



D18 Business Solutions, LLC

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Executive Summary

Problem/Opportunity

Across the United States, businesses struggle every day to keep their doors open, particularly due to the issue of cash flow. D18 has found that most businesses who are involved in production are legally exempt from having to pay taxes on their utility costs accrued during the production process, due to what is known as a “Consumed in Production” tax exemption. In order to receive this exemption, companies must have their facilities surveyed and analyzed to see what portion of utilities used are exempt, and then these records are forwarded on to the appropriate agencies.

Several businesses are unaware of this exemption; others know about it and have for one reason or another, chosen not to act. Still further, some businesses have taken advantage of the exemption, and are seeing a boosted cash flow as a result, but do not study their energy usage after the initial exemption comes through. D18 has found that all of the possibilities mentioned are potential customers, because they both face problems that require special help. First, many businesses either lack the knowledge, the time, or the available effort to follow through on the exemption; second, companies who have gone through the exemption process must stay up-to-date with their exemption calculations to ensure they are receiving the proper amount of exemption, and so that they stay in good standing with the State.

Solution

D18 will assist the business through all parts of the ‘Consumed in Production’ tax exemption process. D18 performs the required energy study on the business location and files all supporting tax documents with the state. After submission of the documents and energy report, D18 acts as a liaison between the business and the state to ensure the process is done properly. After the process is complete the

business will receive a refund for all overpaid taxes. D18 will conduct a new energy study for any business that needs an up to date energy report and forward the new energy report to the state.

Market

D18 will target businesses that use utilities such as gas, water, and electricity in the production of their product or service. These businesses include, but are not limited to, hotels, manufacturers, and restaurants.

Competition

Potential competitors of D18 are businesses that offer energy study services. There are currently 193 businesses in the United States that offer energy study services. Over 75% of these businesses consist of general contractors, insurance agencies, and equipment retailers who do not offer utility tax refunds as a service, but instead perform the energy study in conjunction with a different type of service. This means less than 25% of these businesses offer utility tax refunds as a service. The number of direct competitors can be narrowed down to less than 50 within the United States.

Financials

After an in-depth financial projection, combining both financial data gathered from real-world sales, and theoretical/averaged data, D18 reports the following:

- Positive net income of 10% of sales year 1 and growing by 10% of sales each year. Net income is roughly \$150,000 in year 3.
- Cash flow begins negative for the first year of operations, but grows significantly to \$34,000 in year 2 to more than \$125,000 by year 3.
- Exceptional gross-margins (85%).
- Primary expenses are that of salaries (62% of sales-Year 1, 45% of sales-Year 3)
- Advertising makes for the largest fixed business expense as it is vital for new client acquisition.

1 Company Description

1.1 Legal Framework

D18 currently operates as a Kansas Limited Liability Company. The official name of the company is D18 Business Solutions, LLC.

1.2 History

The idea was first developed for D18 when the founder set out on a mission to help small businesses in his community. As he remarked, "It all started with a belief, I wanted to find a way that I could genuinely help small businesses in my community, a way that didn't involve selling them something, a way that created positive change." That is exactly what D18 has grown into ever since that original mission has been pursued, an organization that creates positive change for everyone.

1.3 Current Situation

D18 is still in the startup stages. D18 has currently been operating for just under a year and has a large market potential ahead. The management has grown from one founder into 3 total members. The team is currently operating locally, but has explosive growth planned for the future.

1.4 Management Team

Chief Executive Officer & Founder

D18's CEO has an unmatched passion for entrepreneurship and small business. He is well-versed in business-to-business communication strategy, has diverse sales experience, is competent in finance and accounting, and is effective in leading teams.

Chief Operating Officer

The COO brings a wealth of knowledge to D18. He has experience in sales, business development, and business analyses. The COO will be the key developer behind business operations and the sales force.

Chief Marketing Technologist

The CMT will be the marketing specialist for D18. He has experience as a newspaper journalist, sales representative, and communications officer. The CMT will ensure D18 has a visible presence in the community.

1.5 Business Vision

D18 currently operates on a small scale, mainly focusing on businesses in its community of operation. However, D18's business model is applicable in any town, state, and/or country that has legislation granting tax exemptions for energy consumed in production (see Section 2 for further details). There are multiple states in the United States of America with such legislation. In D18's State of incorporation (Kansas), there are no direct competitors. This first-mover advantage allows us time to steadily grow our network out to most major cities in Kansas, while the comprehensive process helps establish the company as a superior service provider. Once D18 achieves a statewide presence, things such as pricing can become much more flexible on a case-by-case basis, setting up the company to be responsive to competition in multiple jurisdictions against similar companies, if and when the time comes. (For a thorough explanation of pricing strategy, see page 17, Section 5.3 – Pricing Strategy. For a case example, see Appendix D.) A larger presence also presents more opportunities for strategic business partnerships down the road. Ultimately, business opportunity exists nationwide, and strategic growth in the Kansas market would help make D18 a strong competitor with significant flexibility over margins and business processes.

2 D18's Business Opportunity

2.1 The Problem

A large number of businesses in the United States are struggling to make ends meet from month-to-month. The United States Small Business Association states: "The most critical consideration for the financial security, stability and growth of [a] company is the control of cash" (SBA, 2016). D18 poses a unique opportunity for businesses to increase their regular cash flow by helping them access a critical tax exemption - the "Consumed In Production", or CIP - tax exemption.

The CIP tax exemption states that: "Electricity, gas or water that is considered to be consumed in production is exempt from sales tax." (Kansas Department of Revenue, 2015). This means that businesses who follow through on the CIP can avoid being charged sales tax on their electricity, water, and gas usage each month, helping boost cash flow and their bottom line. The CIP tax exemption is not well-known to business owners and is thus underutilized. More importantly, even businesses that are aware of the tax exemption still neglect to take advantage of it due to the complexity of the process the state requires.

Interestingly, businesses that take advantage of the CIP tax exemption still face a problem. After a business has obtained a 'Consumed in Production' exemption certificate, the state requires that they must have an energy study performed on their premise whenever their energy usage changes (see Appendix B for specific examples). The Kansas Department of Revenue states: "In the event there is a change in the 'Exempt Percent', a revised statement will be filed immediately with the utility company. If the electricity, gas, or water exempted from taxation is determined to be taxable at a rate other than stated above, the undersigned purchaser agrees to reimburse the utility company or KDOR for any amounts assessed as retailers' sales or compensating tax, penalties, and/or interest." (ST-28B Exemption

Certificate) Failure to update exemption reports could result in a company receiving penalties, fines, or in some cases, a forced repayment of refunds.

2.2 The Solution

D18 helps its clients with the 'Consumed in Production' tax exemption process. After an initial meeting with the business, D18 identifies all tax exemptions the business can take advantage of in regard to their energy/utility bill. When tax exemption opportunities have been identified, D18 will assist the client through the entire process. D18 performs the required energy study on the business location and files all supporting tax documents with the state. After submission of the documents and energy report, D18 acts as a liaison between the client and the appropriate government agencies to ensure the process is carried out properly and efficiently. After the process is complete, the client will receive a refund for all overpaid taxes, dating back 3-4 years.

For businesses that are already taking advantage of the 'Consumed in Production' tax exemption, D18 can also offer solutions. For example, if the energy study is out of date, D18 will conduct a new energy study and forward the new energy report to the state. After all necessary studies have been performed, D18 documents the client's energy consumption information. The information can be rearranged into a user-friendly format to help illuminate the business's problem areas of energy consumption. In conjunction with this report, D18 offers an additional report suggesting more efficient and effective equipment/methods for the business' production processes going forward.

3 Service Process

Analyze Utilities for Tax Exemption Opportunities

Is the business taking advantage of the 'Consumed in Production' tax exemption?

YES

Perform a new energy study on business location to update the outdated exemption percentage

Create a detailed energy report for business and submit the updated energy study to the State

Present the full-detailed energy report to the business and make suggestions on future energy efficiency

NO

Perform energy study on business location to determine exemption percentage

Bundle together the energy report and tax documentation, and submit it to the State for approval

Liaison between the State and business to ensure refund and future savings are captured

The utility tax refund is issued and the business saves significantly on their energy bills going forward

4 Market Analysis

4.1 Target Market

D18 will target businesses that use utilities such as gas, water, and electricity in the production of their product or service (For detailed information on what qualifies each business for the ‘Consumed in Production’ tax exemption, please see Appendix C).

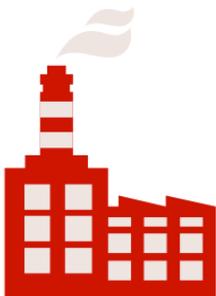
. The following are the main businesses that D18 will target:

- Manufacturers
- Restaurants
- Hotels

4.2 Target Market Data

The following shows the potential market for D18’s services in the U.S. and in Kansas. Data retrieved from *Reference USA*

Manufacturers



U.S.
620,000+

Kansas
6,000+

Restaurants



U.S.
850,000+

Kansas
7,000+

Hotels



U.S.
120,000+

Kansas
1,200+

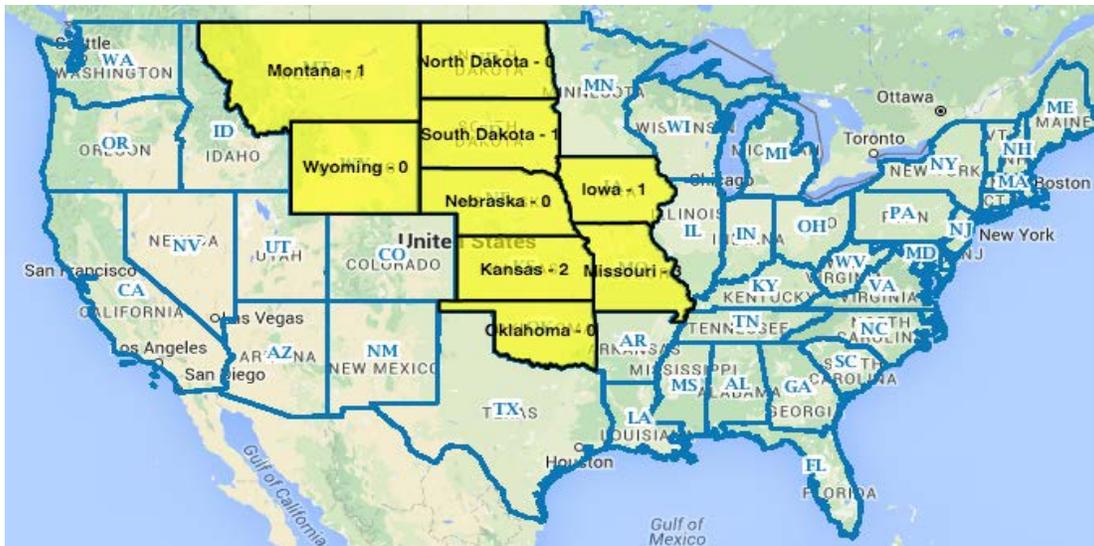
4.3 Competitive Analysis

Potential competitors of D18 are businesses that offer energy study services. There are currently 193 businesses in the United States that offer energy study services (Reference USA, 2016). Over 75% of these businesses consist of general contractors, insurance agencies, and equipment retailers who do not offer utility tax refunds as a service, but instead perform the energy study in conjunction with a different type of service. This means less than 25% of these businesses offer utility tax refunds as a service. The number of direct competitors can be narrowed down to less than 50 within the United States.

D18 will begin by helping businesses in the local community, which can be considered the northeastern section of Kansas, along with parts of Missouri, Iowa, and Nebraska. There is currently one other business in this local community that offers energy studies. The competitor is Solution Dynamics, based out of Olathe, KS. Although Solution Dynamics offers energy studies, they do not offer utility tax refunds as one of their services, and thus are not considered to be a direct competitor. (Data retrieved from *Reference USA*)



As D18 expands, the targeted area will be the Midwest United States. There are currently 8 businesses that offer energy studies in the Midwest section of the U.S. None of these businesses offer utility tax refunds as one of their services. This shows that the Midwest is a severely underserved geographical area. D18 plans to become the dominant presence in this geographical area by becoming the first Midwest-based business offering utility tax refund services. (Data retrieved from *Reference USA*)



4.4 Top Competitors – Companies Assisting with Tax Exemptions

Company	State	Sales	Competitive Advantage
Utility Refund Agency	PA	\$1,554,000	-17 Years Old -Large Client Base in U.S.
URC Energy	OH	\$8,908,000	-Variety of Services -Largest in U.S.
Utility Refund Solutions	NY	\$2,195,000	-Variety of Services -Positive Reputation

4.5 Competitive Edge

D18's initial competitive advantage will stem from the ability to have a local presence. D18 is currently the only local business specializing in the utility tax refund process. Most businesses will be more comfortable working with a local business on sensitive tax issues, versus an out-of-state business. D18's other competitive advantage is the fact that they specialize solely on utility tax refunds. Providing clients with savings is D18's sole objective.

As D18 expands into other areas of the Midwest, a greater competitiveness will need to be developed. In order to maintain the localized approach once larger-scale expansion starts, D18 will begin by contracting representatives in areas of interest. Once income and clientele-base in a particular region or state warrants a physical expansion, D18 will build new offices in those markets. D18 plans on gaining competitive advantage on its competitors by guaranteeing the highest savings possible for clientele. This will be achieved through more precision-based energy studies and the pursuit of additional tax-exemption opportunities.

5 Marketing Plan

5.1 Promotion Strategy

Referrals

According to the Wharton School of Business, referred customers are 18% more likely to stay with a company, a figure that “does not fade over time”. Furthermore, customers that were referred to the business typically result in significantly higher margins during the beginning of the business relationship (Wharton School of Business, 2010). D18 understands the power of a client’s referral and positive experience, and will use it to their advantage to assist in marketing.

D18 will become well-known by organizations and businesses seeking their services through word-of-mouth marketing and testimonials from past clients. Possible price breaks or customer benefits can be considered on the basis of referral completion by the client. Clients who complete referrals will be documented and will be considered for further referrals in the future when meeting for CIP updates.

Direct Visits

D18 plans to reach out to businesses in the local areas through direct visits and on-site consultation. Direct visits will be done in a tiered fashion, with referrals taking top priority, business partners of clients coming next, and cold walk-ins coming in as final priority.

Direct Mail/Telephone Calls

D18 plans to contact businesses through phone calls and direct mail. D18 will prioritize marketing calls in similar fashion to the method outlined above in “Direct Visits”. In addition, semi-regular phone calls and mailers will be sent out to active and previous clients.

Website

D18 will have a professionally designed, easy-to-navigate website. This website will explain to the user what D18 does, the benefits it poses to its clients, and explain why they should choose D18 over competitors. In addition, clients will be able to contact D18 about services through the website.

5.2 Strategic Alliances

D18 plans to partner with companies who already have a dominant presence within the energy sector. A local energy solutions company has already expressed interest in partnering with D18. The partnership would most likely function as a referral system. As D18 acquires new clientele they will help the partnering business offer their services as well. As the partnering business acquired new clientele they will help D18 offer their services to the client. The functionality of the partnership will change as both businesses grow. The partnering company already has a major presence in three states and is experiencing explosive growth. In this key partnership both businesses can grow together.

5.3 Pricing Strategy

In the case of an energy study, D18 will charge a fixed fee, based on the size of the business location.

The fee can range from \$500 for small businesses, up to \$10,000 for much larger businesses.

For a utility tax refund D18 will charge clients half of the utility tax refund amount. Going forward the client will receive 100% of their future utility savings along with half (50%) of the utility tax refund. This means if D18 is unsuccessful in retrieving savings, the client owes nothing.

When considering pricing strategy, the current market situation offers D18 a significant opportunity. By expanding D18's physical network, the company would have significantly more latitude with pricing - a useful competitive advantage for when competitors enter the market. Having a broader clientele

base/geographical presence would increase the number of revenue streams coming into the business at any given time, allowing D18 the ability to comfortably price on a case-by-case basis, rather than at the typical flat rate of 50% of the refund. More specifically, this allows the company to offer potential clients the best price compared to competitors, making counter-offers to clients who may be choosing their options based on price differences. D18 would lower the price for the client considering other options, and once the bid is accepted, the company would absorb the lower revenue of these particular jobs throughout the network (see Appendix D for figures/more information).

6 Financial Plan

(SEE APPENDIX E FOR COMPLETE FINANCIAL DOCUMENTATION)

6.1 Refund Collections/Service Fees

D18's services have been divided into three categories for simplification purposes. There are three main levels of clients D18 deals with: Small-Cap, Mid-Cap, and Large-Cap. Small bakeries, bars, and restaurants fall under the Small-Cap section. It has been estimated that whether performing an energy study or pursuing a refund, D18 will, on average, collect \$500 from Small-Cap deals. Small hotels, manufacturers, and mid-to-large size restaurants fall under the Mid-Cap section. It has been estimated that whether performing an energy study or pursuing a refund, D18 will, on average, collect \$3,000 from Mid-Cap deals. Large hotels and manufacturers fall under the Large-Cap section. It has been estimated that whether performing an energy study or pursuing a refund, D18 will, on average, collect \$8,000 from Large-Cap deals.

6.2 Salaried Positions

D18 will give the owner a monthly compensation of \$1,000. The two salaried positions will each receive \$600 monthly. The wages will grow each year as D18 increases its revenue.

6.3 Variable Cost Per Unit

The variable cost per unit is 15%. This includes traveling expenses, printing expenses for energy reports, mailing costs, and any other acquisition costs.

6.4 Financial Documentation

Order:

1. Year One Profit & Loss (Income) Statement
2. Year One Cash Flow Statement
3. Year One Projected Balance Sheet
4. Three-Year Financial Summary
5. Financial Ratio Analysis
6. Required Startup Funds
7. Salaries and Wages
8. Fixed Operating Expenses
9. Projected Sales Forecasts
10. Cash Receipts/Disbursements

**D18 Business Solutions, LLC
Projected Income Statement - Year One**

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
Income													
Small Cap Energy Study/Refund	1,500	1,500	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,500	2,500	2,500	24,000
Mid Cap Energy Study/Refund	3,000	3,000	3,000	6,000	6,000	6,000	6,000	6,000	9,000	9,000	9,000	9,000	75,000
Large Cap Energy Study/Refund	-	-	8,000	8,000	-	8,000	8,000	8,000	8,000	8,000	8,000	8,000	72,000
Total Income	4,500	4,500	12,500	16,000	8,000	16,000	16,000	16,000	19,000	19,500	19,500	19,500	171,000
Cost of Sales													
Small Cap Energy Study/Refund	225	225	225	300	300	300	300	300	300	375	375	375	3,600
Mid Cap Energy Study/Refund	450	450	450	900	900	900	900	900	1,350	1,350	1,350	1,350	11,250
Large Cap Energy Study/Refund	-	-	1,200	1,200	-	1,200	1,200	1,200	1,200	1,200	1,200	1,200	10,800
Total Cost of Sales	675	675	1,875	2,400	1,200	2,400	2,400	2,400	2,850	2,925	2,925	2,925	25,650
Gross Margin	3,825	3,825	10,625	13,600	6,800	13,600	13,600	13,600	16,150	16,575	16,575	16,575	145,350
Total Salary and Wages	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	106,489
Fixed Business Expenses													
Advertising	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Credit Card and Bank Charges	10	10	10	10	10	10	10	10	10	10	10	10	120
Office Space	-	-	-	-	-	-	-	-	-	-	-	-	-
Charity Portion of Refunds	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Insurance (Liability)	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Internet	70	70	70	70	70	70	70	70	70	70	70	70	840
Legal and Professional Fees	50	50	50	50	50	50	50	50	50	50	50	50	600
Office Expenses	25	25	25	25	25	25	25	25	25	25	25	25	300
Postage and Delivery	50	50	50	50	50	50	50	50	50	50	50	50	600
Supplies	25	25	25	25	25	25	25	25	25	25	25	25	300
Travel	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Total Fixed Business Expenses	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	18,980
Total Other Expenses	119	177	247	301	339	331	331	340	321	302	276	234	3,318
Net Income	(6,748)	(6,806)	(76)	2,845	(3,993)	2,815	2,815	2,806	5,375	5,819	5,845	5,887	16,583

**D18 Business Solutions, LLC
Projected Cash Flow Statement - Year One**

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
Beginning Cash Balance	3,000	-	-	-	-	194	695	-	392	653	808	939	-
Cash Inflows													
Income from Sales	450	450	1,250	1,800	800	1,800	1,800	1,800	1,900	1,950	1,950	1,950	17,100
Accounts Receivable	-	1,350	4,050	6,450	12,300	12,000	9,800	14,400	14,400	15,300	17,250	17,550	124,650
Total Cash Inflows	450	1,800	5,300	8,050	13,100	13,800	11,200	16,000	16,300	17,250	19,200	19,500	141,750
Cash Outflows													
Investing Activities	-	-	-	-	-	-	-	-	-	-	-	-	-
New Capital Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Sales	675	675	1,875	2,400	1,200	2,400	2,400	2,400	2,850	2,925	2,925	2,925	25,650
Operating Activities	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	8,874	106,489
Salaries and Wages	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	1,580	18,980
Fixed Business Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing Activities	32	32	32	32	32	32	32	32	32	32	32	32	386
Loan Payments	-	58	128	182	220	213	213	222	203	194	158	117	1,887
Line of Credit Interest	-	-	-	-	1,000	-	-	2,500	2,500	3,500	5,500	5,500	20,500
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Outflows	11,161	11,219	12,490	13,069	12,906	13,099	13,099	15,608	16,039	17,095	19,089	19,028	173,882
Cash Flow	(10,711)	(9,419)	(7,190)	(5,019)	194	501	(1,899)	392	261	155	131	472	(32,132)
Operating Cash Balance	(7,711)	(9,419)	(7,190)	(5,019)	194	695	(1,204)	392	653	808	939	1,411	-
Line of Credit Drawdowns	7,711	9,419	7,190	5,019	-	-	1,204	-	-	-	-	-	30,543
Ending Cash Balance	-	-	-	-	194	695	-	392	653	808	939	1,411	-
Line of Credit Balance	7,711	17,130	24,320	29,339	28,339	28,339	29,543	27,043	24,543	21,043	15,543	10,043	-

D18 Business Solutions, LLC
Balance Sheet - Year One

	<u>Base Period</u>	<u>End of Year One</u>
Assets		
Current Assets		
Cash	3,000	1,411
Accounts Receivable	-	29,250
Inventory	-	-
Prepaid Expenses	3,750	2,500
Other Current	-	-
Total Current Assets	<u>6,750</u>	<u>33,161</u>
Fixed Assets		
Real Estate	-	-
Buildings	-	-
Leasehold Improvements	-	-
Equipment	-	-
Furniture and Fixtures	-	-
Vehicles	-	-
Other Fixed Assets	-	-
Total Fixed Assets	<u>-</u>	<u>-</u>
Less: Accumulated Depreciation	-	-
Total Assets	<u><u>6,750</u></u>	<u><u>33,160</u></u>
Liabilities and Owner's Equity		
Liabilities		
Accounts Payable	-	-
Notes Payable	2,000	1,785
Mortgage Payable	-	-
Line of Credit Balance	-	10,043
Total Liabilities	<u>2,000</u>	<u>11,828</u>
Owner's Equity		
Common Stock	4,750	4,750
Retained Earnings	-	16,583
Dividends Dispersed	-	-
Total Owner's Equity	<u>4,750</u>	<u>21,333</u>
Total Liabilities and Owner's Equity	<u><u>6,750</u></u>	<u><u>33,160</u></u>

D18 Business Solutions, LLC
Year End Summary

	<u>Year One</u>	<u>%</u>	<u>Year Two</u>	<u>%</u>	<u>Year Three</u>	<u>%</u>
Income						
Small Cap Energy Study/Refund	24,000		33,500		50,500	
Mid Cap Energy Study/Refund	75,000		138,000		219,000	
Large Cap Energy Study/Refund	72,000		136,000		240,000	
Total Income	171,000	100.00%	307,500	100.00%	509,500	100.00%
Cost of Sales						
Small Cap Energy Study/Refund	3,600		5,025		7,575	
Mid Cap Energy Study/Refund	11,250		20,700		32,850	
Large Cap Energy Study/Refund	10,800		20,400		36,000	
Total Cost of Sales	25,650	15.00%	46,125	15.00%	76,425	15.00%
Gross Margin	145,350	85.00%	261,375	85.00%	433,075	85.00%
Total Salary and Wages	106,489	62.27%	163,258	53.09%	228,072	44.76%
Fixed Business Expenses						
Advertising	12,000		18,000		28,800	
Credit Card and Bank Charges	120		126		132	
Office Space	-		6,000		6,300	
Charity/Portion of Refunds	1,200		2,800		6,100	
Insurance (Liability)	1,200		1,800		2,880	
Internet	840		882		926	
Legal and Professional Fees	600		900		1,440	
Office Expenses	300		450		720	
Postage and Delivery	600		900		1,440	
Supplies	300		450		1,500	
Travel	1,200		1,880		2,520	
Total Fixed Business Expenses	18,960	11.09%	34,418	11.19%	53,446	10.49%
Total Other Expenses	3,318	1.94%	2,083	0.68%	1,379	0.27%
Net Income	16,583	9.70%	61,616	20.04%	150,178	29.48%

D18 Business Solutions, LLC Financial Ratios

Ratio	Year One	Year Two	Year Three
Liquidity			
Current Ratio	2.80 ▲	54.52	181.34
Quick Ratio	2.59 ▲	53.72	181.34
Safety			
Debt to Equity Ratio	0.55 ▲	0.02	0.01
Debt to Coverage Ratio	1.40 ▲	39.76	116.17
Profitability			
Sales Growth	- ▲	0.80	0.66
COGS to Sales	0.15 ▲	0.15	0.15
Gross Profit Margin	0.85 ▲	0.85	0.85
SG&A to Sales	0.73 ▲	0.64	0.55
Net Profit Margin	0.10 ▲	0.20	0.29
Return on Equity	0.78 ▲	0.74	0.64
Return on Assets	0.50 ▲	0.73	0.64
Owner's Compensation to Sales	0.23 ▲	0.16	0.14
Efficiency			
Days in Receivables	61.58 ▲	59.71	52.99
Accounts Receivable Turnover	5.85 ▲	6.03	6.79
Sales to Total Assets	5.16 ▲	3.64	2.17

**D18 Business Solutions, LLC
Required Start-Up Funds**

Required Start-Up Funds	Amount	Totals	Depreciation
Operating Capital			
Prepaid Insurance Premiums	750		
Legal and Accounting Fees	500		
Supplies	500		
Advertising and Promotions	2,000		
Working Capital (Cash On Hand)	3,000		
Total Operating Capital		6,750	
Total Required Funds		\$ 6,750	

Sources of Funding	Amount	Totals	Loan Rate	Term in Months	Monthly Payments
Owner's Cash Injection	70.37%	4,750			
Outside Investors	0.00%	-			
Additional Loans or Debt					
Commercial Loan	29.63%	2,000	9.00%	84.00	\$32.18
Commercial Mortgage	0.00%	-	9.00%	240.00	\$0.00
Total Sources of Funding	100.00%	\$ 6,750			\$32.18

A line of credit is also required in the amount of

\$ 30,543

**D18 Business Solutions, LLC
Salaries and Wages**

					Monthly	Year One	Year Two	Year Three
Salaries and Related Expenses	#	Assumptions	Wage Base					
Percent Change							30.00%	40.00%
Salaries and Wages								
Owner's Compensation	1				\$ 3,250	39,000	50,700	70,980
Salaries	2				1,500	36,000	46,800	65,520
Wages								
Full-Time Employees	1	40.00			2,253	27,040	35,152	49,213
Estimated Hours Per Week								
Estimated Rate Per Hour		13.00						
Part-Time Employees	1	20.00			997	11,960	15,548	21,767
Estimated Hours Per Week								
Estimated Rate Per Hour		11.50						
Independent Contractors								
Total Salaries and Wages	5				8,000	114,000	148,200	207,480
Payroll Taxes and Benefits								
Social Security		6.20%	\$ 102,000		496	7,068	9,188	12,864
Medicare		1.45%			116	1,653	2,149	3,008
Federal Unemployment Tax (FUTA)		0.80%	\$ 7,000		23	280	280	280
State Unemployment Tax (SUTA)		2.70%	\$ 7,000		79	945	945	945
Employee Pension Programs		0.00%			-	-	-	-
Worker's Compensation		2.00%			160	1,920	2,496	3,494
Employee Health Insurance		0.00%			-	-	-	-
Other Employee Benefit Programs		0.00%			-	-	-	-
Total Payroll Taxes and Benefits					874	11,866	15,058	20,592
Total Salaries and Related Expenses					8,874	125,866	163,258	228,072

D18 Business Solutions, LLC
Fixed Operating Expenses

	Monthly	Year One	Year Two	Year Three
Fixed Operating Expenses				
Percent Change			5%	5%
			50.00%	60.00%
			40%	50%
Expenses				
Advertising	\$ 1,000	12,000	18,000	28,800
Credit Card and Bank Charges	10	120	126	132
Office Space			6,000	6,300
Charity Portion of Refunds	100	1,200	2,800	6,100
Insurance (Liability)	100	1,200	1,800	2,880
Internet	70	840	882	926
Legal and Professional Fees	50	600	900	1,440
Office Expenses	25	300	450	720
Postage and Delivery	50	600	900	1,440
Estimates (Time & Travel)	50	600	430	688
Supplies	25	300	450	1,500
Travel	100	1,200	1,880	2,520
Total Expenses	1,580	18,960	34,418	53,446
Other Expenses				
Depreciation	-	-	-	-
Interest	14	171	151	129
Commercial Loan	-	-	-	-
Commercial Mortgage	158	1,897	-	-
Line of Credit	172	2,068	151	129
Total Other Expenses				
Total Fixed Operating Expenses	1,752	21,028	34,569	53,575

D18 Business Solutions, LLC
Projected Sales Forecast

Products and Services Assumptions

%

Month 1 Month 2 Month 3 Month 4 Month 5 Month 6 Month 7 Month 8 Month 9 Month 10 Month 11 Month 12 Totals

Small Cap Energy Study/Refund

Price Per Unit	\$ 500.00	100.00%
Variable Cost Per Unit	\$ 75.00	15.00%
Gross Margin Per Unit	\$ 425.00	85.00%
Projected Unit Sales		
Seasonality Factor		
Year One	15.00%	
Year Two Growth	20.00%	
Year Three Growth	50.00%	
Fixed Expense Allocation		

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
6.25%	6.25%	6.25%	6.25%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	10.42%	10.42%	10.42%	100.00%
3	3	3	3	4	4	4	4	4	4	4	5	5	48
5	5	5	5	5	5	6	6	6	6	6	6	6	67
7	7	7	7	7	7	8	9	9	9	10	10	10	101

Projected Revenue	\$ 24,000
Variable Costs	3,600
Gross Margin	20,400
Fixed Expenses	11,565
Profit	8,835
Break-even Sales Revenue	\$ 13,606.33
Break-even Sales Units	27

36.81%

Mid Cap Energy Study/Refund

Price Per Unit	\$ 3,000.00	100.00%
Variable Cost Per Unit	\$ 450.00	15.00%
Gross Margin Per Unit	\$ 2,550.00	85.00%
Projected Unit Sales		
Seasonality Factor		
Year One	15.00%	
Year Two Growth	20.00%	
Year Three Growth	5.00%	
Fixed Expense Allocation		

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
4.00%	4.00%	4.00%	4.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	12.00%	12.00%	12.00%	100.00%
1	1	1	1	2	2	2	2	2	2	3	3	3	25
3	3	3	3	3	3	4	4	4	4	4	5	5	46
5	5	5	5	6	6	6	6	6	6	7	7	7	73

Projected Revenue	\$ 75,000
Variable Costs	11,250
Gross Margin	63,750
Fixed Expenses	1,051
Profit	62,699
Break-even Sales Revenue	\$ 1,236.94
Break-even Sales Units	0

83.60%

D18 Business Solutions, LLC
Projected Sales Forecast - Page 2

Products and Services

Assumptions

%

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
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Large Cap Energy Study/Refund

Price Per Unit	\$ 8,000.00	100.00%
Variable Cost Per Unit	\$ 1,200.00	15.00%
Gross Margin Per Unit	\$ 6,800.00	85.00%

Projected Unit Sales

Seasonality Factor	
Year One	15.00%
Year Two Growth	20.00%
Year Three Growth	5.00%

Fixed Expense Allocation

Projected Revenue	\$ 72,000
Variable Costs	10,800
Gross Margin	61,200
Fixed Expenses	1,051
Profit	60,149

83.54%

Breakeven Sales Revenue \$ 1,236.94

Breakeven Sales Units 0

	0.00%	0.00%	11.11%	11.11%	0.00%	11.11%	11.11%	0.00%	11.11%	11.11%	11.11%	11.11%	100.00%
1	1	1	1	1	1	1	1	1	1	2	2	1	9
2	2	2	2	2	2	2	3	3	3	3	3	3	17
													30

Innovative Solutions

Price Per Unit		100.00%
Variable Cost Per Unit	\$ -	0.00%
Gross Margin Per Unit		0.00%

Projected Unit Sales

Seasonality Factor	
Year One	15.00%
Year Two Growth	20.00%
Year Three Growth	35.00%

Fixed Expense Allocation

Projected Revenue	\$ -
Variable Costs	-
Gross Margin	7,950
Fixed Expenses	(7,360)
Profit	590

0.00%

Breakeven Sales Revenue \$ -

Breakeven Sales Units -

	4.00%	12.00%	4.00%	8.00%	4.00%	8.00%	8.00%	4.00%	8.00%	12.00%	16.00%	12.00%	100.00%
1	1	3	1	2	1	2	2	1	1	3	4	3	25
3	4	3	3	3	2	4	3	4	3	3	5	4	41
5	5	4	4	5	7	7	7	7	6	7	7	6	72

D18 Business Solutions, LLC

Cash Receipts and Disbursements

Accounts Receivable Collections

Percent of Collections

0 to 30 days

10.00%

31 to 60 days

30.00%

More than 60 days

60.00%

Total Collections Percentage

100.00%

Accounts Payable Disbursements

Number of Days to Pay Suppliers

0 to 30 days

100.00%

31 to 60 days

0.00%

More than 60 days

0.00%

Total Disbursements Percentage

100.00%

Line of Credit Assumptions

Desired Minimum Cash Balance

\$ -

Line of Credit Interest Rate

9.00%

Income Tax Assumptions

Effective Income Tax Rate

0.00%

Amortization of Start-Up Expenses

Amortization Period in Years

3.00

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Appendix A. Defined: 'Consumed in Production'

Consumed in Production

Electricity, gas or water that is considered to be consumed in production is exempt from sales tax.

Consumed in production means:

- Necessary and essential to the process;
- Used in the actual process;
- Consumed or dissipated by the process within one year;
- Used in the process of producing, manufacturing, processing, mining, drilling, refining or compounding of tangible personal property, the treatment of by-products or wastes from such production process, the providing of services, the irrigation of crops, or the storage and processing of grain; and
- Not reusable for such purposes.

(Kansas Department of Revenue, 2015)

Appendix B. Energy Study Examples

Example 1: Restaurant (Exemption Percentage Increases)

A restaurant has an energy study performed on their location and in 2012 and it reveals that 65% of their electricity is exempt from sales tax. It is now 2015 and the restaurant decides they need to purchase new equipment for their kitchen. The new equipment may consume more/less energy than the previous equipment, most-likely resulting in a change in the amount of energy that is exempt from tax. The business will now need a new energy study performed on their location in order to find the updated percentage of energy that is actually consumed in the production of their product. The new energy report reveals a new exempt percentage of 70%. The report is forwarded to the State and the business will now see increased savings on their utility bill.

Example 2: Hotel (Exemption Percentage Decreases)

A hotel has an energy study performed on their location in 2013 and it reveals that 75% of their water is exempt from sales tax. It is now 2015 and the hotel decides to equip each room with a new toilet technology that uses less water each time it flushes. The new toilets will result in the hotel using less water in the guest rooms, thus the exempt percentage of water will now be lower. In order to comply with state regulations, the hotel must have a new energy study performed on their location. The new energy study reveals that only 65% of water is exempt from tax. The new energy report is forwarded to the State and the business will now experience a lower exemption rate on their utility bill.

Appendix C. Exempt Businesses

Exempt Purchases Made by Hotels and Motels

“The third sales tax exemption that is applicable to hotels is the consumed in production exemption found at K.S.A. 79-3606(n). This exemption allows retailers to purchase without tax those items of tangible personal property that are consumed or dissipated during the course of producing or providing a taxable product or service. Included in the definition of tangible personal property for sales tax purposes are the utilities of electricity, gas, water and heat.” (Pub KS-1540)

Exempt Purchases Made by Restaurants

“Consumed in Production... This exemption (explained on page 10) allows restaurants to purchase electricity, gas and water actually used in food preparation exempt from sales tax.” (Pub KS-1540)

Exempt Purchases Made by Manufacturers

“Consumed in Production...Exempt: Utilities used to operate tools and manufacturing machinery.” (Pub KS-1520)

Appendix D. Pricing Strategy

Multiple-Revenue Stream Advantage

As mentioned in Section 5.3 “Pricing Strategy” (page 17), one of the benefits of having no competition means that each client that we have actively pursuing a work order becomes an independent revenue stream. This provides D18 with the potential for a “multiple-revenue stream advantage”; by having more revenue streams, D18 can offer lower prices to potential clients who have been approached by competition, and absorb the loss throughout the service network while still collecting on another sale and securing another long-term client. Competition will not be able to compete on price long-term, making this a significant competitive advantage.

Each client D18 approaches will be made an initial offer of 50% of the refund paid out, as per the standard contract. Each client that accepts the terms of the standard contract becomes a new revenue stream until the service has been completed and the refund has been issued.

However, the more revenue streams D18 has open at one time, the easier it will be to bear a single loss in order to secure a client. To see how this is so, review the following examples:

- 1) D18 has four clients under contract in Topeka, Kansas, averaging a refund amount of \$1000. A competitor enters the area and offers the same services to a potential client at 40% of the refund total. D18 approaches the client and makes a counter-offer of 30% charged. The client accepts D18’s bid, making it the fifth revenue stream.

D18 loses 20% of its typical revenue off this sale. However, as the company has five revenue streams, the revenue across D18's network equals \$2300 – four standard jobs and one job reduced to \$300. Simplified to a Per-Job amount, using the second equation, D18 makes an average revenue of \$460 per job, or 46% of the total refund.

This means that with more revenue streams, D18 makes 6% more per job than the competition's maximum offer, while offering 10% less than a competitor on the particular job.

- 2) Consider now that D18 is faced with the same situation, but currently the company has 25 clients under contract at a standard rate of a \$1000 refund and 50% going to the company. The competitor offers a new client 40%, and D18 counters with 30%. According to calculations, D18's network-wide revenue equals \$12,300 – twenty-four jobs at the standard rate ($\$500 \times 24$), and one job reduced to \$300. Simplified, this amounts to a per-job revenue of \$492, or 49.2% of the total refund – virtually indistinguishable from the standard contract rate.

This shows that with more active revenue streams, D18 can offer a competitive cost to clients, with little to no effect on the company's bottom line. This is good for business, competition, responsiveness to the market, and ability to attract new clients. If D18 moves into new communities, or secures several clients in a particular community (or both), then multiple revenue streams become a large competitive advantage due to the flexibility it gives the company with pricing.