

Business Plan



“BRINGING REVOLUTIONARY IDEAS TO THE CELL PHONE MARKET”

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Executive Summary

Have you ever tried to charge your phone at a friend's house? You borrow a charger only to find out that he/she has an older model iPhone or an *Android, Windows, or Blackberry device*. The cable will not connect to your phone. Or maybe you picked up your brand new iPhone 5s, and on your way home from work, tried to plug it into your \$30 car charger, again only to find it incompatible. When you upgrade your iPhone, there are no convenient options other than to use the proprietary Apple Lightning cable. Now, none of your old cables are compatible, forcing you to buy an official Apple adapter costing \$20-\$30, or a cheap knockoff for approximately \$5 with no guarantee it will work. Also, because of their small size, those adapters are easy to lose or misplace. If this describes a situation you have encountered, then our product is for you.

RevoCases has designed a state of the art iPhone case that conveniently solves these problems. Our product combines the adapter technology built into a protective case, saving the consumer money, while providing the ability to charge iPhones with *Multi-Cable Capabilities*; (Apple 30-pin cable, the Apple Lightning cable, and micro-usb cables).

Our product will appeal to users who are upgrading from an old Android or Apple device with a 30-pin connection to an iPhone 5 or later model. RevoCases will also generate interest among consumers who own devices of differing platforms within the same household.

The company will be owned by its founding members (Mitchell Luckinbill, Dillon Dunn, and Sahas Thumma) and its investment group.

RevoCases' future is bright. With the release of new iPhones and establishment of brand-recognition, our revolutionary product will capture interest in the market and become widely adopted.

We are seeking investors willing to commit an investment of up to \$150,000 in our company to cover start-up expenses; 2-months estimated operational expenses and inventory costs, and the costs of securing patents on our product.

In exchange for this investment, we will offer the following:

1. A priority rate of return of 10% annually on the commitment of \$150,000
2. 15% of EBITD annually after payment of the priority rate of return

General Company Description

RevoCases is in the business of consumer fulfillment by designing in-case adapters which have the ability to interface your smartphone with computers and charging cables.

Our company's goals are:

- Become profitable within two years
- Establish brand name recognition
- Provide a quality product that meets consumer demand
- Create a positive customer experience

RevoCases' mission is to provide consumer-friendly solutions, and superior quality combined with first-rate customer service, to challenges generated by the technology industry.

Our business philosophy is to provide innovation in the technology industry, to make it easier for consumers to adopt new technology while enabling consumers to save money.

Entering the technology industry affords RevoCases the opportunity to engage in one of the fastest growing industries in the world economy.

The strengths that will allow us to excel as a new business are:

- Interest in technology
- Youthful enthusiasm
- Innovative ideas
- Commitment to the task at hand
- Strong work ethic
- Respect for outside expertise

We intend to structure our company as a Limited Liability Company (LLC), in order to maintain flexibility from a managerial, organizational, and taxation standpoint. In the future, we may consider conversion to a corporate structure primarily to access capital markets and improve income tax efficiency.

Products and Services

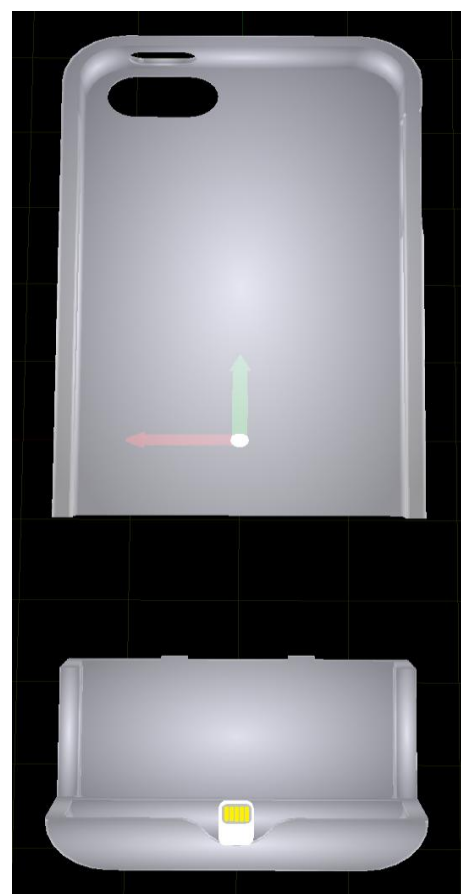
Initially, RevoCases' product is designed solely for the iPhone series of smartphones, and will have built-in power conversion technology to charge your phone with the Multi-Cable Capabilities.

Our case is built for the iPhone 5, 5s and 5C. The bottom of the case has ports to Multi-Cable Capabilities. These ports provide the ability to charge an iPhone with cables readily available in the market place.

RevoCases' product is available in five different colors; black, white, purple, green, and red. According to a Mobile Phone Sales Manager at BestBuy, those are the best-selling phone case colors.

Our revolutionary case is wider at the base which accommodates space for wiring while still being comfortable in the hand.

The prototype of RevoCases was designed in collaboration with *Wexun* in Guangdong, China and *Bingham and Taylor* in Culpeper, VA. Wexun only designed the case with the extended back. That partial design was then given to Bingham and Taylor to insert the ports and polish our design. We would like our investors to know Wexun has no knowledge of our completed unit's design or our product's function. This information will remain proprietary until a contract is executed and a provisional patent is completed.



Marketing Plan

Market Research:

Nationwide, there are 98 million Apple iPhone 5, 5s and 5C consumers, according to *StaticsBrain.com*. This is our potential market. We will focus, however, on a specific market of 89 million consumers in the United States, consisting of users who upgrade to an iPhone 5 or later model.

According to our survey, 90% of smartphone owners have different types of smartphone in their household. Our case will benefit these users by allowing one cable to be used universally among their devices.

Mashables.com states that 75% of iPhone users plan to upgrade their smartphone to the iPhone 5. *Fortunately for RevoCases*, these users will find their old cables to be incompatible with the new iPhone 5.

RevoCases is the solution to the problem of switching from an old iPhone or an Android, Windows, or BlackBerry device to a newer generation iPhone, and not being able to use the incompatible cables on the new device.

Economics:

We will market to consumers that:

Switch From Devices With a:	Consumers in 2013 (Million)
30-pin connection to an iPhone 5/5s/5C	74*
Micro-usb connection to an iPhone 5/5s/5C	15**

*TechCrunch.com **StatisticsBrain.com

This identifies our market of 89 million consumers.

Due to rapidly changing technology in phone and phone accessories, consumer demand is continually evolving. As consumers become exposed to the quality and value of RevoCases' products, that will create more demand. With the release of new iPhone products annually, consumers will upgrade to current generation devices.

The following are challenges to entering the cellular case market:

- Brand recognition
- Unique technology patents
- Import regulations and tariff costs
- Wholesale distribution plan
- Retail distribution plan
- Retail enticement (shelf/display space)

Brand recognition will be created through the production of an attractive logo, testimonial comments from technology websites, and developing a strategic marketing plan. Prior to marketing our product, we will develop and secure patents to protect our product and intellectual property. Having the product manufactured overseas will necessitate developing an understanding of import regulations and related import fees and tariffs. By utilizing an existing nationwide distribution system, we intend to enter contractual arrangements with distributors to assist in defining our distribution costs. Before introducing our product to the retail market, we will find a packing company to create sku's and UPC's for our products, and factor these elements into our product cost. (*Sku's are unique product codes for each product and UPC's are product bar codes that are used to identify our product.*) One of our final challenges will be to establish strategic product placement in retail/online establishments within our defined market.

Another challenge we have in entering the cellular case market is obtaining the promise of retail space. This will be overcome by having large brand recognition through extensive marketing and enticing the wholesale distributors (with significant profit margins and a cash incentive) to retail our product.

Changes in technology will impact our product. As Apple releases new cellular devices, we will adapt our design to accommodate specifications of the new devices. There is the risk that companies releasing new phones will incorporate different connections, in which case we will modify our adapter design to accept those changes. This is possible because we will patent the concept of housing an adapter inside of a smartphone case.

Products:

Our product design is revolutionary in the market place. The case fits on your phone and protects it from damage much like a regular case. However, the differentiation in our product's construction is the adapter system contained inside the phone case. The adapter can be accessed at the bottom of the case through ports that accept the following charging cables:

- 30-pin (*Apple devices older than the iPhone 5*)
- Lightning charging cable (*Apple devices newer than the iPhone 5*).
- Micro-usb (*Windows, Android, BlackBerry, and millions of other cellular and non-cellular devices*)

The named “adapter” is a piece of technology that converts current from one type of connection to another. This sends current directly to the phone through the Lightning pin, built into the case. The phone case is comprised of two sections that close around the phone, the Lightning pin being built into the bottom section of the case. The pin is inserted into the iPhone when the case is applied. (*Illustration on page 5*)

Our product also includes a protective transparent screen cover packaged with the iPhone case. The screen protector prevents scratches to the face of the smartphone.

Our customers save money as they will not have to purchase multiple adapters or replace expensive cables sold by Apple. On Amazon.com, micro-usb cables run less than \$4 while Lightning cables can cost nearly \$6. Although these are an inexpensive alternative to brand name products, they are unreliable. If one wanted to purchase these items from a reputable distributor such as *BestBuy*, the entire cost of their order would approach \$70.

This product saves money by accepting multiple cables to charge your device. The case permits consumers to charge their phones with micro-usb cables as well as Lightning cables. Many electronic devices such as cameras and Bluetooth speakers are charged with micro-usb cables, making these cords easily available in contrast to Apple Lightning chargers.

An additional benefit of our product is the ease in upgrading from an older device to a newer one that utilizes a different charging cable. This prevents the consumer from being forced to discard old cables and purchase new ones to support their new device.

Also, 30-pin adapter users generally have to remove their phone case in order to use the adapter on their phone. Most users may find it difficult to keep track of all of the adapters needed to charge their phone.

The goal of RevoCases is to design a product that is convenient to our customers. Today, people are constantly on the go and need to charge their phone frequently. Phone users often find themselves without the correct cable at hand to charge their phone. Our customers now have a solution to this dilemma.

Customers:

We intend to sell our product to wholesale distributors and retail consumers. Our wholesale base includes major nationwide electronics chains, allowing us to reach a broader consumer base. We will enter wholesale contracts with technologically-based businesses such as BestBuy and cell phone stores. We will target companies that focus on quality and current technology, rather than low price points.

Initially, we will target consumers only within the United States. Our reason for this is to avoid international companies that can recreate our product outside of the protection of our U.S. patents.

Our target consumers vary based on the product that they are purchasing, the mobility of their lifestyle and the issues encountered when changing phones. Our iPhone 5, 5s, and 5C cases are marketed to consumers that:

- Switch from Android, Windows, or BlackBerry phones to an Apple phone with a Lightning connection
- Upgrade from an old iPhone to an iPhone with a Lightning connection
- Own Apple iPhones with other devices which use different connectors

Competition:

Our iPhone case is without any direct competition. However, we compete indirectly with all case manufacturers including; *Mophie*, *Lifeproof*, and *Otterbox*. Mophie offers a method to instantly and portably charge your phone but, at a premium price of \$80. Lifeproof and Otterbox offer premium quality cases, but still do not offer our innovative method of phone charging.

We are competing with many other case brands worldwide. These companies, like ours, are not restricted by location and are capable of reaching consumers virtually anywhere.

Our iPhone case is also indirectly competing with electric adapters such as the *Apple 30-pin to Lightning adapter*, the *Apple Micro-Usb to Lightning adapter*, and many other generic versions of these products.

When purchasing such products on Amazon.com, one has to rely on the inferior quality of third-party vendors. It is also inconvenient to carry multiple, tiny adapters. Although the competition on Amazon.com is inexpensive, other retailers such as BestBuy sell these items for much more.

Products	Amazon	BestBuy
30-pin to Lightning Adapter	\$2 to \$15	\$30 to \$40
Micro-usb to Lightning Adapter	\$3 to \$20	\$20
Most related, cheapest iPhone Case	\$9	\$20

No phone accessory company in the market today has an adapter with the ability to convert a single type of phone connection into the three main phone connections simultaneously. RevoCases' product will retail for \$25, and according to Shirley Mangual-Cruz (mobile phone marketing manager at BestBuy in Fredericksburg), "With the cost of the new cables and adapters, why not buy a case with all the ports in one? For that price, it is a no brainer."

Niche Market:

Our focus will be on consumers who have the following needs:

- Use different systems on a daily basis
- Are mobile and interact with people who own different devices
- Have different devices in the same household
- Own a cell phone with one system and a tablet with another system
- Intend to save money by purchasing micro-usb cables instead of Apple cables

Promotional Strategy:

We will utilize a three-pronged approach to promoting our product through; our website, wholesale distributors, and online review sites.

These promotional avenues have been selected because they allow us to effectively reach our targeted audience and create brand recognition while remaining cost effective.

Having our own website will foster brand recognition. The website will feature our product along with reviews from reputable websites and consumers. This will provide exposure for our products as being both state-of-the-art and cost effective. While building a strong customer base, we will highlight new products and cases for next generation devices. This is an effective way of bringing our company into the national market. Our goal is to produce this site as the “go to” location/site for our company.

Selling our product to retailers throughout the United States through BestBuy and cellphone stores is pivotal in our marketing strategy. Thirty-eight percent of iPhone cases are bought at the time of purchasing a phone (*cnn.com* - 2012). Additionally, retailers help create brand recognition. Companies like BestBuy reach 1.6 billion customers annually. This provides consumers an opportunity to visualize our product as they browse through their store and websites.

Finally, we intend to reach our customers and create further brand recognition through online review websites including; *cnet.com*, *gizmodo.com*, *iphonelife.com*, and *lifehacker.com*. These websites were selected based on reputation, high traffic count and reliability from customer feedback. According to *Forrester.com*, 71% of online shoppers read reviews; making it the most widely read consumer-generated content. According to *Compete.com*, in 2010, traffic to the top 10 review sites grew on average 158% from 2009.

Review Website	Number of Users per Year (Millions)
cnet.com	1.5
gizmodo.com	4.2
iphonelife.com	3
lifehacker.com	174

We view our company as offering a simple solution to a vexing problem. We offer strong customer support and a seamless return policy. We further intend to develop a database to identify repeat customers to augment our marketing efforts.

At the start-up of our company, we will expend \$15,000 on promotion to front-load our efforts to create brand recognition. Our annual promotional budget begins at \$10,000 and will grow 20% annually. We will entice tech review websites with sample products in order for them to provide a review. We also plan to create an advertising program through Google Ads.

We will price our product to be competitive. The sales price will be at the mid-range for iPhone cases (\$25), and less expensive than the Apple *30-pin to Lightning connection adapter* (\$30). Our consumers will not base their purchase solely on the prospect of price. They demand a quality product that protects their phone, but at the same time is stylish and unique.

Another marketing technique we implemented is the inclusion of a screen protector in the packaging of our case. Many consumers interested in protecting their device must purchase this item separately with a protective phone case. We included the screen protector to entice these buyers to purchase our phone case.

Our customer service policy includes a 1-year, full warranty in which the consumer can replace their purchase. Our website will offer a 7 day, no questions asked return period where a customer can return our product for *any reason*. Return shipping will be the customer's responsibility. Company policy requires that we reply to all email within 24 hours. Customer support email will be monitored daily by our team. We will sell our product through wholesale stores and direct marketing through the web. Selling on the web allows us to maintain a larger profit margin and sell our innovative technology directly. Selling through wholesale stores such as BestBuy and cell phone dealers allows us to reach consumers quickly and on a national scale.

Sales Forecast:

We identified in our sales forecast that we would have an approximate market of 89 million consumers. This market will grow 2% each year since there is an estimated 8% growth in the cell phone market over the next five years in North America (*International Data Cooperation*). The initial market share we expect to capture .05%. We conservatively estimated our market penetration with the understanding that we are a new company with limited competition. Each year we estimate an increase in our market penetration by at least .01%, again a conservative estimate. In the fifth year we forecasted a doubling of sales, since Apple follows a trend of upgrading its platform every two years. With a large influx of consumers wanting to upgrade their phone, buying our product will be the obvious choice.

Five-Year Projected Unit Sales and Costs for a Product

RevoCases

		First Year										
		Note	2014	%	2015	%	2016	%	2017	%	2018	%
Product #1 Wholesale												
Sales in <i>units</i>			40,050		49,500		59,490		61,300		126,000	
Selling price <i>per unit</i>			\$10.00		\$10.30		\$10.61		\$10.92		\$11.25	
Sales			\$400,500	100.0%	\$509,850	100.0%	\$631,189	100.0%	\$669,396	100.0%	\$1,417,500	100.0%
Direct Material cost <i>per unit</i>			\$1.85		\$1.91		\$1.97		\$2.03		\$2.10	
Screen Protector <i>per unit</i>			\$0.30		\$0.31		\$0.32		\$0.33		\$0.34	
Other direct costs <i>per unit</i>			\$0.21		\$0.22		\$0.23		\$0.24		\$0.24	
Total <i>unit</i> cost			\$2.36		\$2.44		\$2.52		\$2.60		\$2.68	
Total Cost of Sales			\$94,518	23.6%	\$120,780	23.7%	\$149,915	23.8%	\$159,380	23.8%	\$337,680	23.8%
Gross Profit			\$305,982	76.4%	\$389,070	76.3%	\$481,274	76.2%	\$510,016	76.2%	\$1,079,820	76.2%
Product #1 Retail												
Sales in <i>units</i>			4,450		5,500		6,600		6,800		14,000	
Selling price <i>per unit</i>			\$25.00		\$25.75		\$26.52		\$27.32		\$28.14	
Sales			\$111,250	100.0%	\$141,625	100.0%	\$175,032	100.0%	\$185,776	100.0%	\$393,960	100.0%
Direct Material cost <i>per unit</i>			\$1.85		\$1.91		\$1.97		\$2.03		\$2.10	
Screen Protector <i>per unit</i>			\$0.30		\$0.31		\$0.32		\$0.33		\$0.33	
Other direct costs <i>per unit</i>			\$0.21		\$0.22		\$0.23		\$0.24		\$0.24	
Total <i>unit</i> cost			\$2.36		\$2.44		\$2.52		\$2.60		\$2.67	
Total Cost of Sales			\$10,502	9.4%	\$13,420	2.6%	\$16,632	2.6%	\$17,680	2.6%	\$37,380	2.6%
Gross Profit			\$100,748	90.6%	\$128,205	97.4%	\$158,400	97.4%	\$168,096	97.4%	\$356,580	97.4%

GRAND TOTALS

Sales	\$511,750	#####	\$651,475	#####	\$806,221	#####	\$855,172	#####	\$1,811,460	#####
Direct Costs	\$105,020	20.5%	\$134,200	20.6%	\$166,547	20.7%	\$177,060	20.7%	\$375,060	20.7%
Gross Profit	\$406,730	79.5%	\$517,275	79.4%	\$639,674	79.3%	\$678,112	79.3%	\$1,436,400	79.3%

Operational Plan

Management and Organization:

As a small company, we will delegate our responsibilities among the initial three member group. Each of us has equal ownership in the company. If a member wants to leave his/her salaried position, they must give a five weeks' notice to allow the remaining members to search for a new owner to replace their role. When an owning member leaves the business, he must sell his share in the company to the remaining members for one third of its current discounted net worth. In order for a new owner to fill the member's position, these qualifications must be met:

- Business Knowledge
- Good communication skills
- Customer Service Oriented
- An understanding of 3D CAD software

Our management responsibilities will be delegated as follows:

Chief Executive Officer: Dillon Dunn (Salary - \$45,000/year)

- New Product Development
- Manufacturing Management
- Management of Wholesale Distribution Network

Marketing Manager: Mitchell Luckinbill (Salary - \$45,000/year)

- New Product Development
- Marketing Management
- Customer Service

Operations Manager: Sahas Thumma (Salary - \$45,000/year)

- Sales, including shipping
- Warranty Service

These individuals are aware that they will need to “wear many hats” in the operation of the business. Each owner/employee needs the ability to perform many tasks ranging from product development, to physically driving the retail packaging to the post office. Owners/employees will be expected to perform tasks that are not part of their job description.

Decision making power will default to the individual in charge of the field in question. Major decisions in the company will be handled by the CEO with consultation from the other owners/employees.

Production:

RevoCases outsources its manufacturing and assembly overseas to Chinese companies. After intensive research (including US production), we concluded that this method is ideal because the production methods and cost of labor allow us to create a well-built product, while maintaining sufficient product margins to become profitable. The adapter (electronics inside of the case) will be made by *Jang-Shan Technology Co.* (Zuhuhai China), and then shipped to our case manufacturer, *Wexun* located at Guangdong, China. Wexun will manufacture our product via an injection molding process. Wexun will include the screen protector into the packaging for 30 cents per unit.

After the electronics arrive at the case manufacturer, they will be inspected by their quality control department (staff of 30 people), to check for defective units. At that point, the adapter is installed in the case. The finished product will receive a final inspection before being shipped to the United States by DHL Air Express.

To ensure seamless transition from manufacture, we will hire a third party consultant firm located in China, known as *China Trade Consultants*. They will perform multiple roles in managing our overseas assets, including:

- Observing manufacturing and time management
- Ensuring product standards are met
- Managing shipments between the manufacturers and to the United States

Annually, we will test a sample of orders with *Intertek*, a designated product testing facility, located in Yorktown, VA. They will examine our products and determine if the units meet design specifications.

We will place our orders to Jang-Shan Technology Co. and Wexun simultaneously. The companies will manufacture the separate components at the same time, as this allows for Wexun to promptly assemble and ship our products.

To facilitate payment to our vendors, we have been advised to use *Express Collections* located in Rapid City, South Dakota. Express Collections is an agency that connects over-seas manufacturers to business in the United States. This provides an efficient method for our company to settle invoices with minimal foreign currency transaction fees.

The total cost of creating the case will be *90 cents per unit* plus 40 cents per unit for packaging. Following is a chart summarizing our unit costs:

Amount Ordered	Price of Adapter	Price of Case Manufacturing & Assembly	Screen Protector	Cost of Packaging	Cost of Shipping to the US	Import Tariffs	Shipping Insurance	Total
500	\$0.69	\$0.90	\$0.30	\$0.40	\$0.10	\$0.14	\$0.07	\$2.60
1000	\$0.45	\$0.90	\$0.30	\$0.40	\$0.10	\$0.14	\$0.07	\$2.36
5000	\$0.30	\$0.90	\$0.30	\$0.40	\$0.04	\$0.14	\$0.06	\$2.14

Consumers can purchase our product on the website for \$25 per unit plus shipping. These orders will be processed by an assigned employee, delivered to the post office, and then sent via USPS to the customer.

Wholesalers will place orders with one of RevoCases' employees for the desired quantity at \$10 per unit. We will ship the appropriate quantity to their warehouse. Shipping terms will be negotiated with the wholesalers. When shipments reach our wholesale distributors network, the selling and marketing of the product will be their responsibility. Sales from our retail location will be marketed through various methods (refer to marketing page 3).

To adapt our product to newer generations of Apple devices, we will retain the same adapter electronics and modify the design of our case to accommodate any size changes. This will only require one designer and access to 3D software, coupled with careful coordination with our case manufacturer, Wexun.

Location:

As a small start-up company, we will lease office space from a business incubator facility located at 629 Sperryville Pike. We have budgeted \$500 rent per month for this office. This location is ideal for our company as it meets our space needs, and requires minimal cash outlay, since rent includes amenities such as; utilities, parking space, and a postal address.

In addition to administrative space, we require a location for inventory storage. Our storage facility must have adequate room for product packaging, and preparation for shipment, and be easily accessible by vehicle.

The prime location for our storage container is at 791 Germanna Hwy Culpeper, VA 22701 which is available 7 days a week 6 a.m. to 10 p.m. The size of the storage unit is 800 cubic feet, and includes drive-up access. This location allows us to upgrade to a larger unit as our company grows. The quoted cost is \$76 a month. Our financial plan budgets \$100 a month to account for contingencies.

Legal Environment:

Our company is aware of regulations for importing goods from other countries. We will also need to be covered by insurance when importing between countries.

We will retain a patent attorney to consult with regarding intellectual property as well as our product design. During Year One, we plan to apply for a Provisional Patent which will cover our product which shall cost approximately \$2,500. Simultaneously, in order to obtain a full patent at the expiration of the provisional patent, we will engage our attorney to apply for a full patent which will protect our product for the next 16 years at an approximate cost of \$12,500. A trademark on our logo/brand name will also be created at an estimated cost of \$5,000. This is included in our startup expenses.

Personnel:

Initially, all labor functions of managing shipments, marketing our product, and developing new generations of cases will be handled by our owner/employee team. The cost of hiring additional employees will be a factor in the future as our company grows.

One owner/employee will check online orders daily, visit the storage container, and package and ship the cases. This process can be modified as needed.

Two other owner/employees will be tasked with checking the company email for warranty issues. They will handle communications with the consumer and resolving the issues including, shipping a replacement item.

The three individuals will be trained to rotate positions in the company on an as-needed basis. As our company grows, we will hire additional personnel to handle warranty services. They will be paid a competitive wage with requirements including:

- The use of email
- An understanding of the company's return policies
- Ability to follow shipping instructions
- Ownership of a smartphone for communication
- Ownership of an automobile for shipping and transportation

Inventory:

Starting inventory is comprised of 2,000 units. One half of the inventory will contain the iPhone 5C case, with the other half being iPhone 5 and 5s. Black/white colors comprise fifty percent of our inventory. The remaining half will be evenly divided among the colors previously stated in the business plan.

Our projected sales indicate that we need to maintain an inventory of 1,700 units. We will keep an additional 300 units on hand to act as a buffer in the event of unexpected sales.

During quarters 3 and 4 of each year, we will have to keep at least one month's inventory in stock, during the time of the new iPhone releases and the holiday season. Looking forward, we will adjust the amount of product we keep on hand each month, since it only take 1-2 weeks to have the product manufactured and shipped.

Suppliers:

- Jang-Shan Technology Co. located in Zuhuhai, China - Maker of the electronics portion of the case. This company has over 13 years of experience in the business and over 230 current product lines. They specialize in manufacturing multiple products at a time for a low price.
- Wexun - Block 15, Fumin Industrial Zone, Pinghu Community Office, Longgang District, Shenzhen, Guangdong, China (518111) - Creation and assembly of phone case. Wexun has more than 400 employees and 6 injection molding machines. They have been in the business since the year 2000.

It will take an average of one week to manufacture and one week to ship the case from the suppliers. We contacted these businesses and they advised us to use Express Collections to return payment to the suppliers.

Professional and Advisory Support:

Elizabeth Sewell - *Trade Laws Consultant*

Board of Directors:

Dillon Dunn

Sahas Thumma

Mitchell Luckinbill

Management Advisory Board:

Gary Lee - *Business Consultant*

Attorneys:

General Counsel

Patent Attorney

Trademark Attorney

Accounting:

Yount Hyde & Barbour, P.C. - *CPA Firm*

Insurance Agent:

John Willet - *State Farm Agent*

Banker:

Tripp Butler - *Vice President and Commercial Lender, Virginia Community Bank*

Consultants:

Aaron Rohrbaugh - *Experienced Website Manager and Designer*

Andy Yu - *Sales Representative of Wexun*

Bella - *Sales Representative of Jang-Shan Industries*

Intertek - *Device Testing Facility*

China Trade Consultants - *Overseas Trade Consultants*

Mentors and Key Advisors:

Don Clark- *3D printing and modeling advisor, Bingham & Taylor*

Financial Plan

Startup Expenses:

First time manufacturing costs include purchasing steel molds used in the production process. These molds will cost \$3,500 for each phone case design and we plan to purchase two models. We intend to purchase 2,000 phone cases (a cost of \$4,720) for our initial inventory. This will give us adequate inventory to launch our business. We will increase inventory on a bi-monthly basis, adjusting the increments as our sales volume trends upward.

Our inventory's packaging is relatively small (50 units can be fit in a milk crate). The storage facility that we have chosen fits our space requirements, and we have budgeted a cost of \$100 per month.

Our legal and accounting expenses are estimated to be \$4,500 for creation of our business structure and development of our perpetual inventory control and general ledger systems.

We will engage a patent lawyer to apply for a provisional patent of intellectual property at a cost of approximately \$2,500. Another \$12,500 will be used during Year One, to extend our provisional patent and apply for a full patent to protect our product and intellectual property. The remaining \$5,000 will be to establish a trademark on our logo/brand name.

We have budgeted \$32,000 for the following initial promotion and marketing:

- Attending the *iWorld Expo* located in San Francisco and *International CES Conference* in Las Vegas. - (\$15,000)
- Covering the cost of inventory samples sent to online reviewers - (\$1,500)
- Initiating a *Google Ad* campaign - (\$3,500)
- The cost of our website - (\$2,000)
- Retail enticement (shelf/display space) - (\$10,000)

The cost of a website was quoted to us by Aaron Rohrbaugh, an experienced web designer.

Startup Expenses

RevoCases

Company begins operations in: 2014

Line	If you plan to rent or lease an existing facility	Note		
1	Deposit & rent expense prior to operation		\$100	
2	Remodeling expenses		\$500	
3	Enter item	None		
4	Enter item	None		
5	Other	None		
If you plan to buy an existing facility				
6	Purchase cost allocated to land	None		
7	Purchase cost allocated to buildings	None		
8	Purchase cost allocated to equipment	None		
9	Remodeling expenses	None		
10	Enter item	None		
11	Enter item	None		
12	Other	None		
If you plan to buy land and build a facility				
13	Purchase cost of the land	None		
14	Construction cost including parking, etc.	None		
15	Architectural & engineering fees	None		
16	Enter item	None		
17	Enter item	None		
18	Other	None		
			Total Facility	\$600
Capital Equipment List				
19	Furniture & fixtures		\$500	
20	Office Equipment		\$3,300	
21	Production Equipment	Molds	\$7,000	
22	Other	AutoCAD	\$4,195	
			Total Capital Equipment	\$14,995
Pre-opening Administrative Expenses				
23	Utility deposits		\$250	
24	Legal and accounting fees		\$4,500	
25	Prepaid insurance		\$2,500	
26	Pre-opening salaries			
27	Patents and Trademarks		\$20,000	
			Total Preopening Administrative Expenses	\$27,250
Opening Inventory				
28	iPhone 5/5s 3in1 Adapter Case	1250	\$2,950	
29	iPhone 5C 3in1 Adapter Case	1250	\$2,950	
30	Sku and UPC Development		\$1,000	
31	Enter item			
32	Enter item			
			Total Opening Inventory	\$6,900
Pre-opening Advertising and Promotional Expenses				
33	Advertising		\$15,000	
34	Signage	None		
35	Printing	None		
36	Travel/entertainment		\$15,000	
37	Other	Web	\$2,000	
			Total Advertising/Promotional Expenses	\$32,000
Other Expenses				
38	Product Testing		\$10,000	
39				
			Total Other Expenses	\$10,000
40	Reserve for Contingencies			
			TOTAL STARTUP EXPENSES	\$91,745

Five-Year Projected P&L:

We have estimated our yearly expenses based on data we have collected from local business people, coaches, and online sources. We anticipate an annual salary and wage expense of approximately \$135,000 (\$45,000 for each owner/employee.) However in Year 5 the annual expense will increase to \$240,000, as we plan to add an additional employee and increase the salary for each owner (\$70,000 for each owner/employee and \$30,000 for a support employee).

Our payroll expenses are approximately 20% of the total annual employee cost.

Office supplies will be relatively low, as most of our distributor and consumer communications will be via the Internet. We initially budgeted \$2,500 for this expense, with a 3% annual increase due to inflation.

We have conservatively estimated an annual warranty expense of 5% of our yearly sales to cover the cost of customers returning their purchase for a replacement.

We have a budget of \$10,000 for Google Ads, website maintenance, and additional marketing. This budget increases by 20% each year.

A budget of \$4,000 was established to cover annual legal, income tax, and financial statement services.

The technology category contains the expense of product testing as well as maintaining our sku/UPC system. We have budgeted \$10,000 for this expense in order to maintain the desired quality of our units.

RevoCases will provide cell phones to all our employees, with a cost for 3 lines, with 10 gigabytes of data per month will be \$1,740 annually.

Liability insurance premiums are estimated to be 5% of annual payroll, a total of \$6,750. Inventory insurance is 5% of its retail value, \$2,500 annually. (This assumes an average retail inventory of \$50,000.) In Year Three, our inventory insurance premium will double, as we plan on increasing our inventory to 5,000 units.

Annual expense for rent will be \$7,200, established to cover the expenses of the office space and storage unit. We will upgrade our storage space after Year 3 for the ability to store a larger quantity of our product.

We have included the 10% priority rate of return to our investors. This is considered an expense because the investor gets this return regardless of year-end profitability.

The miscellaneous category contains an expense of \$15,000 for Chinese Trade Consultants, the overseas consulting firm we will use to oversee our product's manufacturing.

Line

Five-Year Projected Profit and Loss (P&L)

RevoCases

		First Year													
		2014	%	2015	%	2016	%	2017	%	2018	%				
1	Sales	\$511,750	100.0%	\$651,475	100.0%	\$806,221	100.0%	\$855,172	100.0%	\$1,811,460	100.0%				
2	Direct Costs	\$105,020	20.5%	\$134,200	20.6%	\$166,547	20.7%	\$177,060	20.7%	\$375,060	20.7%				
3	Gross Profit	\$406,730	79.5%	\$517,275	79.4%	\$639,674	79.3%	\$678,112	79.3%	\$1,436,400	79.3%				
Expenses		Note													
4	Salaries & wages	\$135,000	26.4%	\$135,000	20.7%	\$135,000	16.7%	\$135,000	15.8%	\$240,000	13.2%				
5	Payroll expenses	\$27,000	5.3%	\$27,000	4.1%	\$27,000	3.3%	\$27,000	3.2%	\$48,000	2.6%				
6	Supplies (office & operating)	\$2,500	0.5%	\$2,575	0.4%	\$2,625	0.3%	\$2,704	0.3%	\$5,400	0.3%				
7	Waranty Service(5% of annual sales)	\$25,588	5.0%	\$32,574	5.0%	\$40,311	5.0%	\$42,759	5.0%	\$90,573	5.0%				
8	Marketing / Advertising	\$10,000	2.0%	\$12,000	1.8%	\$14,400	1.8%	\$17,300	2.0%	\$30,000	1.7%				
9	Accounting and legal	\$4,000	0.8%	\$4,200	0.6%	\$4,620	0.6%	\$5,240	0.6%	\$6,500	0.4%				
10	Technology	\$10,000	2.0%	\$10,000	1.5%	\$10,000	1.2%	\$10,000	1.2%	\$10,000	0.6%				
11	Telephone	\$1,740	0.3%	\$1,740	0.3%	\$1,740	0.2%	\$1,740	0.2%	\$1,740	0.1%				
12	Utilities and vehicle fuel	\$3,600	0.7%	\$3,780	0.6%	\$3,970	0.5%	\$4,170	0.5%	\$5,000	0.3%				
13	Insurance (property & liability)	\$9,250	1.8%	\$9,375	1.4%	\$13,580	1.7%	\$13,785	1.6%	\$19,246	1.1%				
14	Rent	\$7,200	1.4%	\$7,200	1.1%	\$7,200	0.9%	\$8,000	0.9%	\$8,000	0.4%				
	Priority ROI	\$15,000	2.9%	\$15,000	2.3%	\$15,000	1.9%	\$15,000	1.8%	\$15,000	0.8%				
15	Miscellaneous	\$15,000	2.9%	\$15,000	2.3%	\$15,000	1.9%	\$15,000	1.8%	\$15,000	0.8%				
		Trade Consulatnt													
16	Total Expenses	\$265,878	52.0%	\$275,444	42.3%	\$290,446	36.0%	\$297,698	34.8%	\$494,459	27.3%				
17	EBITD - Earnings Before Interest, Taxes, & Depreciation	\$140,853	27.5%	\$241,831	37.1%	\$349,228	43.3%	\$380,414	44.5%	\$941,941	52.0%				
18	Mortgage Interest														
19	Depreciation on Buildings (20 years)														
20	Depreciation on Equipment (5 years)	\$2,999	0.6%	\$2,999	0.5%	\$2,999	0.4%	\$2,999	0.4%	\$2,999	0.2%				
21	Profit Before Taxes	\$137,854	26.9%	\$238,832	36.7%	\$346,229	42.9%	\$377,415	44.1%	\$938,942	51.8%				
22	Taxes @ 35%	\$48,249		\$83,591	0	\$121,180	0	\$132,095	0	\$328,630	0				
23	Net profit after taxes	\$89,605	17.5%	\$155,241	23.8%	\$225,049	27.9%	\$245,320	28.7%	\$610,312	33.7%				

Five Year Projected Cash Flow:

Five-Year Projected Cash Flow		RevoCases				
Line		2014	2015	2016	2017	2018
1						
2	CASH ON HAND - Beginning of year		\$165,859	\$339,099	\$582,147	\$845,466
3	Cash from venture capitalists	\$150,000				
4	Less startup expenses	\$91,745				
5	Cash on hand after startup expenses	\$58,255				
	CASH RECEIPTS					
6	Sales	\$511,750	\$651,475	\$806,221	\$855,172	\$1,811,460
7	Total Cash Available	\$570,005	\$817,334	\$1,145,320	\$1,437,319	\$2,656,926
	CASH PAID OUT					
8	Direct costs (Material, Labor, & Other)	\$105,020	\$134,200	\$166,547	\$177,060	\$375,060
9	Salaries & wages	\$135,000	\$135,000	\$135,000	\$135,000	\$240,000
10	Payroll expenses	\$27,000	\$27,000	\$27,000	\$27,000	\$48,000
11	Supplies (office & operating)	\$2,500	\$2,575	\$2,625	\$2,704	\$5,400
12	Repairs and maintenance	\$25,588	\$32,574	\$40,311	\$42,759	\$90,573
13	Marketing / Advertising	\$10,000	\$12,000	\$14,400	\$17,300	\$30,000
14	Accounting and legal	\$4,000	\$4,200	\$4,620	\$5,240	\$6,500
15	Technology	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
16	Telephone	\$1,740	\$1,740	\$1,740	\$1,740	\$1,740
17	Utilities and vehicle fuel	\$3,600	\$3,780	\$3,970	\$4,170	\$5,000
18	Insurance (property & liability)	\$9,250	\$9,375	\$13,580	\$13,785	\$19,246
19	Rent	\$7,200	\$7,200	\$7,200	\$8,000	\$8,000
20	Miscellaneous	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	Mortgage Interest					
	Mortgage Principal repayment					
	Taxes	\$48,249	\$83,591	\$121,180	\$132,095	\$328,630
21	Total cash paid out	\$404,146	\$478,235	\$563,173	\$591,853	\$1,183,149
22	Cash remaining at end of year	\$165,859	\$339,099	\$582,147	\$845,466	\$1,473,777

Break Even Analysis:

We prepared our breakeven analysis using two different sales scenarios:

1. All sales are generated from our retail website (*Worst Case Scenario*)
2. 90% of sales are generated in wholesale distribution with the other 10% coming from retail sales

Scenario #1 results in enough profitability to sustain the operation for a period long enough to become attractive to wholesale distributors.

Scenario #2 assumes 90% of our annual volume resulting from sales through a nationwide wholesale distribution network and 10% through our retail website.

Breakeven Analysis #1:

100% Retail

<u>Breakeven Analysis</u>	
RevoCases	
Selling price per unit	\$25.00
Variable costs per unit	
Materials	\$1.85
Labor	\$0.30
Other	\$0.21
Total Variable Costs	\$2.36
Gross Margin per unit	\$22.64
Total annual fixed costs	\$265,875
Annual breakeven in units	11,744
Annual breakeven in dollars	\$293,590

Breakeven Analysis #2:

10% Retail

<u>Breakeven Analysis</u>	
RevoCases	
Selling price per unit	\$25.00
Variable costs per unit	
Materials	\$1.85
Labor	\$0.30
Other	\$0.21
Total Variable Costs	\$2.36
Gross Margin per unit	\$22.64
Total annual fixed costs	\$26,587
Annual breakeven in units	1,174
Annual breakeven in dollars	\$29,358

90% Wholesale

<u>Breakeven Analysis</u>	
RevoCases	
Selling price per unit	\$10.00
Variable costs per unit	
Materials	\$1.85
Labor	\$0.30
Other	\$0.21
Total Variable Costs	\$2.36
Gross Margin per unit	\$7.64
Total annual fixed costs	\$239,290
Annual breakeven in units	31,321
Annual breakeven in dollars	\$313,207

Return on Investment:

The remaining return will be offered at 15% of our EBITD, in addition to the 10% priority rate of return.

<u>Projected Return on Investment (ROI)</u>					
RevoCases					
Year:	2014	2015	2016	2017	2018
EBITD from 5-Year P&L	\$140,853	\$241,831	\$349,228	\$380,414	\$941,941
Venture Capital Investment	\$150,000				
Priority Rate of Return	10%				
Percentage of EBITD given to Venture Capitalists	15%				
Venture Capitalists' EBITD Return on Investment (ROI)	24.1%	34.2%	44.9%	48.0%	104.2%

Exhibits

Manufacturers:

Wexun Tech (Hong Kong) Co. Ltd



Here is a Skype conversation, between Dillon and Andy, Andy is a sales representative from Wexun Tech Co. Here he quotes me the price for the steel plate molds.

10:45:31 PM] Andy: you just need to pay the mold cost
 [10:45:39 PM] Dillon Dunn: how much would that be?
 [10:46:20 PM] Andy: about 3500usd
 [10:46:26 PM] Dillon Dunn: okay
 [10:46:47 PM] Andy: you can use the mould to do many pcs cases
 [10:46:58 PM] Andy: 500000pcs at least

Email #1:

Here is a response in an email between Dillon Dunn CEO of RevoCases, and Andy the Sales Coordinator from Wexun Tech Co. Here Andy quotes the manufacturing costs for the RevoCase.

On Tue, Feb 25, 2014 at 7:18 AM, Andy/wexun <sale08@wexun-e.com> wrote:

We would like to know how much it would cost to manufacture a case like this?

if it is just a pc shell not by other technology handled, the price is very cheap, it is about \$0.6-0.9 per pcs which is according to your order quantity, pls know this,

How would you go about manufacturing this?

if we let your design to come true, it will need to open a mould to do it,

And could you make an actual manufactured model for us?

before we do not have a new mould, we can not make an actual sample, pls note this

i hope you can reply me earlier, my skype is yangsatianxia88, pls add me, thanks,

Email #2:

This is an email between Dillon Dunn CEO of RevoCases, and Andy Sales Coordinator at Wexun. Andy quotes the shipping price for RevoCases, to the United States, in increments of 500, 1000 and 5000.

On Wed, Feb 26, 2014 at 11:12 PM, Andy/wexun <sale08@wexun-e.com> wrote:
Dear Dillon

Thank you for your reply,

how is your design now ? could you send me more pictures for reference first ?

as you said that you want to buy the cases in 500,1000,5000 increment orders, your meaning is which type case ? that design

case or our general phone case like below picture ? pls advise, the shipping cost is not expensive, if your order is less than 5000pcs, you use air transportation way is the best, for 500 or 1000pcs, the shipping cost will about USD50-100, for 5000pcs, it will about USD200-250, pls note it, as we have our hk company wexun and our factory shenzhen tyson, any one we can use it, there is no additional taxes or fees, pls do not worry about this any questions you can ask me, i hope to receive your earlier reply, thanks,
Andy

Email #3:

This is an email to Dillon Dunn CEO of RevoCases, and Andy Sales Coordinator at Wexun. Andy quotes the price to have the RevoCases, packaged at their facility.

On Tue, Mar 11, 2014 at 10:12 PM, Andy/wexun <sale08@wexun-e.com> wrote:
Dear Dillon

Thank you for your email reply,

for our case, we have cheap opp bag or retail window box package, like the attachment pictures,

if your customer have package requirement, we can customize it for you also,

for opp bag, we can give you free,

for retail window box package, the price usually is usd0.4-0.6 for different quantity, pls note it,

any questions you have, you can ask me, about your design, i hope you can finish it earlier,

then let us produce for you, pls keep us posted, thanks,

Andy

Email #4:

This is an email between Dillon Dunn, and Andy at Wexun. Here Andy quotes the price for shipping insurance and how to calculate it.

On Thurs, Mar 27, 2014 at 10:48 PM, Andy/wexun <sale08@wexun-e.com> wrote:

Dear Dillon

The insurance cost which its the goods total amount time 1.1,

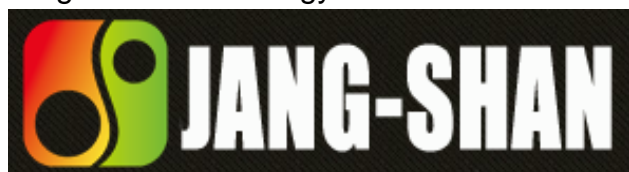
after that times 1-3‰ again, then it is the insurance cost,

do you understand it ? pls advise, thanks,

I am looking forward to receiving your earlier reply

Yours faithfully/best regard

Jang-Shan Technology Co.



Email #1:

Below is an email between Dillon Dunn, the CEO of RevoCases, and Bella the manager at Jang-Shan Technology Co. on March 8, 2014. Here Bella quotes the price tiers of the adapter, that goes inside of the RevoCase.

Dear Dillon

Thanks for your reply

It is ok, so what is the address of case manufacturer

Then i can count the shipping fee for you

500-----\$0.69C

1000-----\$0.45C

5000-----\$0.3/PC

10000-----\$0.3/PC

Best regards

Bella

Email #2:

This is the reply in an email between Dillon Dunn, the CEO of RevoCases, and Bella the manager at Jang-Shan Technology Co. Discussing the shipping of the adapter to Wexun Technology at Block 15, Fumin Industrial Park, Pinghu Longgang District, Shenzhen, China 518111.

Dear Dillon

Thanks for your reply

As the shipping address In China

So we can offer free shipping for you

Best regards

Bella

Office Location:
629 Sperryville Pike
Culpeper VA



Cube Smart Storage:
791 Germanna Highway
Culpeper, VA 22701
(540) 825-3437



DHL Shipping:



Express Collections:



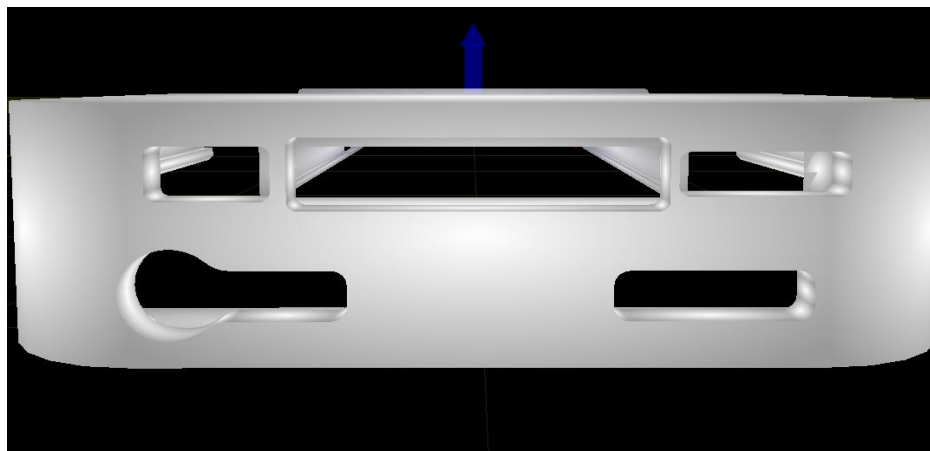
Intertek:



Chinese Trade Consultants:



Product Model Photos:



Survey:

SurveyMonkey Preview & Test : Household phone statistics - Google Chrome

SurveyMonkey, Inc [US] https://www.surveymonkey.com/create/survey/preview?sm=VTnQvUOjpdGhyq_2F1f_2FEc

1. How many people have smart phones in your household?

2. What type of smartphone do you have?

☐ Iphone 4s or older

☐ Iphone 5 or newer

☐ Android or Windows Phone

3. Does everyone in your household have the same type of phone

☐ Yes

☐ No

4. How much did you spend on your case?

☐ Less than 10 dollars

☐ 10 to 20 dollars

☐ 20 to 30 dollars

☐ 30 to 40 dollars

☐ 40 or more dollars

☐ I don't remember

☐ I don't own a case

5. When you purchased your new phone, did you feel the need to buy new adapters or cables?

☐ Yes

☐ No

6. If so, how much did you spend on these new adapters/cables?

☐ Less than 10 dollars

☐ 10 to 20 dollars

☐ 20 to 30 dollars

☐ 30 to 40 dollars

☐ 40 or more dollars

☐ I don't remember

7. Do you have have a tablet device?

☐ Yes

☐ No

8. If yes, is this devices apple or android?

☐ Apple ipad 3 or newer

☐ Apple ipad 2 or older

☐ Android

9. Have you ever needed to charge your phone, but did not have the right cable?

☐ Yes

☐ No

Done

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