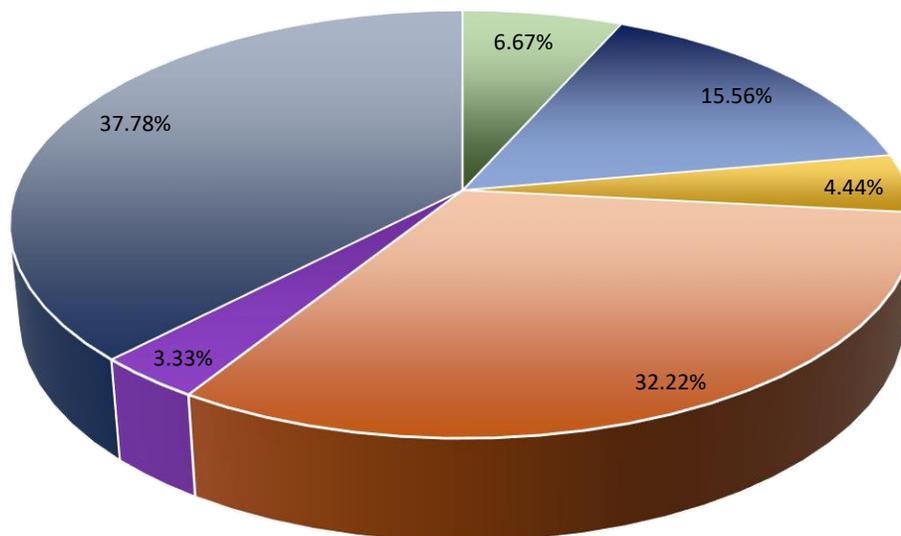
2.0 The Financing

2.1 Funds Required

An SBA loan of \$175,000 is needed to establish operations. This funding will be allocated as follows:

Use of Funds	
Location Development	\$15,000
Furniture, Fixtures, and Equipment	\$35,000
Initial Marketing	\$10,000
Working Capital	\$72,500
Professional Fees	\$7,500
Vehicles	\$85,000
Total	\$225,000

Use of Funds



- Location Development
 - Initial Marketing
 - Professional Fees
- Furniture, Fixtures, and Equipment
 - Working Capital
 - Vehicles

2.2 Management Equity

Matthew Deutsch retains a 100% ownership interest in the business.

2.3 Board of Directors Composition

Matthew Deutsch serves as the director of the business.

2.4 Exit Strategies

In the event that Mr. Deutsch decides to retire or relocate, he will work with the Company's journeyman electricians in order to transition the ownership to their business. This is the primary methodology that will be used in the event of a business divestiture. Should the Company's staff not want to acquire the business, Management will work with a qualified business broker to market the business to an electrician that is seeking to expand their operations or a newly licensed master electrician that is looking to own their own business.

3.0 Electrical Services

As discussed in the executive summary, Matt's Electrical Service will be actively involved with providing a wide range of electrician and electrical contracting services within the Plano market area. Foremost, the Company's ability to provide electrical repairs will ensure the ongoing economic stability of the business. Through these operations, the Company will provide general wire repairs, installations of fans and lights, as well as inspections. One of the best aspects of this part of the Company's operations is that the revenues are wholly immune from negative changes in the economy. The vast majority of homeowners lack the proper knowledge and the ability to make electrical repairs on their own.

Beyond the revenues that are generated from repairs, a major source of income will be derived from the ongoing installation of generators, power switches, and other major components of a properly functioning electrical system. The Company intends to partner with a number of electrical generator manufacturers so that the business can offer a wide range of selection as it relates to these components. As Texas has very severe weather as well as an electrical grid that can fluctuate in availability, there is immense demand among residents for electrical generators.

The Company will directly employ its staff of electricians, including both master and journeyman practitioners. At all times the Company will have the proper insurance policies in place in order to reduce liabilities associated with workmanship as well as any potential injuries that can occur during the course of business operations.

4.0 Overview of the Organization

4.1 Registered Name

Matt's Electrical Service LLC. The business is registered as a limited liability company in the State of Texas.

4.2 Commencement of Operations

Matt's Electrical Service's operations will start in the fourth quarter of this year.

4.3 Mission Statement

The Company's mission is to cost effectively provide electrical services throughout the greater Plano area.

4.4 Vision Statement

The Owner of the Company (Matthew Deutsch) expects to build a business that will achieve \$1.6 million of revenue by the fifth year of operations.

4.5 Organizational Objectives

- Properly advertised the Company's services through a number of online and traditional marketing.
- Remain within the letter of the law as it relates to providing electrical services.
- Provide the Company's staff with gainful employment opportunities that they can depend on throughout the course of their entire career.
- Establish ongoing relationships with general contractors in the greater Plano area that will use the company on an outsource basis.
- Reinvest the companies after tax cash flow into the continual expansion of the business with a focus on hiring additional staff as well as acquiring additional operational assets.
- Operate as a community minded business by providing ongoing financial support for civics organizations, little leagues, and other associations that are part of the Plano community.

5.0 Strategic and Market Analysis

5.1 Economic Analysis

This section of the analysis will focus on the general economic climate, the electrical contracting industry, the target market, and the ongoing competition that Matt's Electrical Service will face moving forward.

At this time, the economic climate within the United States is moderate. There have been recent changes to global trade policy which may cause additional inflationary issues in the future. However, The US Federal Reserve and major central banks are taking appropriate measures to ensure that these risks are properly addressed.

As has been one of the themes throughout this document, the demand for electrical contracting services will remain strong in any economic climate. Working with electricity is a hazardous activity, and only trained professionals that have a deep understanding of electrical systems are qualified to make these types of repairs. The Company will generate substantial contribution margins from both repair services as well as the installation of new electrical components.

5.2 Industry Analysis

There are 125,000 electrical contracting firms within the United States. These entities generate \$106 billion of revenue per annum while providing jobs for 550,000 people. One of the common trends within this industry is to not only provide electrical repairs and electrical services specific for mains electricity but also for low power applications such as home automation. As Matt's Electrical Service continues to expand its operations, the company will integrate low power applications into its operation given the immense demand among homeowners and commercial property owners within the greater Plano market area.

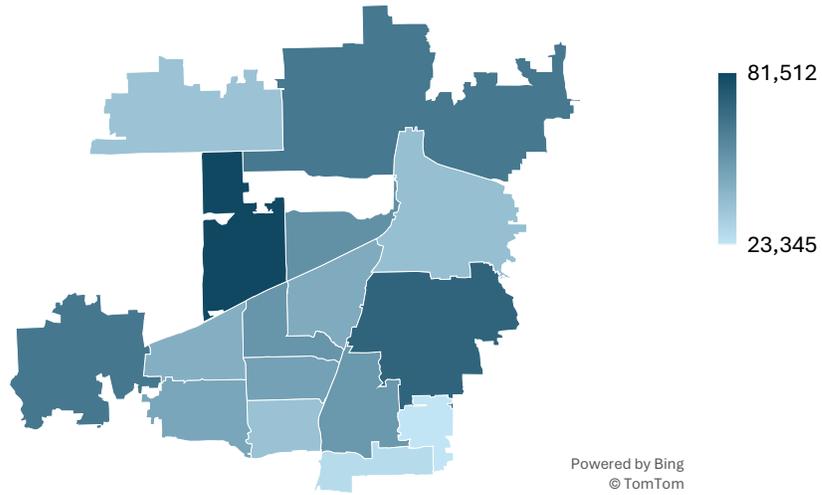
This industry is mature, and the future growth rate will mirror that of the economy as a whole.

5.3 Customer Profile

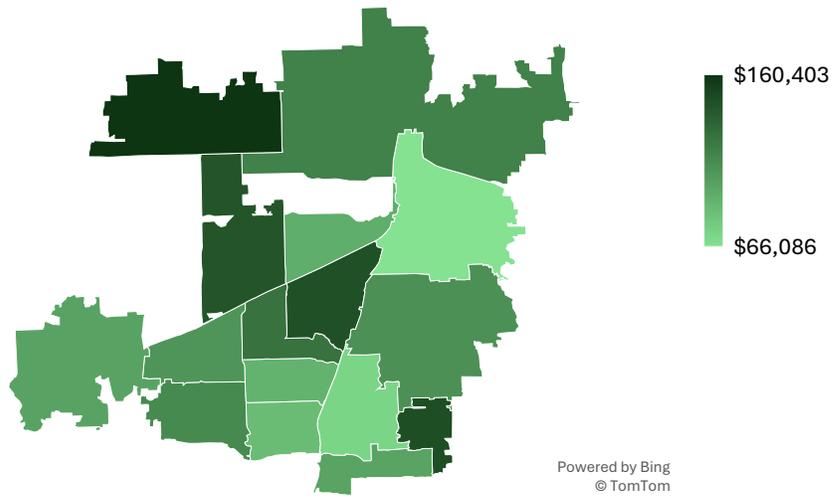
Among homeowners (the primary customer base), the following demographic profile will be used in conjunction with marketing:

- Annual household income of \$60,000+
- Owns their own home (with a value of \$300,000 to \$500,000)
- Requires a specific repair or maintenance of an installed electrical systems
- Will spend \$100 to \$500 per visit by a technician

Target Market Population (by Zip Code)



Target Market Median Household Income (by Zip Code)



Target Market Electric Services Demand (by Zip Code)



5.4 Competition

The ongoing competition that the business will face is moderate. As Matt's Electrical Service will have the ability to provide both repairs and new installations, the Company will be able to effectively maintain a strong differentiating factor in this market. As this is a sample business plan, no formal competitive analysis was conducted. Deutsch and Thomas always provides a full analysis of all competitors that operate within any specific market.

6.0 Key Strategic Issues

6.1 Sustainable Competitive Advantage

The Company will be able to maintain successful business operations because of the following:

- The Plano market area is a population dense area that requires ongoing repairs to electrical systems on an ongoing basis.
- The business will have low operating costs which will allow for ongoing capital to be invested into new operating assets.
- A highly experienced owner, Matthew Deutsch, who is properly licensed to render electrical services within the state of Texas.
- The ability to provide services for both homeowners and commercial properties will further contribute to the economic stability of the business.

6.2 Basis for Growth

Matt's Electrical Service will grow through the following avenues:

- Continued expansion of the company's marketing operations throughout the greater Plano market area.
- Reinvestment of after tax capital into the acquisition of additional vehicles to accommodate a greater number of electrical repair engagements.
- Potential expansion into other markets of Texas.
- Potential acquisition of existing electrical contracting firms that can be acquired and integrated into the Company's operations.

7.0 Marketing Plan

7.1 Marketing Objectives

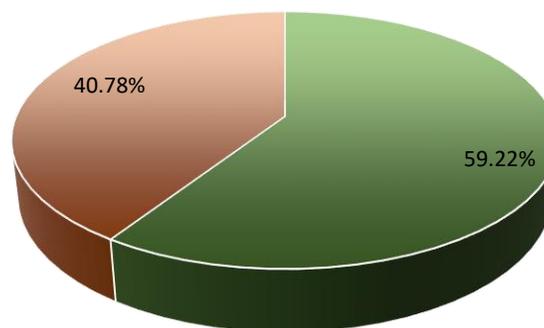
- Use multiple online marketing strategies to create brand name visibility for Matt's Electrical Service.
- Establish ongoing relationships with general contractors and construction firms in the Plano market.
- Maintain an expansive presence on third party platforms that will allow for ongoing reviews to be created regarding the quality of the Company's services.

7.2 Revenue Forecasts

Yearly Sales Forecast					
Year	1	2	3	4	5
Electrical Repair Services	\$363,000	\$471,900	\$594,594	\$832,432	\$998,918
Electrical Component Installations	\$250,000	\$325,000	\$409,500	\$573,300	\$687,960
Totals	\$613,000	\$796,900	\$1,004,094	\$1,405,732	\$1,686,878

Gross Profit					
Year	1	2	3	4	5
Total	\$469,850	\$610,805	\$769,614	\$1,077,460	\$1,292,952

Revenue Generation



■ Electrical Repair Services ■ Electrical Component Installations

7.3 Revenue Assumptions

Year 1

- Matt's Electrical Service will commence operations.
- First year revenue will reach \$613,000.

Year 2

- Revenue will increase through greater marketing efforts. Total top line income will expand by 30%.
- Revenue will reach \$796,000.
- Gross profits will reach \$610,000.

Years 3-5

- By the fifth year of operation, revenue will reach \$1.68 million.
- At this time, Matt's Electrical Service will expand into other markets in Texas.

7.4 Marketing Strategies

The Company will use a number of marketing strategies in order to create substantial visibility within the greater Plano market. As the business establishes its operations, Mr. Deutsch will conduct direct outreach with general contracting firms as well as construction entities throughout the Plano market area. This will ensure that when specialized work related to major electrical component installations are needed, the business will be called upon to provide these services. As noted throughout this document, the business will work directly with both homeowners as well as construction entities. This will substantially reduce the risks associated with expanding this business.

The Company will maintain an expansive online presence that encompasses both a website as well as social media. In regards to the company's website, this will be a search engine friendly platform that will showcase all services rendered by Matt's Electrical Service. The Company will post numerous pictures of completed work while also showcasing the wide range of electrical components, especially generators, that can be installed at a client's home or place of business. To complement the operations of the website, the business will create profiles among numerous portals that showcase these services of the business. This will further contribute to the company's search engine optimization campaigns.

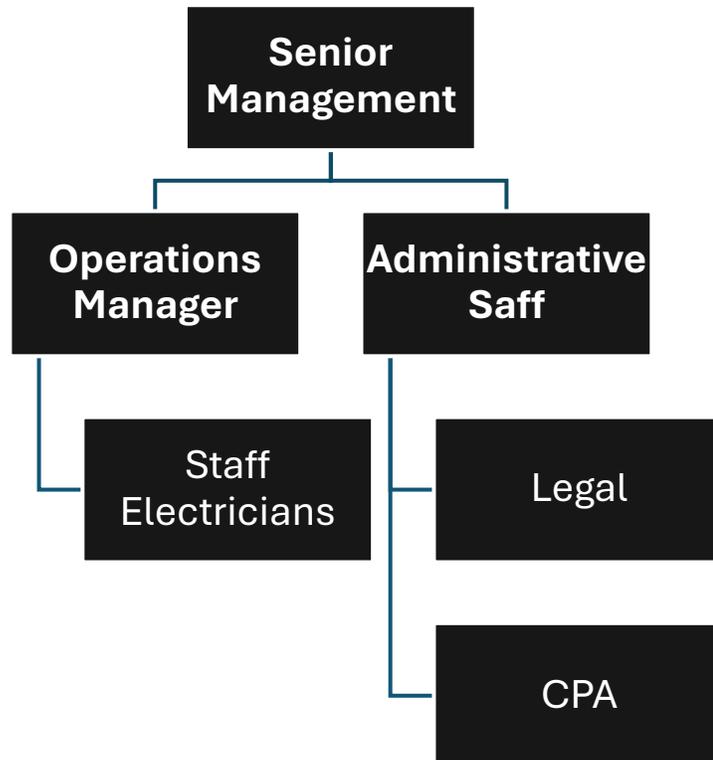
Social media is of equal importance in regards to online marketing. The business will maintain the pages on all major social media platforms. Of special importance to these operations is Facebook as this platform allows individuals to leave reviews regarding their experience with any business they have worked with in the past. In the coming years, there are views from Facebook as well as other social media platforms will further increase the trust that the business has with the Plano community.

The Company will also participate among platforms that list the services of specialized contractors. Similar to the Company's social media presence, these operations will further contribute to the company's search engine optimization campaigns will also allowing prior clients to leave reviews regarding the experience they had with the business.

In regards to traditional marketing campaigns, the business will frequently advertise among regional publications within the Plano market. The Company will use half page advertisements to showcase not only the repair services offered by the business but also its ability for new electrical component installation (with a major focus on generator installation).

8.0 Organizational Plan

8.1 Corporate Organization



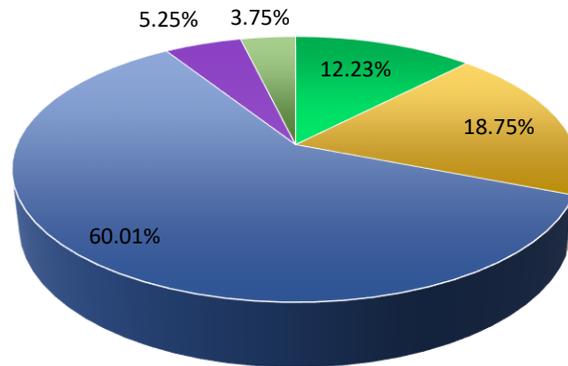
8.2 Organizational Budget

Personnel Plan - Yearly					
Year	1	2	3	4	5
Senior Management	\$65,000	\$70,850	\$77,227	\$84,177	\$91,753
Operations Manager	\$62,500	\$64,375	\$66,306	\$136,591	\$140,689
Staff Electricians	\$100,000	\$154,500	\$212,180	\$327,818	\$450,204
Administrative Staff	\$35,000	\$36,050	\$37,132	\$38,245	\$39,393
Marketing Staff	\$25,000	\$25,750	\$26,523	\$27,318	\$28,138
Total	\$287,500	\$351,525	\$419,367	\$614,149	\$750,175

Numbers of Personnel (Year End Headcount)					
Year	1	2	3	4	5
Senior Management	1	1	1	1	1
Operations Manager	1	1	1	2	2
Staff Electricians	2	3	4	6	8
Administrative Staff	1	1	1	1	1
Marketing Staff	1	1	1	1	1
Total	6	7	8	11	13

8.2 Organizational Budget (Cont.)

Personnel Summary



- Senior Management
- Operations Manager
- Staff Electricians
- Administrative Staff
- Marketing Staff

9.0 Financial Plan

9.1 Underlying Assumptions

The Company has based its proforma financial statements on the following:

- The business will have an equity capitalization of \$50,000.
- A \$175,000 SBA loan will be acquired.
- The Company will have a compounded annual growth rate of 29%.

9.2 Financial Highlights

- Moderate overhead costs.
- Profitability in each year of operation.

9.3 Economic Analysis

The Company's revenues are not subject to change during the course of difficult economic climates. As noted throughout this document, the demand for electrical services remains relatively static as they are required for the proper operation of any home or commercial enterprise. Matt's Electrical Service will ensure that it keeps its operational costs as low as possible in order to ensure that the business remains profitable and economically viable at all times.

9.4 Source of Funds

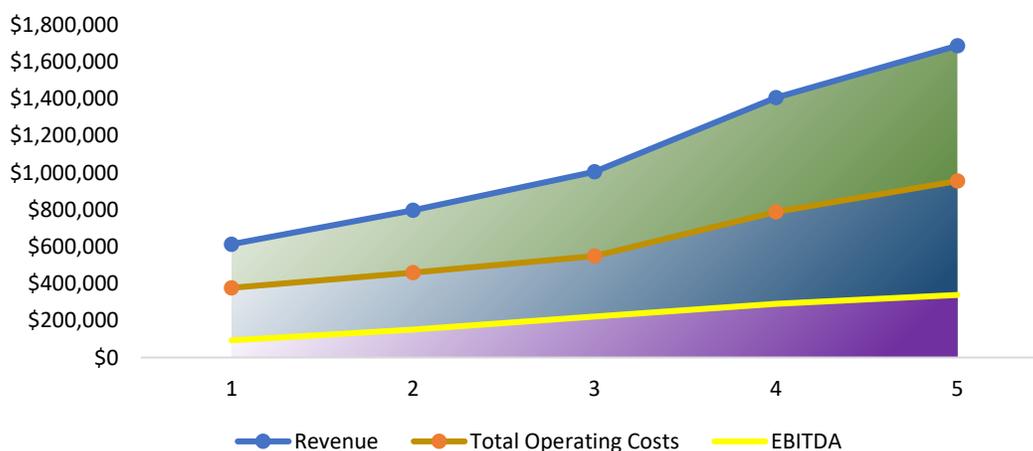
Financing	
Equity	
Equity Capitalization	\$50,000.00
Total Equity Financing	\$50,000.00
Banks and Lenders	
Business Loan	\$175,000.00
Total Debt Financing	\$175,000.00
Total Financing	\$225,000.00

9.5 Financial Proformas

A) Profit and Loss Statement

Proforma Profit and Loss					
Year	1	2	3	4	5
Revenue	\$613,000	\$796,900	\$1,004,094	\$1,405,732	\$1,686,878
Cost of Revenue	\$143,150	\$186,095	\$234,480	\$328,272	\$393,926
Gross Margin	76.65%	76.65%	76.65%	76.65%	76.65%
Gross Profit	\$469,850	\$610,805	\$769,614	\$1,077,460	\$1,292,952
Expenses					
Payroll	\$287,500	\$351,525	\$419,367	\$614,149	\$750,175
General and Administrative	\$9,195	\$11,954	\$15,061	\$21,086	\$25,303
Business Development	\$10,728	\$13,946	\$17,572	\$24,600	\$29,520
Marketing	\$21,522	\$27,979	\$35,254	\$49,355	\$59,226
Insurance Costs	\$7,500	\$7,875	\$8,269	\$8,682	\$9,116
Professional Fees	\$5,000	\$5,250	\$5,513	\$5,788	\$6,078
Facility Costs	\$12,000	\$12,360	\$12,731	\$13,113	\$13,506
Misc. Costs	\$1,545	\$2,008	\$2,530	\$3,542	\$4,251
Payroll Taxes	\$21,994	\$26,892	\$32,082	\$46,982	\$57,388
Total Operating Costs	\$376,983	\$459,788	\$548,377	\$787,299	\$954,565
EBITDA	\$92,867	\$151,017	\$221,237	\$290,161	\$338,387
Federal Income Tax	\$19,264	\$33,764	\$51,224	\$68,206	\$79,959
State Income Tax	\$3,853	\$6,753	\$10,245	\$13,641	\$15,992
Interest Expense	\$12,711	\$11,762	\$10,740	\$9,639	\$8,452
Depreciation Expenses	\$3,100	\$4,200	\$5,600	\$7,700	\$10,100
Net Profit	\$53,939	\$94,538	\$143,428	\$190,976	\$223,885
Profit Margin	8.80%	11.86%	14.28%	13.59%	13.27%

Revenue, Operating Costs, EBITDA



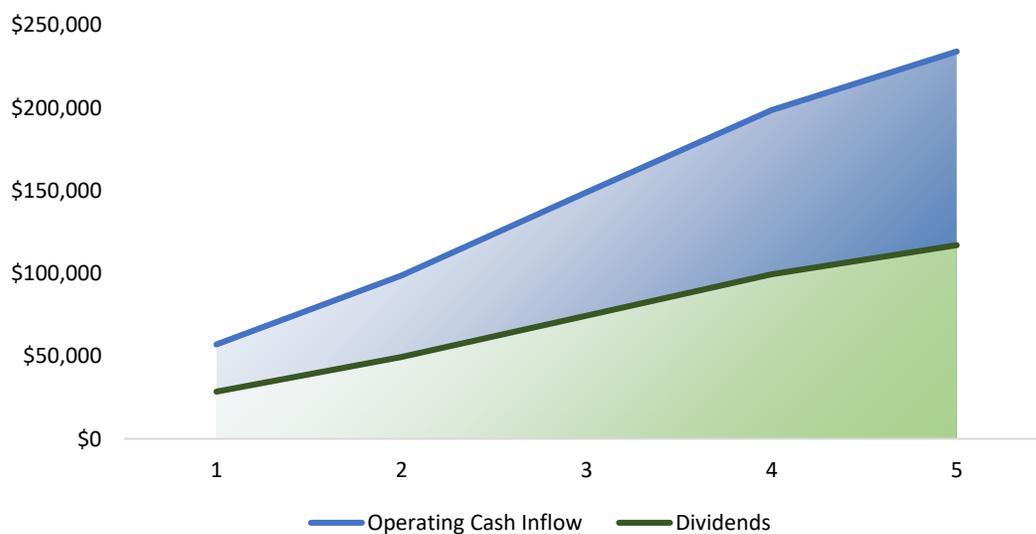
B) Common Size Income Statement

Profit and Loss (Common Size)					
Year	1	2	3	4	5
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Revenue	23.35%	23.35%	23.35%	23.35%	23.35%
Gross Profit	76.65%	76.65%	76.65%	76.65%	76.65%
Expenses					
Payroll	46.90%	44.11%	41.77%	43.69%	44.47%
General and Administrative	1.50%	1.50%	1.50%	1.50%	1.50%
Business Development	1.75%	1.75%	1.75%	1.75%	1.75%
Marketing	3.51%	3.51%	3.51%	3.51%	3.51%
Insurance Costs	1.22%	0.99%	0.82%	0.62%	0.54%
Professional Fees	0.82%	0.66%	0.55%	0.41%	0.36%
Facility Costs	1.96%	1.55%	1.27%	0.93%	0.80%
Misc. Costs	0.25%	0.25%	0.25%	0.25%	0.25%
Payroll Taxes	3.59%	3.37%	3.20%	3.34%	3.40%
Total Operating Costs	61.50%	57.70%	54.61%	56.01%	56.59%
EBITDA	15.15%	18.95%	22.03%	20.64%	20.06%
Federal Income Tax	3.14%	4.24%	5.10%	4.85%	4.74%
State Income Tax	0.63%	0.85%	1.02%	0.97%	0.95%
Interest Expense	2.07%	1.48%	1.07%	0.69%	0.50%
Depreciation Expenses	0.51%	0.53%	0.56%	0.55%	0.60%
Net Profit	8.80%	11.86%	14.28%	13.59%	13.27%

C) Cash Flow Analysis

Proforma Cash Flow Analysis - Yearly					
Year	1	2	3	4	5
Cash From Operations	\$57,039	\$98,738	\$149,028	\$198,676	\$233,985
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
Operating Cash Inflow	\$57,039	\$98,738	\$149,028	\$198,676	\$233,985
Other Cash Inflows					
Equity Investment	\$50,000	\$0	\$0	\$0	\$0
Increased Borrowings	\$175,000	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216
Total Other Cash Inflows	\$226,000	\$1,050	\$1,103	\$1,158	\$1,216
Total Cash Inflow	\$283,039	\$99,788	\$150,130	\$199,833	\$235,200
Cash Outflows					
Repayment of Principal	\$12,217	\$13,165	\$14,187	\$15,288	\$16,475
A/P Decreases	\$700	\$735	\$772	\$810	\$851
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$135,000	\$29,621	\$44,708	\$59,603	\$70,195
Dividends	\$28,520	\$49,369	\$74,514	\$99,338	\$116,992
Preferred Equity Payment	\$0	\$0	\$0	\$0	\$0
Total Cash Outflows	\$176,436	\$92,891	\$134,181	\$175,039	\$204,514
Net Cash Flow	\$106,603	\$6,898	\$15,949	\$24,794	\$30,686
Cash Balance	\$106,603	\$113,500	\$129,450	\$154,244	\$184,930

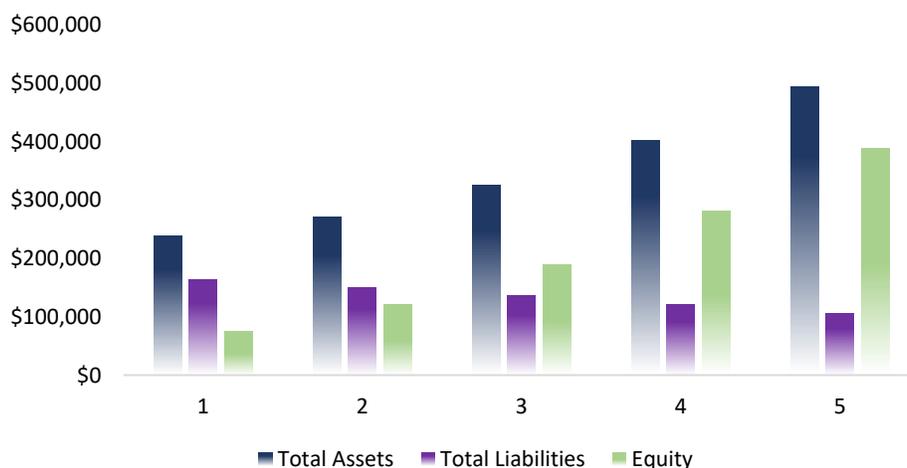
Cash Flow Analysis



D) Balance Sheet

Proforma Balance Sheet - Yearly					
Year	1	2	3	4	5
Assets					
Cash	\$106,603	\$113,500	\$129,450	\$154,244	\$184,930
Fixed Assets and Inventories	\$135,000	\$164,621	\$209,330	\$268,932	\$339,128
Accumulated Depreciation	(\$3,100)	(\$7,300)	(\$12,900)	(\$20,600)	(\$30,700)
Total Assets	\$238,503	\$270,822	\$325,879	\$402,576	\$493,358
Liabilities and Equity					
Accounts Payable	\$300	\$615	\$946	\$1,293	\$1,658
Long Term Liabilities	\$162,783	\$149,618	\$135,431	\$120,143	\$103,667
Other Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$163,083	\$150,233	\$136,377	\$121,436	\$105,325
Equity	\$75,420	\$120,589	\$189,502	\$281,140	\$388,033
Total Liabilities and Equity	\$238,503	\$270,822	\$325,879	\$402,576	\$493,358

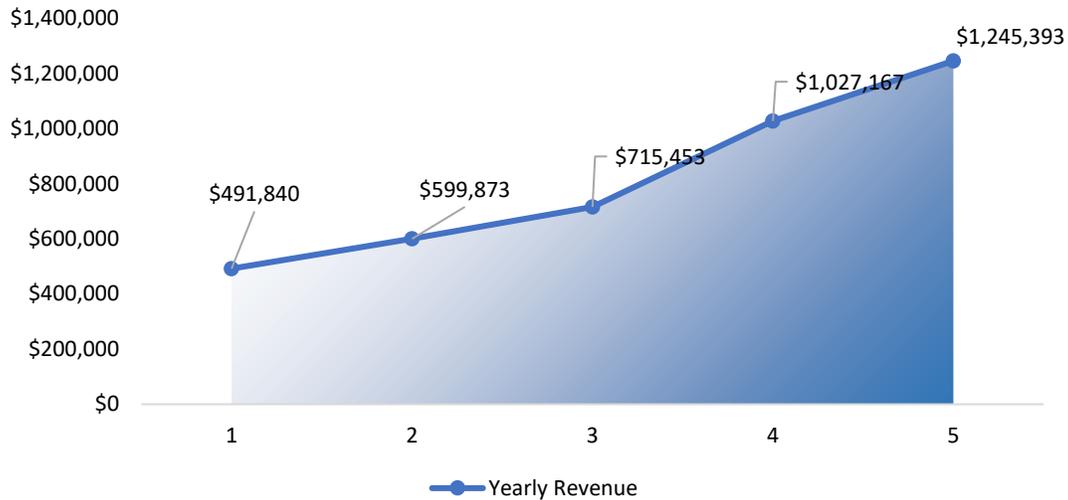
Balance Sheet



9.6 Breakeven Analysis

Break Even Analysis					
Year	1	2	3	4	5
Monthly Revenue	\$40,987	\$49,989	\$59,621	\$85,597	\$103,783
Yearly Revenue	\$491,840	\$599,873	\$715,453	\$1,027,167	\$1,245,393

Breakeven Analysis



9.7 Business Ratios

Business Ratios - Yearly					
Year	1	2	3	4	5
Revenue					
Sales Growth	0.0%	30.0%	26.0%	40.0%	20.0%
Gross Margin	76.6%	76.6%	76.6%	76.6%	76.6%
Financials					
Profit Margin	8.80%	11.86%	14.28%	13.59%	13.27%
Assets to Liabilities	1.46	1.80	2.39	3.32	4.68
Equity to Liabilities	0.46	0.80	1.39	2.32	3.68
Assets to Equity	3.16	2.25	1.72	1.43	1.27
Liquidity					
Acid Test	0.65	0.76	0.95	1.27	1.76
Cash to Assets	0.45	0.42	0.40	0.38	0.37

Appendix A - SWOT Analysis

Strengths

- Immense demand within the Plano area for comprehensive electrical contracting services.
- The ability to provide large scale electrical component installations, including generators, who provided major competitive advantage for mats electrical service.
- The business has all necessary relationship to operate as an electrical contract and business within the state of Texas.
- The operations of the business are highly scalable.
- Even during economic recession, the business will be able to remain profitable given the nature of electrical repairs.

Weaknesses

- Moderately high costs related to payroll expenditures.
- Ongoing competition from existing electrical contracting firms and electricians operating within the greater Plano area.

Opportunities

- Continued expansion of the business through increased marketing efforts.
- Expansion of the number of journeyman electricians working for the business.
- Expansion into other markets within Texas.

Threats

- Inflation could cause the operating costs of the business to increase.

Appendix B – Risk Analysis

Development Risk – **Moderate**

At this time, the primary development risk is management's ability to develop a widely recognized brand name for Matt's Electrical Service within the Plano area once the capital in this business plan has been acquired.

Financing Risk – **Moderate**

The Company will require \$175,000 of capital, via an SBA loan, in order to meet the objective that's outlined in this document. The risks related to this financing are ameliorated by the fact that a significant portion of the capital will be used for the acquisition of vehicles, tools, and equipment.

Marketing Risk – **Moderate**

The company will use and expand upon the marketing strategies discussed in the seventh section of this document. However, these marketing strategies are expensive and the Plano market does have a significant number of competitors within the field of electrical contracting. These risks will be reduced by the fact that the business will conduct direct outreach with general contractors that will outsource specific types of electrical work to the business.

Valuation Risk – **Low**

The valuation risk is offset by:

- Strong demand in the Plano market for comprehensive electrical contracting services.
- These services will remain in demand regardless of the current state of the economy.

Exit Risk - **Minimal**

As noted earlier, the most likely divestiture scenario would be to sell the business to the Company's staff electricians. In this event, a formal valuation will be completed so that all parties are aware of the actual value of the business while structuring an appropriate buyout scenario. Alternatively, a qualified business broker will be hired to market the company for sale should the company staff not want to purchase the business.

Appendix C - Reference Sources

All statistics and market information were obtained through:

1. Statista
2. IBISWorld

Appendix D – Expanded Profit and Loss Statements

Profit and Loss Statement (First Year)							
Months	1	2	3	4	5	6	7
Revenue	\$27,500	\$28,000	\$28,500	\$29,000	\$29,500	\$30,000	\$30,500
Cost of Revenue	\$1,375	\$1,400	\$1,425	\$1,450	\$1,475	\$1,500	\$1,525
Gross Profit	\$26,125	\$26,600	\$27,075	\$27,550	\$28,025	\$28,500	\$28,975
Expenses							
Payroll	\$23,958	\$23,958	\$23,958	\$23,958	\$23,958	\$23,958	\$23,958
General and Administrative	\$766	\$766	\$766	\$766	\$766	\$766	\$766
Business Development	\$894	\$894	\$894	\$894	\$894	\$894	\$894
Marketing	\$1,794	\$1,794	\$1,794	\$1,794	\$1,794	\$1,794	\$1,794
Insurance Costs	\$625	\$625	\$625	\$625	\$625	\$625	\$625
Professional Fees	\$417	\$417	\$417	\$417	\$417	\$417	\$417
Facility Costs	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Misc. Costs	\$129	\$129	\$129	\$129	\$129	\$129	\$129
Payroll Taxes	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833
Total Operating Costs	\$31,415						
EBITDA	-\$5,290	-\$4,815	-\$4,340	-\$3,865	-\$3,390	-\$2,915	-\$2,440
Federal Income Tax	\$864	\$880	\$896	\$911	\$927	\$943	\$958
State Income Tax	\$173	\$176	\$179	\$182	\$185	\$189	\$192
Interest Expense	\$1,094	\$1,088	\$1,081	\$1,075	\$1,069	\$1,063	\$1,056
Depreciation Expenses	\$258	\$258	\$258	\$258	\$258	\$258	\$258
Net Profit	-\$7,679	-\$7,217	-\$6,755	-\$6,292	-\$5,830	-\$5,368	-\$4,905

Profit and Loss Statement (First Year Cont.)

Month	8	9	10	11	12	Year 1
Revenue	\$31,000	\$31,500	\$32,000	\$32,500	\$283,000	\$613,000
Cost of Revenue	\$1,550	\$1,575	\$1,600	\$1,625	\$126,650	\$143,150
Gross Profit	\$29,450	\$29,925	\$30,400	\$30,875	\$156,350	\$469,850
Expenses						
Payroll	\$23,958	\$23,958	\$23,958	\$23,958	\$23,958	\$287,500
General and Administrative	\$766	\$766	\$766	\$766	\$766	\$9,195
Business Development	\$894	\$894	\$894	\$894	\$894	\$10,728
Marketing	\$1,794	\$1,794	\$1,794	\$1,794	\$1,794	\$21,522
Insurance Costs	\$625	\$625	\$625	\$625	\$625	\$7,500
Professional Fees	\$417	\$417	\$417	\$417	\$417	\$5,000
Facility Costs	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000
Misc. Costs	\$129	\$129	\$129	\$129	\$129	\$1,545
Payroll Taxes	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$21,994
Total Operating Costs	\$31,415	\$31,415	\$31,415	\$31,415	\$31,415	\$376,983
EBITDA	-\$1,965	-\$1,490	-\$1,015	-\$540	\$124,935	\$92,867
Federal Income Tax	\$974	\$990	\$1,006	\$1,021	\$8,893	\$19,264
State Income Tax	\$195	\$198	\$201	\$204	\$1,779	\$3,853
Interest Expense	\$1,050	\$1,043	\$1,037	\$1,031	\$1,024	\$12,711
Depreciation Expenses	\$258	\$258	\$258	\$258	\$258	\$3,100
Net Profit	-\$4,443	-\$3,980	-\$3,517	-\$3,055	\$112,980	\$53,939

Profit and Loss Statement (Second Year)

Quarter	Year 2				Year 2
	Q1	Q2	Q3	Q4	
Revenue	\$193,248	\$197,233	\$201,217	\$205,202	\$796,900
Cost of Revenue	\$45,128	\$46,059	\$46,989	\$47,919	\$186,095
Gross Profit	\$148,120	\$151,174	\$154,228	\$157,282	\$610,805
Expenses					
Payroll	\$87,881	\$87,881	\$87,881	\$87,881	\$351,525
General and Administrative	\$2,988	\$2,988	\$2,988	\$2,988	\$11,954
Business Development	\$3,382	\$3,452	\$3,521	\$3,591	\$13,946
Marketing	\$6,785	\$6,925	\$7,065	\$7,205	\$27,979
Insurance Costs	\$1,969	\$1,969	\$1,969	\$1,969	\$7,875
Professional Fees	\$1,273	\$1,299	\$1,326	\$1,352	\$5,250
Facility Costs	\$3,090	\$3,090	\$3,090	\$3,090	\$12,360
Misc. Costs	\$487	\$497	\$507	\$517	\$2,008
Payroll Taxes	\$6,521	\$6,656	\$6,790	\$6,925	\$26,892
Total Operating Costs	\$114,377	\$114,757	\$115,137	\$115,518	\$459,788
EBITDA	\$33,744	\$36,417	\$39,091	\$41,765	\$151,017
Federal Income Tax	\$8,188	\$8,356	\$8,525	\$8,694	\$33,764
State Income Tax	\$1,638	\$1,671	\$1,705	\$1,739	\$6,753
Interest Expense	\$3,032	\$2,972	\$2,910	\$2,848	\$11,762
Depreciation Expenses	\$1,050	\$1,050	\$1,050	\$1,050	\$4,200
Net Profit	\$19,836	\$22,368	\$24,900	\$27,434	\$94,538

Profit and Loss Statement (Third Year)

Quarter	Year 3				
	Q1	Q2	Q3	Q4	Year 3
Revenue	\$243,493	\$248,513	\$253,534	\$258,554	\$1,004,094
Cost of Revenue	\$56,861	\$58,034	\$59,206	\$60,379	\$234,480
Gross Profit	\$186,631	\$190,480	\$194,328	\$198,176	\$769,614
Expenses					
Payroll	\$104,842	\$104,842	\$104,842	\$104,842	\$419,367
General and Administrative	\$3,652	\$3,728	\$3,803	\$3,878	\$15,061
Business Development	\$4,261	\$4,349	\$4,437	\$4,525	\$17,572
Marketing	\$8,549	\$8,725	\$8,902	\$9,078	\$35,254
Insurance Costs	\$2,067	\$2,067	\$2,067	\$2,067	\$8,269
Professional Fees	\$1,337	\$1,364	\$1,392	\$1,419	\$5,513
Facility Costs	\$3,183	\$3,183	\$3,183	\$3,183	\$12,731
Misc. Costs	\$614	\$626	\$639	\$652	\$2,530
Payroll Taxes	\$8,020	\$8,020	\$8,020	\$8,020	\$32,082
Total Operating Costs	\$136,525	\$136,905	\$137,284	\$137,664	\$548,377
EBITDA	\$50,107	\$53,575	\$57,043	\$60,512	\$221,237
Federal Income Tax	\$12,422	\$12,678	\$12,934	\$13,190	\$51,224
State Income Tax	\$2,484	\$2,536	\$2,587	\$2,638	\$10,245
Interest Expense	\$2,784	\$2,719	\$2,653	\$2,585	\$10,740
Depreciation Expenses	\$1,400	\$1,400	\$1,400	\$1,400	\$5,600
Net Profit	\$31,016	\$34,243	\$37,470	\$40,699	\$143,428

Profit and Loss Statement (Fourth Year)

Quarter	Year 4				
	Q1	Q2	Q3	Q4	Year 4
Revenue	\$340,890	\$347,919	\$354,947	\$361,976	\$1,405,732
Cost of Revenue	\$79,606	\$81,247	\$82,889	\$84,530	\$328,272
Gross Profit	\$261,284	\$266,671	\$272,059	\$277,446	\$1,077,460
Expenses					
Payroll	\$153,537	\$153,537	\$153,537	\$153,537	\$614,149
General and Administrative	\$5,113	\$5,219	\$5,324	\$5,430	\$21,086
Business Development	\$5,966	\$6,089	\$6,212	\$6,335	\$24,600
Marketing	\$11,969	\$12,215	\$12,462	\$12,709	\$49,355
Insurance Costs	\$2,171	\$2,171	\$2,171	\$2,171	\$8,682
Professional Fees	\$1,404	\$1,433	\$1,462	\$1,490	\$5,788
Facility Costs	\$3,278	\$3,278	\$3,278	\$3,278	\$13,113
Misc. Costs	\$859	\$877	\$894	\$912	\$3,542
Payroll Taxes	\$11,746	\$11,746	\$11,746	\$11,746	\$46,982
Total Operating Costs	\$196,042	\$196,564	\$197,086	\$197,608	\$787,299
EBITDA	\$65,242	\$70,108	\$74,973	\$79,838	\$290,161
Federal Income Tax	\$16,540	\$16,881	\$17,222	\$17,563	\$68,206
State Income Tax	\$3,308	\$3,376	\$3,444	\$3,513	\$13,641
Interest Expense	\$2,516	\$2,446	\$2,375	\$2,302	\$9,639
Depreciation Expenses	\$1,925	\$1,925	\$1,925	\$1,925	\$7,700
Net Profit	\$40,953	\$45,479	\$50,007	\$54,536	\$190,976

Profit and Loss Statement (Fifth Year)

Quarter	Year 5				
	Q1	Q2	Q3	Q4	Year 5
Revenue	\$409,068	\$417,502	\$425,937	\$434,371	\$1,686,878
Cost of Revenue	\$95,527	\$97,497	\$99,466	\$101,436	\$393,926
Gross Profit	\$313,541	\$320,006	\$326,470	\$332,935	\$1,292,952
Expenses					
Payroll	\$187,544	\$187,544	\$187,544	\$187,544	\$750,175
General and Administrative	\$6,136	\$6,263	\$6,389	\$6,516	\$25,303
Business Development	\$7,159	\$7,306	\$7,454	\$7,601	\$29,520
Marketing	\$14,362	\$14,659	\$14,955	\$15,251	\$59,226
Insurance Costs	\$2,279	\$2,279	\$2,279	\$2,279	\$9,116
Professional Fees	\$1,474	\$1,504	\$1,535	\$1,565	\$6,078
Facility Costs	\$3,377	\$3,377	\$3,377	\$3,377	\$13,506
Misc. Costs	\$1,031	\$1,052	\$1,073	\$1,095	\$4,251
Payroll Taxes	\$14,347	\$14,347	\$14,347	\$14,347	\$57,388
Total Operating Costs	\$237,708	\$238,330	\$238,952	\$239,574	\$954,565
EBITDA	\$75,833	\$81,675	\$87,518	\$93,361	\$338,387
Federal Income Tax	\$19,390	\$19,790	\$20,190	\$20,589	\$79,959
State Income Tax	\$3,878	\$3,958	\$4,038	\$4,118	\$15,992
Interest Expense	\$2,228	\$2,152	\$2,075	\$1,997	\$8,452
Depreciation Expenses	\$2,525	\$2,525	\$2,525	\$2,525	\$10,100
Net Profit	\$47,812	\$53,250	\$58,691	\$64,132	\$223,885

Appendix E – Expanded Cash Flow Analysis

Cash Flow Analysis (First Year)								
Month	1	2	3	4	5	6	7	8
Cash From Operations	-\$7,421	-\$6,959	-\$6,496	-\$6,034	-\$5,572	-\$5,109	-\$4,647	-\$4,184
Cash From Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Cash Inflow	-\$7,421	-\$6,959	-\$6,496	-\$6,034	-\$5,572	-\$5,109	-\$4,647	-\$4,184
Other Cash Inflows								
Equity Investment	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$175,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$83	\$83	\$83	\$83	\$83	\$83	\$83	\$83
Total Other Cash Inflows	\$225,083	\$83						
Total Cash Inflow	\$217,662	-\$6,875	-\$6,413	-\$5,951	-\$5,488	-\$5,026	-\$4,563	-\$4,101
Cash Outflows								
Repayment of Principal	\$984	\$990	\$996	\$1,002	\$1,008	\$1,015	\$1,021	\$1,027
A/P Decreases	\$58	\$58	\$58	\$58	\$58	\$58	\$58	\$58
A/R Increases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$135,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Preferred Equity Payment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cash Outflows	\$136,042	\$1,048	\$1,054	\$1,060	\$1,067	\$1,073	\$1,079	\$1,086
Net Cash Flow	\$81,620	-\$7,923	-\$7,467	-\$7,011	-\$6,555	-\$6,099	-\$5,643	-\$5,187
Cash Balance	\$81,620	\$73,697	\$66,230	\$59,218	\$52,663	\$46,564	\$40,922	\$35,735

Cash Flow Analysis (First Year Cont.)					
Month	9	10	11	12	Year 1
Cash From Operations	-\$3,722	-\$3,259	-\$2,796	\$113,239	\$57,039
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
Operating Cash Inflow	-\$3,722	-\$3,259	-\$2,796	\$113,239	\$57,039
Other Cash Inflows					
Equity Investment	\$0	\$0	\$0	\$0	\$50,000
Increased Borrowings	\$0	\$0	\$0	\$0	\$175,000
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$83	\$83	\$83	\$83	\$1,000
Total Other Cash Inflows	\$83	\$83	\$83	\$83	\$226,000
Total Cash Inflow	-\$3,638	-\$3,176	-\$2,713	\$113,322	\$283,039
Cash Outflows					
Repayment of Principal	\$1,034	\$1,040	\$1,047	\$1,053	\$12,217
A/P Decreases	\$58	\$58	\$58	\$58	\$700
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$0	\$0	\$0	\$0	\$135,000
Dividends	\$0	\$0	\$0	\$28,520	\$28,520
Preferred Equity Payment	\$0	\$0	\$0	\$0	\$0
Total Cash Outflows	\$1,092	\$1,099	\$1,105	\$29,631	\$176,436
Net Cash Flow	-\$4,730	-\$4,274	-\$3,818	\$83,691	\$106,603
Cash Balance	\$31,005	\$26,730	\$22,912	\$106,603	\$106,603

Cash Flow Analysis (Second Year)					
Quarter	Year 2				
	Q1	Q2	Q3	Q4	Year 2
Cash From Operations	\$20,886	\$23,418	\$25,950	\$28,484	\$98,738
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
Operating Cash Inflow	\$20,886	\$23,418	\$25,950	\$28,484	\$98,738
Other Cash Inflows					
Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$255	\$260	\$265	\$270	\$1,050
Total Other Cash Inflows	\$255	\$260	\$265	\$270	\$1,050
Total Cash Inflow	\$21,141	\$23,678	\$26,215	\$28,754	\$99,788
Cash Outflows					
Repayment of Principal	\$3,200	\$3,260	\$3,321	\$3,384	\$13,165
A/P Decreases	\$178	\$182	\$186	\$189	\$735
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$29,621	\$0	\$0	\$0	\$29,621
Dividends	\$0	\$0	\$0	\$49,369	\$49,369
Preferred Equity Payment	\$0	\$0	\$0	\$0	\$0
Total Cash Outflows	\$32,999	\$3,442	\$3,507	\$52,942	\$92,891
Net Cash Flow	-\$11,858	\$20,236	\$22,708	-\$24,188	\$6,898
Cash Balance	\$94,745	\$114,980	\$137,689	\$113,500	\$113,500

Cash Flow Analysis (Third Year)					
Quarter	Year 3				
	Q1	Q2	Q3	Q4	Year 3
Cash From Operations	\$32,416	\$35,643	\$38,870	\$42,099	\$149,028
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
Operating Cash Inflow	\$32,416	\$35,643	\$38,870	\$42,099	\$149,028
Other Cash Inflows					
Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$267	\$273	\$278	\$284	\$1,103
Total Other Cash Inflows	\$267	\$273	\$278	\$284	\$1,103
Total Cash Inflow	\$32,684	\$35,915	\$39,148	\$42,382	\$150,130
Cash Outflows					
Repayment of Principal	\$3,448	\$3,513	\$3,579	\$3,647	\$14,187
A/P Decreases	\$187	\$191	\$195	\$199	\$772
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$22,354	\$22,354	\$0	\$0	\$44,708
Dividends	\$0	\$0	\$0	\$74,514	\$74,514
Preferred Equity Payment	\$0	\$0	\$0	\$0	\$0
Total Cash Outflows	\$25,989	\$26,058	\$3,774	\$78,359	\$134,181
Net Cash Flow	\$6,695	\$9,857	\$35,374	-\$35,977	\$15,949
Cash Balance	\$120,195	\$130,052	\$165,427	\$129,450	\$129,450

Cash Flow Analysis (Fourth Year)					
Quarter	Year 4				
	Q1	Q2	Q3	Q4	Year 4
Cash From Operations	\$42,878	\$47,404	\$51,932	\$56,461	\$198,676
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
Operating Cash Inflow	\$42,878	\$47,404	\$51,932	\$56,461	\$198,676
Other Cash Inflows					
Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$281	\$287	\$292	\$298	\$1,158
Total Other Cash Inflows	\$281	\$287	\$292	\$298	\$1,158
Total Cash Inflow	\$43,159	\$47,691	\$52,224	\$56,759	\$199,833
Cash Outflows					
Repayment of Principal	\$3,716	\$3,786	\$3,857	\$3,930	\$15,288
A/P Decreases	\$197	\$201	\$205	\$209	\$810
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$29,801	\$29,801	\$0	\$0	\$59,603
Dividends	\$0	\$0	\$0	\$99,338	\$99,338
Preferred Equity Payment	\$0	\$0	\$0	\$0	\$0
Total Cash Outflows	\$33,713	\$33,788	\$4,062	\$103,476	\$175,039
Net Cash Flow	\$9,445	\$13,903	\$48,163	-\$46,717	\$24,794
Cash Balance	\$138,895	\$152,798	\$200,961	\$154,244	\$154,244

Cash Flow Analysis (Fifth Year)					
	Year 5				
Quarter	Q1	Q2	Q3	Q4	Year 5
Cash From Operations	\$50,337	\$55,775	\$61,216	\$66,657	\$233,985
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
Operating Cash Inflow	\$50,337	\$55,775	\$61,216	\$66,657	\$233,985
Other Cash Inflows					
Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$295	\$301	\$307	\$313	\$1,216
Total Other Cash Inflows	\$295	\$301	\$307	\$313	\$1,216
Total Cash Inflow	\$50,632	\$56,076	\$61,522	\$66,970	\$235,200
Cash Outflows					
Repayment of Principal	\$4,004	\$4,080	\$4,157	\$4,235	\$16,475
A/P Decreases	\$206	\$211	\$215	\$219	\$851
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$35,098	\$35,098	\$0	\$0	\$70,195
Dividends	\$0	\$0	\$0	\$116,992	\$116,992
Preferred Equity Payment	\$0	\$0	\$0	\$0	\$0
Total Cash Outflows	\$39,308	\$39,388	\$4,371	\$121,447	\$204,514
Net Cash Flow	\$11,323	\$16,688	\$57,151	-\$54,476	\$30,686
Cash Balance	\$165,567	\$182,255	\$239,406	\$184,930	\$184,930