



Direct-split-fease - Feasibility

Accounting and Business Analysis (The University of Western Ontario)



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Executive Summary

DirectSplit is a B2B e-commerce platform that allows buyers to crowdfund large orders while proportionally sharing the discount. The business model caters to small and medium sized enterprises (SMEs) that do not have the free cash flows necessary to fully take advantage of wholesale discounts. In order to do so, DirectSplit acts as an intermediary between SMEs and wholesale suppliers. By pooling the capital of multiple SMEs, DirectSplit increases their buying power without increasing their operating cash flow requirements. Essentially, DirectSplit will deliver retail quantities at wholesale prices.

DirectSplit's revenue is derived from the spread between the price charged by the supplier and the sum of the buyers' payments. As order quantities increase, suppliers benefit from economies of scale and offer larger discounts. By contributing capital to an order, SMEs benefit by receiving a discount larger than what they could achieve independently. The difference between the discount DirectSplit receives from the supplier and the discount proportionally distributed to the buyers is DirectSplit's margin.

DirectSplit targets Canadian SMEs as federal policy facilitates economic growth within the sector. Moreover, the growth in both the online and B2B markets reinforces DirectSplit's business model. DirectSplit's competition is mainly indirect as the manner in which it crowdfunds orders is the first of its kind. Its value proposition focuses on innovation, affordability, and accessibility. DirectSplit is not looking to replace established online wholesalers. The business will complement rather than compete with industry leaders.

DirectSplit will use various platforms to reach its target market. This company will use Google Adwords, Search Engine Optimization (SEO), and cost-per-click (CPC) advertising in its user acquisition strategy. To retain current customers, DirectSplit will employ MailChimp, the email-marketing service. Since DirectSplit operates within the B2B industry, word-of-mouth promotion is fundamental in establishing its brand, expanding its user base, and developing long-lasting relationships.

DirectSplit is financed exclusively through a \$100,000 equity infusion and will achieve profitability by its second year of operations. As an e-commerce intermediary, DirectSplit requires low initial investment and achieves a return of over 4500% by the end of 2018. With a market share breakeven of 0.0002%, DirectSplit is well positioned to take advantage of a highly fragmented market.

DirectSplit will begin operations in January, with a fiscal year end of Dec 31st 2016. In the short-term, DirectSplit will optimize their value proposition by reviewing customer feedback, Google Analytics, and the dynamic trends in the B2B e-commerce market. In doing so, they will focus on building brand recognition and consumer loyalty in order to achieve continuous growth in their adoption rates.

In the long term, DirectSplit will invest in research and development, a physical office, and hire additional developers as well as public relations specialists. This will allow DirectSplit to capitalize on the success of the Canadian market and expand internationally, focusing their efforts on American SMEs and beyond.

Venture Description

Vision

Customers want wholesale prices without consuming ordering wholesale quantities. Currently, this is not possible due to the inherent conflict of interest between buyers and suppliers. Individual buyers order quantities proportionate to the size of their business, which often do not provide suppliers with the benefits of economies of scale. As a result, the buyers are charged higher prices that reduce their potential margins. This results in both market inefficiencies and lost profits. Our research shows that more than 80% of people are extremely interested in shopping online at a discount (Exhibit 1). Furthermore, 49% of SMEs are very interested in greater discounts through crowdfunding purchases. DirectSplit will address these inefficiencies by increasing buying power through crowdfunding, accessibility, and proportional discount distribution.

Company Description

DirectSplit is a B2B¹ e-commerce platform that allows buyers to split large orders while proportionally sharing the discount. When a customer places an order with DirectSplit, they are contributing to a pool of capital. As order volume increases, unit price decreases, thereby achieving greater wholesale discounts. This is DirectSplit's model for increasing user buying power. This service benefits buyers because the proportional savings DirectSplit can provide exceeds what the customer can achieve independently. DirectSplit derives its revenue from a commission-based sales model. Specifically, it reserves 25% of the discounts incurred by crowdfunding. The remaining 75% is distributed proportionally among buyers. (Exhibit 2)

¹ Business-to-business

DirectSplit's website consists of a featured products area, a live results pane², and a user options toolbar³ (Exhibit 3). Order contribution will occur when a customer adds a product to their live cart (Exhibit 4). Once an order is funded, discounts will be allocated to buyers based on the quantity of units they have purchased. These individual discounts will then be displayed alongside their respective cart items. This approach maximizes the buying power of users, and reduces their days of inventory.

Goals and Objectives

DirectSplit's goal is to facilitate growth and increase margins for small and medium sized businesses. DirectSplit hopes to establish a strong presence in the B2B e-commerce sector and act as a complement to wholesalers such as Alibaba, AmazonSupply, and W.W. Grainger. Financially, DirectSplit's goal is to breakeven within the first 18 months of operations and recoup their initial equity infusion by the end of year three. In the long term, DirectSplit hopes to scale the business internationally and achieve year over year profit growth.

Viability

PEST Analysis

Political

The Canadian government is looking to push economic growthⁱ, specifically with regards to SMEs.⁴ SMEs are defined as business establishments with 1-499 paid employeesⁱⁱ and annual revenues ranging from \$30,000 to \$5,000,000. Federal agencies such as the ACOA⁵ are giving financial assistance to SMEs through interest-free, unsecured capital.ⁱⁱⁱ The Digital Policy Branch

² A live results pane is a web component that constantly updates its output based on current search inputs.

³ A user options tool bar serves as an access point to account management tools.

⁴ Small and Medium Sized Enterprises

⁵ Atlantic Canada Opportunity Agency

of Industry Canada is supporting new e-commerce businesses by removing barriers-to-entry, which allows a focus on worldwide markets.^{iv}

Economic

E-commerce is showing rapid growth in developing markets (Exhibit 5). B2C⁶ e-commerce is projected to reach \$3.2 trillion while B2B is projected to reach \$6.7 trillion by 2020^v. Online wholesalers such as Alibaba⁷ have seen year over year growth (Exhibit 6). However, only \$27.28 billion of their merchandise (11%) is currently catered directly towards B2B markets.^{vi} As such, e-commerce and web based B2B companies are becoming sites of large scale investment. This can be observed in the FDN⁸ and EMQQ⁹ Internet ETFs¹⁰ that show consistent upwards growth (Exhibit 7) Furthermore, in Canada, SMEs account for 99.8% of all businesses and 42% of the commercial workforce^{vii} (Exhibit 8). Similarly, in the US, SMEs make up over 99.7% of all employer firms^{viii}. Given that DirectSplit is an online B2B platform that targets SMEs, the economic conditions favour growth.

Social

Internet usage among Canadians has increased from 66.0% to 85.8% over the last decade^{ix} (Exhibit 9). Consumers have become accustomed to discounted products due to the rise of group e-commerce platforms such as Groupon and Living Social, as well as online wholesalers such as Alibaba and Amazon. B2C e-commerce platforms revolutionized the shopping experience with its speed and simplicity. With 67% of North American B2B firms believing that e-commerce will fundamentally change the industry^x, it is clear that there is a demand for the same experience.

⁶ Business-to-consumer

⁷ Alibaba is a B2B and B2C e-commerce company based in China

⁸ First Trust Dow Jones Internet Index Fund

⁹ Emerging Markets Internet & E-commerce

¹⁰ An exchange traded fund, or ETF, is a funded equity investment that is easier to trade than normal equities.

Technological

Access to a reliable Internet connection is becoming increasingly widespread (Exhibit 10). In 2014, 40.4% of the global population had access to either a personal or communal connection (Exhibit 11). Internet penetration is projected to grow to 42.0% by the end of 2015, up from 17.6% in 2006.^{xi} Technological innovations such as SSL¹¹ and PayPal allow for safer, encrypted transactions, while the recently deployed HTML5¹² standard increases the speed at which transactions can be made. The combined innovations in access, security, and speed have created a favourable technological climate for e-commerce firms.

SWOT Analysis

Strengths

DirectSplit exhibits a high potential for return due to its minimal seed-funding requirements, low overhead, and diverse revenue streams. As a start-up, DirectSplit is flexible and can adapt to changing market trends. Furthermore, DirectSplit benefits from scalability¹³ as an e-commerce platform. It is not subject to geographical limitations and has a higher marginal product of capital. As well, DirectSplit's growth is directly proportional to that of SMEs. This amounts to a stronger incremental capital-output ratio and ensures that DirectSplit can achieve a greater return on capital.

Weaknesses

Brand recognition and positive reputation are prerequisites to success in the ecommerce industry. This is significantly more pronounced in the B2B market as customers are responsible for larger orders. As such, DirectSplit requires the trust of both suppliers and buyers in order to

¹¹ Secure Sockets Layer

¹² Internet markup language used to order and present content.

¹³ The notion of scalability is an inherent strength. The way which DirectSplit is scalable will be explained in operations.

operate. Additionally, DirectSplit suffers from the inherent problems associated with crowdfunding. DirectSplit's supply-chain requires SMEs to be forward-looking with regards to their inventory requirements as the funding process takes time. Lastly, there is the risk of a lack of demand for the posted product. A business can only increase their buying power and secure the discount if enough buyers are interested in the product.

Opportunity

The structure of DirectSplit in conjunction with favourable market trends creates three valuable opportunities. Firstly, DirectSplit holds a first-mover advantage that may result in large profits due to monopolistic control. Additionally, as a forerunner in the marketplace, DirectSplit can easily establish itself as an innovative brand. Secondly, the growing market for e-commerce shows that consumers are increasingly comfortable when purchasing products online. Growing confidence in e-commerce creates the potential for DirectSplit to become a baseline service.¹⁴ Becoming a baseline service would ensure long-term profitability. Finally, as global Internet usage continues to grow, DirectSplit has access to developing markets. New firms will require lower volumes of goods at a reduced cost. No other service addresses this need. By leveraging developing markets, DirectSplit can build a dedicated, high activity¹⁵ user base.

Threats

DirectSplit's differentiating factor and value proposition is the process through which they allow SMEs to increase their buying power. Given that this process cannot be patented there are very few barriers to entry within the industry. As such, an established competitor can create a similar subsidiary or offer a comparable service. With greater goodwill, brand loyalty, and access to capital, these corporations can pose a threat.

¹⁴ In e-commerce, a baseline is a service that acts as trade infrastructure.

¹⁵ A high activity user base consists of users that make recurring transactions over time.

Target Market Analysis

Demographic

DirectSplit will target SMEs, which on average, yield annual revenues ranging from \$30,000 to \$5,000,000. SMEs account for 99.8% of all 1,107,540 employer firms in Canada and contribute to over 27% of GDP^{xii} (Exhibit 12). DirectSplit will focus on SMEs for two reasons. First, they are more flexible and versatile in terms of their order requirements. Our survey shows that over 48.28% of respondents are interested in crowdfunding large purchases and 79.31% would order online if it resulted in a greater discount. Additionally, assuming DirectSplit is adopted in the early stages of businesses growth, it has the potential of becoming integrated within their supply chain, thereby establishing a reoccurring source of revenue.

Geographic

DirectSplit will be incorporated in Ontario, Canada. DirectSplit will start by targeting its marketing efforts towards SMEs in Canada before expanding its service internationally. As a proof of concept, the Canadian market allows brand recognition growth and facilitates expansion into the US. There, SMEs represent 99.7% of the 5.68 million employer firms. This makes North American expansion appealing for businesses that don't require physical infrastructure to scale.

Market Trends & Growth

Present economic and technological trends enable DirectSplit to establish a firm foundation in the B2B e-commerce industry, and leave the business with an opportunity to grow. The two primary trends that will influence DirectSplit's development are the rapid adoption of ICT¹⁶ by Canadian SMEs, and the growth of e-commerce in emerging markets.

With the growing popularity of e-commerce, companies have no choice but to adopt ICT if they wish to remain both productive and competitive.^{xiii} As of October 2011, 92.8% of Canadian

¹⁶ Information Communication Technology

SMEs use the Internet in day-to-day operations. This figure increases to 97.6% in the wholesale and retail trade sector. Additionally, 88.3% of Canadian SMEs invested in ICT throughout 2010, with 49.3% investing over \$10,000.^{xiv} This shows that Canadian SMEs believe that ICT and e-commerce have the potential for return. Moreover, with 70.9% of Canadian SMEs using e-commerce platforms to make online purchases in 2011^{xv}, the B2B industry is poised for growth. However, the main factor preventing the remaining portion of Canadian SMEs from adopting ICT is the inadequate access to funds.^{xvi} As such, a business or service capable of reducing costs associated to e-commerce would benefit from this untapped market.

In terms of technological growth, individuals and businesses are becoming more connected through higher rates of broadband penetration. The percentage of the average Canadian internet usage currently stands at 83% of the population.^{xvii} As such, e-commerce platforms have access to a substantial domestic market. In addition, the pace of technological growth has led to increasing internet penetration in developing markets. Brazil has seen Internet utilization rates increase by an average of 37% each year, while India has experienced growth rates of 31%.^{xviii} These effects can be observed in the Emerging Markets Internet & Ecommerce ETF (EMQQ) that has shown growth and stability since its inception in November 2014.

By the end of 2015, the total number of worldwide Internet users is expected to increase to 42% of the population. This is a considerable increase from 17.6% penetration in 2006^{xix} and further reinforces the notion that e-commerce and ICT are experiencing substantial growth.

Competitive Analysis

Indirect Competition

DirectSplit's indirect competitors are online e-commerce B2B suppliers that offer wholesale discounts. The market is highly fragmented, but DirectSplit's main indirect

competitors are Alibaba, AmazonSupply, and W.W. Grainger because of their market presence and future growth potential.

Alibaba

Alibaba has shown impressive growth since 2005. In 2013, Alibaba boasted \$240 billion in sales, which is more than AmazonSupply and W.W. Grainger combined^{xx}. Alibaba is known for being able to provide products at a fraction of the cost of other suppliers. However, they have yet to break into the North American market, as only approximately 3.7% of their traffic is from North America.^{xxi} They are planning on entering the North American market, but are currently addressing issues around product authenticity.^{xxii}

AmazonSupply

AmazonSupply is owned by Amazon and uses the same safe and secure shopping techniques.^{xxiii} Their goal is to offer Earth's largest selection of essential products for businesses, labs, workshops, and factories.^{xxiv} Similar to Amazon, they pride themselves on their exceptional customer service, quick delivery, and 365-day returns. Despite its very low website traffic in relation to W.W. Grainger and Alibaba, AmazonSupply boasts over 2.2 million products and a BCG¹⁷ study found their prices to be about 25% lower than the rest of the industry on common items.^{xxv} AmazonSupply has yet to make its mark in the B2B industry as it is still in its Beta stage, but will definitely be a key player in the industry in upcoming years. For this reason, DirectSplit considers AmazonSupply as a future indirect competitor.

W.W. Grainger

W.W. Grainger operates within the industrial-supply industry and controls approximately 6.0% of the North American B2B market.^{xxvi} Revenues have grown at an annual rate of 7% over the last 5 years and 10% over the last 3 years.^{xxvii} In 2013 alone, their e-commerce sales

¹⁷ Boston Consulting Group

surpassed \$3 billion, representing 33% of the company's total revenues. W.W. Grainger carries 1.2 million products compared to AmazonSupply's 2.2 million. Despite their lower variety, they pride themselves on offering competitive prices, and 24-hour delivery on most items.

To address indirect competition effectively, it is important to first understand the implications relating to DirectSplit's direct competitors.

Direct Competition

DirectSplit's direct competitors would be businesses that allow multiple businesses to crowdfund large orders in order to take advantage of greater discounts. Currently, there are no competitors that offer an identical business model. It is important to note that the B2B market is controlled by our indirect, and future competitors: Alibaba, AmazonSupply, and W.W. Grainger. This being said, it is crucial to recognize that DirectSplit's business model does not rely on competing directly for market share. Given that DirectSplit is connecting a large number of buyers in order to meet wholesale requirements, we are directly contributing to our competitor's bottom line. In this sense, DirectSplit complements its indirect and future competitors by sharing the market rather than fighting for it.

Competitive Advantage:

DirectSplit's competitive advantage is a result of three aspects inherent to its business model. Foremost, it differentiates itself through its proprietary pricing algorithm (Exhibit 13). This algorithm is a unique feature that allows DirectSplit to distribute the discounts secured through crowdfunding in a proportional way. By doing so, a business' discount increases as their contributed capital increases. This encourages higher average order quantities, increases the degree to which we meet businesses' volume needs, and sets DirectSplit apart from competitors that only offer tier-based discounts (Exhibit 14).

Moreover, DirectSplit's method of increasing buying power through crowdfunding is unprecedented in the industry. By allowing a group of SMEs to pool their capital, DirectSplit addresses the needs of SMEs that do not meet minimum order requirements.¹⁸ DirectSplit differentiates itself by allowing SMEs to contribute to an order with any quantity. This allows SMEs to benefit from wholesale discounts without the excess product.

Operations

Incorporation

DirectSplit will incorporate federally in Canada as a CCPC and provincially in Ontario.¹⁹ This will cost \$221.²⁰ Canadian incorporation was chosen because of its greater access to capital, limited liability, and lower corporate tax rate. Corporations have access to lower rates of financing and the option of issuing bonds or share certificates to investors^{xxviii}, thereby facilitating growth. Additionally, in the event of bankruptcy or lawsuit, DirectSplit's shareholders will not be held liable for debts incurred by the corporation. Corporate tax rates are divided in federal and provincial rates. The net federal tax rate is 15% and the Ontario rate is 11.5%.^{xxix} By paying lower taxes, DirectSplit will have greater cash flow that can be reinvested, allowing for faster growth.

¹⁸ Most online wholesalers impose a minimum order quantity that needs to be met before wholesale discounts are incurred.

¹⁹ Canadian Controlled Private Corporation

²⁰ Includes Articles of Incorporation and NUANS Name Search Report

Legal

Domain and Trademark

DirectSplit has purchased both www.directsplit.com and www.directsplit.ca (Exhibit 15) in order to protect its brand and drive greater Internet traffic.^{xxx} Additionally, DirectSplit has opted to submit an application for the registration of a trademark through the Canadian Intellectual Property Office.^{xxxi} This will cost \$450.

Terms of Service and Privacy Policy

DirectSplit will hire a lawyer to draft its terms of service and privacy policy (Exhibit 16). This will cost \$1,000. Doing so will protect DirectSplit against any potential litigation issues while conforming to Canada's PIPEDA.²¹

Insurance

DirectSplit has opted to acquire commercial general liability insurance for \$3,000 annually (Exhibit 17). This policy offers protection against third party bodily injury and property damage claims which can arise from a company's premises, operations, products, and completed operations.^{xxxii} As DirectSplit operates within the B2B wholesale market, orders are inherently of a greater size and value. Although DirectSplit is an intermediary that does not ever take ownership of the products purchased by SMEs, buyers may still allocate them the blame. In the event of litigation, the insurance policy will ensure that DirectSplit does not incur the associated financial liability.

Payment and Distribution

Buyers start by posting a link to a product that they would like to purchase. DirectSplit first contacts the seller and determines minimum shipping quantity²² as well as shipping costs to

²¹ Personal Information Protection and Electronic Documents Act

various locations within North America, if applicable. After contacting various sellers, it has been determined that this process takes less than 48 hours. Once the product and shipping rates are confirmed, the product is posted on DirectSplit's website and a timeframe²³ is set. During this timeframe, businesses commit to purchasing any quantity of the product given that it exceeds the minimum shipping quantity. When the product's listing time expires, the funds committed by the buyers are transferred to DirectSplit. DirectSplit then pays the supplier and provides them with individual order quantities and shipping information (Exhibit 18). After the supplier ships the product, corresponding emails containing shipping information²⁴ are sent to the buyers.

In order to process online payments, DirectSplit will need to use a payment gateway. DirectSplit will use PayPal Advanced.^{xxxiii} PayPal was chosen as their transaction fees are inversely related to sales volume (Exhibit 19). This means that as monthly sales increase, DirectSplit's variable costs decrease (Exhibit 20), thereby increasing profitability. Another intangible benefit from using PayPal is increased buyer confidence. PayPal is a trusted name in the payment processing industry and their reputation allows buyers to feel secure in their payments.

Scalability

A scalable business is sought after by venture capitalists, angel investors, and corporate buyers alike. A business is scalable if it can maintain or improve profit margins while sales volume increases^{xxxiv}. For DirectSplit, scalability refers to a strong incremental capital-output ratio. With increased user participation, DirectSplit benefits from economies of scale due to the

²² Minimum shipping quantity is determined by the supplier. This varies depending on the industry, product weight, and product cost.

²³ Timeframes range from 1 day to 14 days depending on original buyer specifications.

²⁴ Shipping information consists of tracking information, package contents and date of shipment.

rise in transactions. Additionally, as monthly sales volume increase, the relative cost of payment processing decreases. As such, DirectSplit's profit margins grow at a faster rate than that of its costs.

Web Hosting

Amazon EC2 Hosting²⁵ provides DirectSplit with a low cost, scalable, and easy-to-manage hosting solution. EC2 will host our website, backend operational code, and our communications system on a reliable remote instance.²⁶ These instances can be scaled on demand, and adapted to traffic requirements instantaneously. Using EC2 eliminates the need to purchase and maintain onsite server hardware, which is both expensive and complicated to use. The M3.Large Instance²⁷ is a multipurpose server, and will fulfill the needs of DirectSplit at launch and in the future. DirectSplit will also use the AWS Key System²⁸ which will allow for the management of 2 million registered users. The combination of M3 and AWS Services will provide DirectSplit with the backend support²⁹ required to operate all web services.

Marketing

Product

DirectSplit allows buyers seeking to purchase the same product to purchase collectively in order to achieve lower prices. This process capitalizes on volume discounts offered by suppliers who, in return, gain economies of scale. On this site, each product posting can be user-generated. Users fill out a form specifying the link to the wholesaler or manufacturer product page, the minimum funding required to reach their pricing goal, and a deadline marking when they wish to place that order. DirectSplit will do a preliminary check for information accuracy as

²⁵ The Elastic Compute Cloud (EC2) provides low cost remote scalable server environments.

²⁶ A remote instance is a virtual server operating within EC2.

²⁷ The M3.Large Instance is a general purpose server that is ideal for many uses.

²⁸ Amazon Web Services keys work with EC2 to provide secure user management.

²⁹ Back-end support includes all actions necessary for the operation of a site that are not seen by the user.

well as the seller's output capacity and shipping requirements³⁰ before listing the product on the website. Users use the search-engine to find the product and pledge funds for the group order based on their desired quantity. The website also acts as an assurance contract; insofar that if a discount goal is not achieved by the deadline, no funds will be collected. DirectSplit differentiates itself as a service through its innovation in online shopping. The interface features a progress bar (Exhibit 21) indicating progress on each posting. The website layout features a "drag-and-drop" style checkout basket (Exhibit 22). Aesthetically, the website will feature a minimalistic layout that draws the buyer's attention to the products. Lastly, the nature of DirectSplit's service enables it to adapt to external conditions. As a site run by its users, the products listed will change according to consumer demand. This flexibility allows DirectSplit to minimize the risk associated with the 'maturity and decline' phase of product lifecycles.

Place

DirectSplit's platform connects users with products, as well as each other. E-commerce is a distribution channel that allows users to interact internationally, thus expanding the potential market size. Successful orders are processed by DirectSplit, and then forwarded to the supplier. Taking advantage of drop shipping eliminates any costs associated with transportation, channel management, and warehousing.

Price

DirectSplit's service is offered at no cost. It generates its revenue through the discount spread on each order placed through the website. This positions DirectSplit competitively on the consumer perception chart (Exhibit 23). As a new business, ease of access and low-commitment is imperative for user adoption. As opposed to charging a fee, DirectSplit reserves 25% of the

³⁰ This includes carrier, estimated delivery times, and tracking numbers. After having contacted various sellers, it has been concluded that this process takes less than 48 hours.

wholesale discount saved through crowdfunding. This percentage is deducted from the discount offered to buyers, thereby avoiding the negative connotations associated with service charges.

Promotion

Acquisition

As an e-commerce platform, DirectSplit will focus on capturing its target demographic of SMEs through online marketing campaigns. Utilizing Google AdWords and Search Engine Optimization (SEO) tactics, DirectSplit will be able to maximize exposure with minimal costs. The company will employ cost-per-click (CPC) advertising in order to boost user engagement and brand recognition. DirectSplit will start with click bids of \$0.30 and a budget of \$30.00 per day. This allows them to analyze conversion ratios in the first fiscal year in order to optimize future bids. As the site focuses on the B2B industry, word-of-mouth promotion is vital in developing long-term relationships with buyers. Finally, DirectSplit reviews user feedback in order to improve its service and increase customer retention.

Retention

In order to retain existing buyers, DirectSplit will use MailChimp³¹ as a means of facilitating email marketing. As a start-up with limited cash flows, email marketing will be used because of its extensive reach, low cost, and capacity for personalization.

Business email accounts total 929 million, with expected year over year growth of 5%.^{xxxv} Additionally, email marketing has a high return on investment (ROI), with every \$1.00 spent generating \$44.25.^{xxxvi} For DirectSplit, greater returns are expected because businesses make larger purchases than consumers. Moreover, B2B emails achieve the highest open-rates at 27.97%.^{xxxvii} With the growth of the B2B e-commerce market, strong ROIs, and high open-rates,

³¹ <http://mailchimp.com/>

email marketing proves to be an effective strategy in growing and retaining DirectSplit's customer base.

MailChimp allows DirectSplit to analyze open, click, and unsubscription rates. Mailchimp, in conjunction with Google Analytics, allows DirectSplit to inform its email content with purchase data. These statistics allow DirectSplit to modify its marketing tactics in order to increase sales. Lastly, DirectSplit will be able to personalize its emails based on user preferences. This allows content to be catered to individual business segments (Exhibit 24).

Human Resources

Corporate Structure

DirectSplit operates under a functional corporate structure (Exhibit 25). Top-level management in each department will consist of a founding partner. DirectSplit will require a front end developer, back end developer, and will take advantage of administrative services offered by the virtual office.

Job Descriptions

Advisory Board

DirectSplit will have an advisory board consisting of four of the seven original founders. They will be compensated with an equal share of 50% of the equity of the business. This translates to a 12.5% equity stake per founder. Advisors can complement the strengths of the C-Suite executives and remain involved with executive decisions, without the long-term commitment required from Boards of Directors. They can continue to ensure that ongoing business decisions will coincide with the original visions for DirectSplit. Lastly, the lower fees, flexibility, and informal nature of the Advisory Board aligns with the needs of an e-commerce start-up.

Front-end developer

The front-end developer is responsible for DirectSplit's website user experience. This includes improving the interface, implementing new features, and optimizing menus. DirectSplit will hire a developer with proven HTML5 and e-commerce experience. Candidates with a background in graphic design or computer science will be prioritized. Additionally, in the short-term, the front-end developer will be responsible for addressing customer service inquiries. This direct line of communication between customers and the front-end developer ensures that DirectSplit's user interface responds dynamically to buyer demand. The front-end developer will be paid a competitive salary of \$60,000^{xxxviii}, with a 5% pay increase in subsequent years.

Back-end developer

The back-end developer will be responsible for website operations. This includes server monitoring, application hosting, and database operation. The primary function of the back-end developer will be the maintenance of the pricing application (algorithm) over time. Additionally, the back-end developer will ensure the security of DirectSplit's registered user database. These duties require knowledge of EC2, SQL³², Python³³, and the M3 Instance. Candidates with a background in computer science and/or mathematics will be prioritized. The back-end developer will be paid a competitive salary of \$50,000^{xxxix}, with a 5% pay increase in subsequent years.

C-Suite Executives

DirectSplit's advisory board votes on three executive positions for the company. The CEO has extensive experience with e-commerce and start-up management. He oversees DirectSplit's operations, ensuring that strategies adhere to the business' vision and goals. The

³² Structured Query Language is a standard means of communication with databases.

³³ Python is a modern, high-level programming language often used in server environments.

CFO manages cash flows, appropriates capital, and performs financial analyses. This ensures that DirectSplit remains solvent and able to address dynamic risks and opportunities within the B2B e-commerce market. The CTO oversees the front- and back-end developers. Additionally, the CTO analyzes technological developments and innovation in order to ensure DirectSplit adapts to advancements in the e-commerce industry. C-Suite executives will consist of the remaining three founders. They will be compensated with a 16.67% equity share, respectively. In doing so, their compensation is directly proportional to DirectSplit's success.

Office Administration

In lieu of a physical office, DirectSplit opts for a virtual office solution offered by Telsec. This service will organize incoming and outgoing mail, serve as administrative support, and provide boardrooms and offices if ever necessary. Moreover, Telsec offers personalized telephone answering during business hours (9:00 am - 5:00 pm) and will forward customer calls to the head of the appropriate department. This allows DirectSplit's founders to focus on operations while eliminating the need for an administrative assistant.

Finance

Revenue Assumption

DirectSplit has opted to use a top-down financial model (Exhibit 26) to forecast annual revenues. This model allows for revenue projections that vary in function of three main drivers. The first driver is market size. In order to associate a dollar-figure to our target market, we multiplied the number of Canadian SMEs by their average yearly purchases and by a percentage that accounts for businesses that do not shop online. The second driver is the adoption rate. DirectSplit's average viewing rate is calculated by dividing our total annual visitors by the number of SMEs who order online. This figure is then multiplied by an online, B2B, conversion

rate in order to express DirectSplit's adoption rate as a percentage of total SMEs. The final driver is the margin. DirectSplit's gross margin is calculated by multiplying the average percentage discount received through crowdfunding (Exhibit 27) by DirectSplit's transaction fee.³⁴

The model as a whole projects revenues of \$100,524 in 2016, \$539,277 in 2017, and \$1,236,120 in 2018 (Exhibit 28). Despite trends that predict growth, the market size assumptions³⁵ used in the model were kept constant in order to stay conservative. With that being said, DirectSplit exhibits year over year growth with a 300% increase in profits between the 2017 and 2018 fiscal year ends. Furthermore, DirectSplit has a market share breakeven rate of 0.0002% and achieves a margin of safety of 82.2% by 2018 (Exhibit 29). All of the aforementioned were achieved without incurring any debt financing over the first three years of operations (Exhibit 30). This is further reinforced by DirectSplit's statements of cash flows (Exhibit 31). DirectSplit's net cash flow increases from \$29,145 at the end of 2016 to \$658,330 at the end of 2018. This increase represents growth of over 2258.8% and results in positive ending cash throughout all 36 months of operations. Overall, this means that DirectSplit's business model is viable and provides a high potential return with minimal risk.

Sensitivity

Of all the variables considered in DirectSplit's revenue model, the conversion rate is the most significant. Average online B2B conversion rates vary between 0.46 to 3.43% with an industry median calculated to approximately 1.6%.^{x1} Forester Research, an independent technology and market research company, estimates conversion rates of 0.75% in new B2B platforms. As such, DirectSplit's model employs a cumulative distribution function that projects

³⁴ The average wholesale discount that can be achieved through crowdfunding is 26%. DirectSplit reserves 25% of this discount, which adds up to, on average 6.5% of sales.

³⁵ This includes the number of Canadian SMEs (1,107,540), their average yearly purchases (\$115,900), and the percentage of SMEs that order online (70.9%)

conversion rates to grow from 0.0375% in January 2006 to 0.75% by December 2018 (Exhibit 32). This translates to adoption rates³⁶ that range from 0.00015% to 0.0080% in the same period.

Following sensitivity analysis (Exhibit 33), it is clear that even in DirectSplit's lowest projections, the business model is fundamentally sound. In the event that conversion rates fall short of projections by 30%, DirectSplit would incur a loss of \$82,267 but would still maintain \$7,594 in free cash flows at the end of their first fiscal year. Moreover, by the end of 2018 they would achieve revenues of \$865,284, net income of \$334,635, and free cash flow of \$563,444. In the event that conversion rates exceed the model's forecasts, DirectSplit would make in excess of \$720,000 in net income by the end of 2018. Therefore, throughout the sensitivity analysis, DirectSplit remains solvent, liquid, and free of additional debt financing.

Investments

As an e-commerce intermediary, DirectSplit exhibits low financial risk. By forgoing a physical office in favour of Telsec's virtual office solutions^{xli}, DirectSplit is able to significantly reduce fixed costs (Exhibit 34). Additionally, by outsourcing its web hosting requirements to Amazon EC2 Hosting, DirectSplit is able to eliminate one of the largest investments required for new online businesses. As such, DirectSplit's total investment in their first year of operations amounts to \$11,671 (Exhibit 35). This results in a ROI that grows from 1507.84% in 2016 to 4518.41% by 2018 (Exhibit 36). Moreover, following their \$100,000 equity infusion in 2016, DirectSplit stands to achieve over 81.75% ROE by their 2nd year of operations (Exhibit 37).

³⁶ Adoption rates are expressed as a percentage of total SMEs. The conversion rate is a component in the calculation of the aforementioned.

Conclusion

Short Term

Prior to DirectSplit's launch in January 2016, C-Suite executives will hire developers and ensure the website meets specifications. In addition, DirectSplit will design and implement a marketing campaign targeting Canadian SMEs in tandem with its launch. User acquisition is expected to be slow within the first fiscal year, as SMEs begin to adopt the service. This being said, DirectSplit expects profits just over \$175,000 by the end of the second fiscal year. Retained earnings will be reinvested into the business to optimize user experience and increase the marketing budget, thereby improving adoption rates. In order to do so, DirectSplit will review customer feedback and Google Analytics to better understand consumer behaviour. In doing so, DirectSplit achieves greater brand recognition and establishes a presence in the B2B e-commerce market.

Long Term

After the initial three years of operations, DirectSplit will invest in the production of a mobile application to increase accessibility. Moreover, by allocating more funds to marketing, DirectSplit will generate higher search engine rankings, improve exposure, and increase adoption rates. Financially, DirectSplit will target year over year profit growth. To achieve this, DirectSplit will invest in research and development in order to grow within the dynamic B2B e-commerce market. Due to an increased user base, DirectSplit will outsource customer inquiries to a call centre. Moving forward, DirectSplit will acquire a physical office and hire additional developers as well as public relations specialists. Building on the success of the Canadian market, DirectSplit will expand internationally to the American SME market and beyond.

Contingency

The biggest risk that DirectSplit faces is the potential that SMEs will not adopt its service. To address this, a sensitivity analysis was performed in which, the conversion rate was varied by 30%. In the worst case scenario, DirectSplit suffers a loss of over \$83,000. However, positive cash flows of \$7,594 are maintained, thereby eliminating a need for debt financing.

In the case that the loss exceeds \$83,000, and that cash flows are negative, DirectSplit will require debt financing in order to remain solvent. This will be done through a short term line of credit. Furthermore, to address low conversion rates, DirectSplit will increase its CPC bid values. Additionally, in the short term, DirectSplit will scale back offerings in order to focus on the industries that have demonstrated the highest adoption rates and greatest contribution to revenues.

At the end of the second fiscal year, DirectSplit will reassess its financial position. If, at that point, projections do not show signs of profitability, DirectSplit will approach industry leaders such as Alibaba, AmazonSupply, and W.W. Grainger. DirectSplit will offer to sell its existing user base, crowdfunding model, and proportional pricing algorithm. This will ensure that buyers can continue to use the service.

In the case that DirectSplit exceeds the sensitivity projections, it will move operations forward. DirectSplit will acquire a physical office, hire additional developers, upgrade server instances, and hasten US expansion.

Decision

Based on the previous analysis, e-commerce, ICT, and the B2B industry as a whole are poised for exponential growth. DirectSplit's value proposition allows it to capitalize on this growth while servicing a virtually untapped market. The business model offers Canadian SMEs

the opportunity to increase their buying power, grow their margins, and maintain their current operating cash flow requirements. Despite incurring a loss in its first fiscal year, DirectSplit is projected to achieve profitability in their second year of operations. With no need for additional debt financing and a market share breakeven of 0.0002%, DirectSplit's launch is one that involves relatively low risk. As such, DirectSplit has proven to be feasible and will begin operations in January of 2016.

Exhibits

Exhibit 1: Reddit Survey

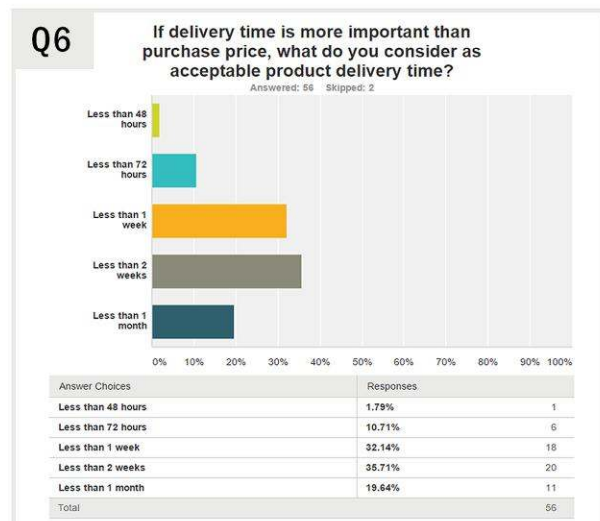
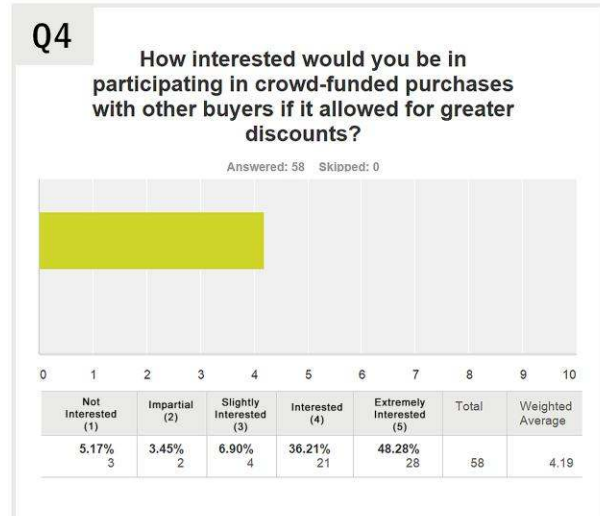
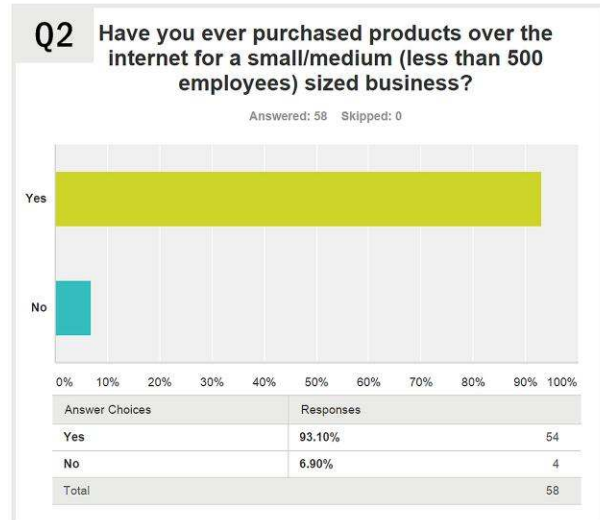
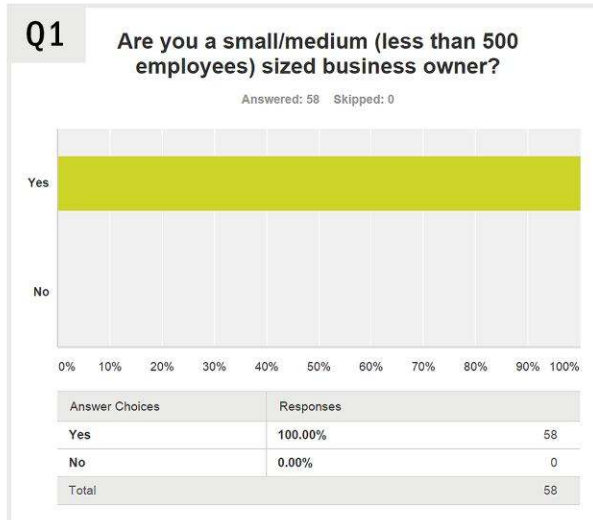


Exhibit 2: DirectSplit's Spread

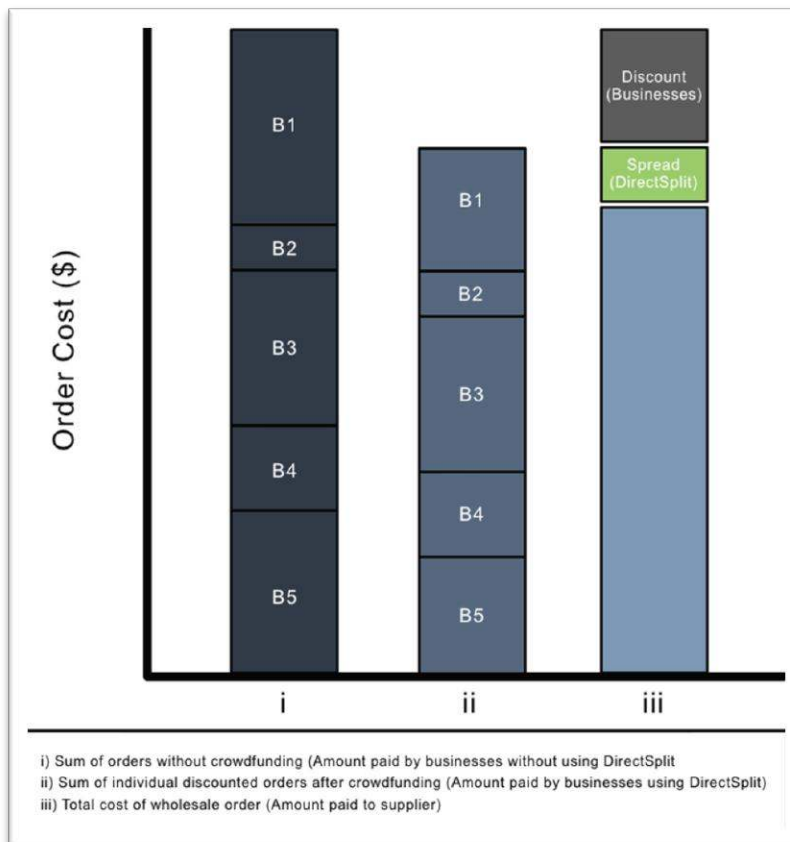


Exhibit 3: DirectSplit's Homepage

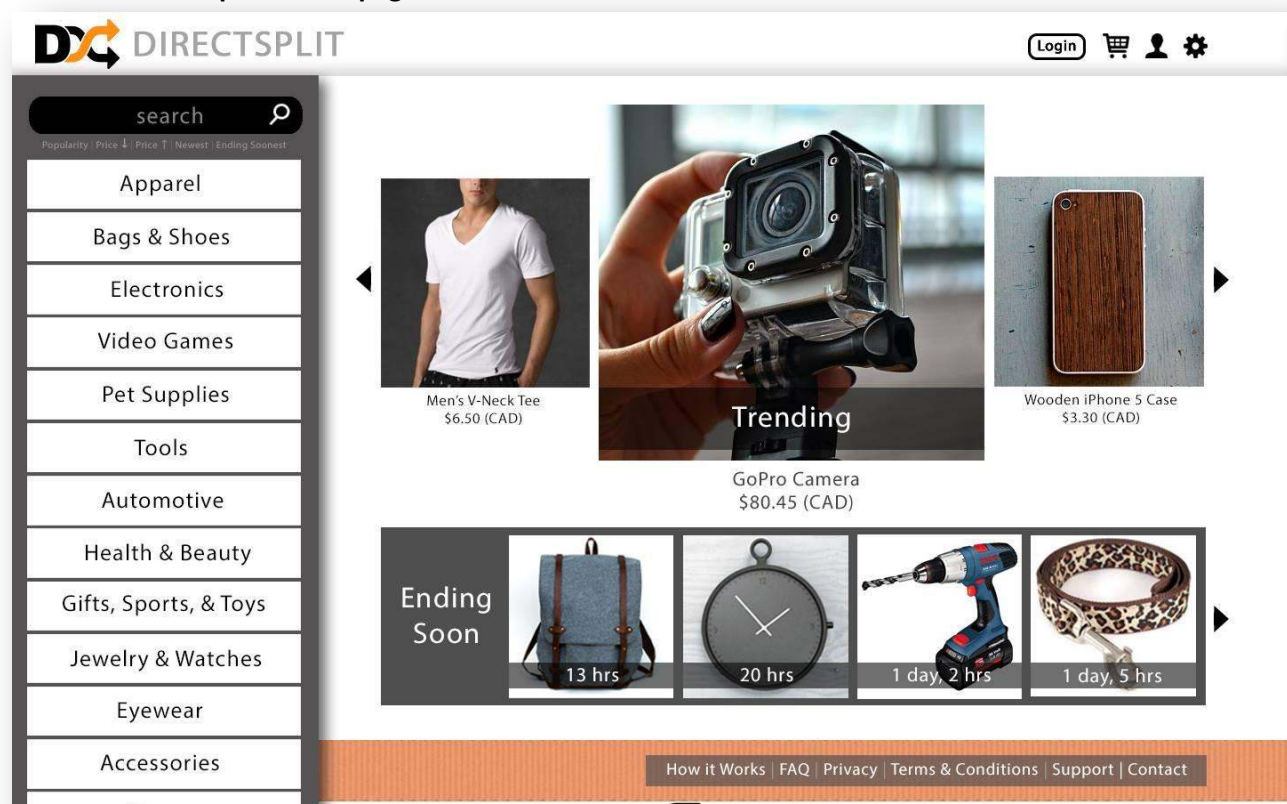


Exhibit 4: DirectSplit's Checkout Page

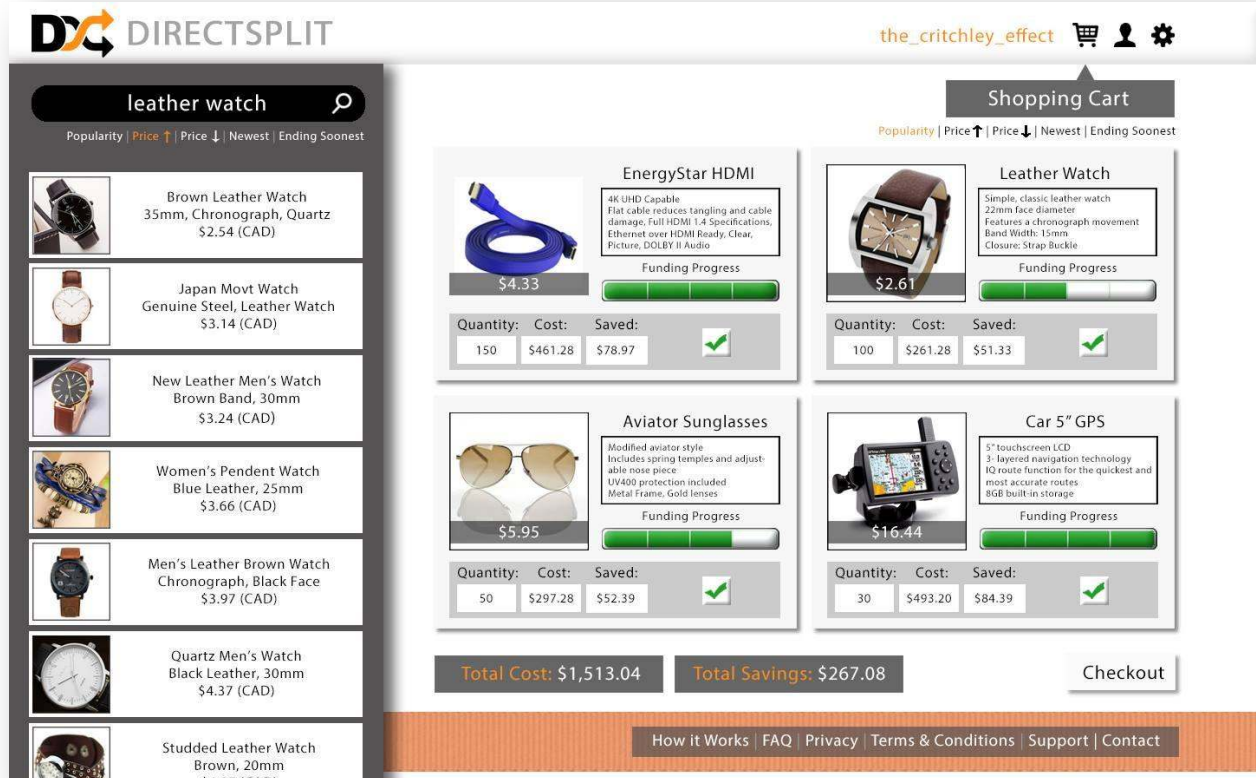


Exhibit 5: Growth in Developing E-Commerce Markets

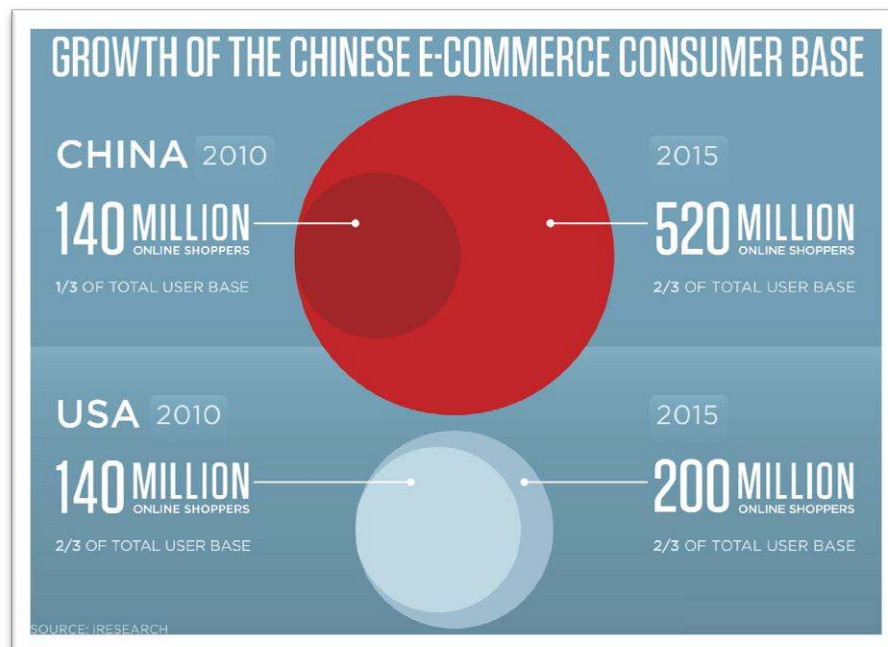


Exhibit 6: Growth of Alibaba

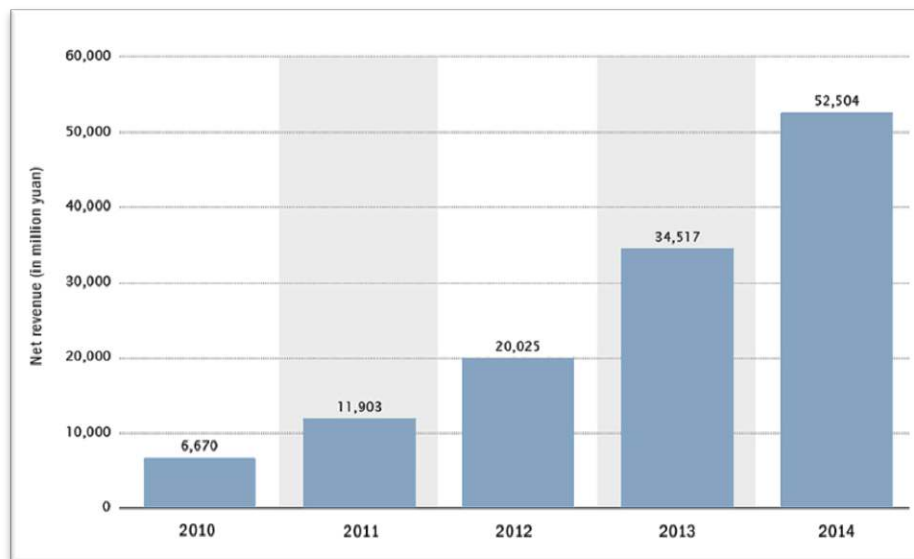


Exhibit 7: Growth of Internet ETFs



Exhibit 8: SMEs as a Percentage of All Businesses

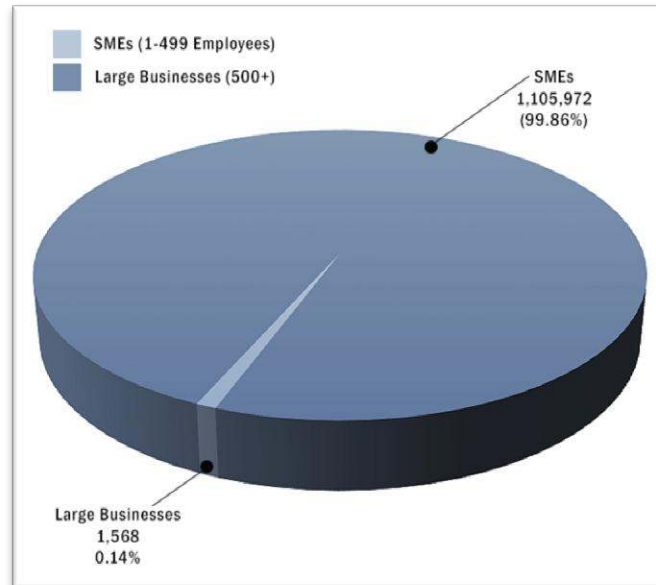


Exhibit 9: Growth in Canadian Internet Usage

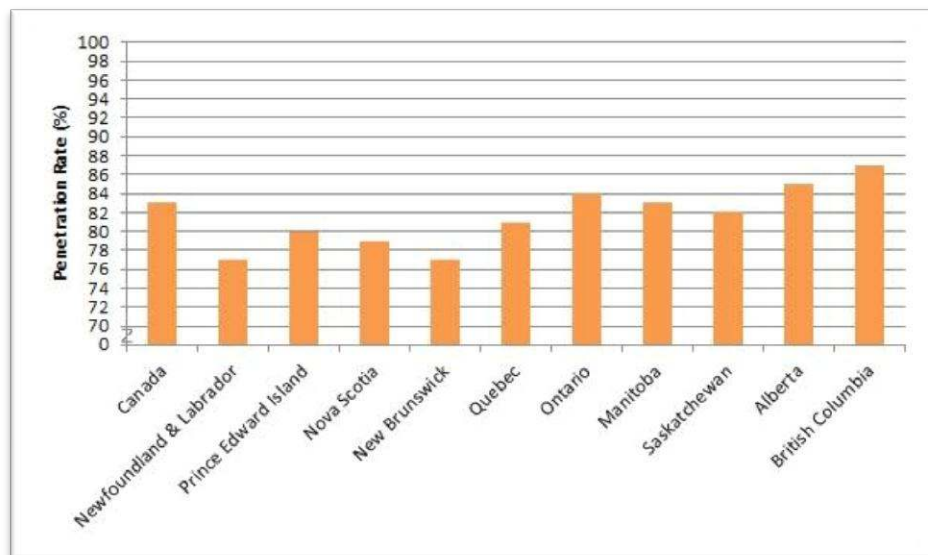


Exhibit 10: Internet Access in Function of Country

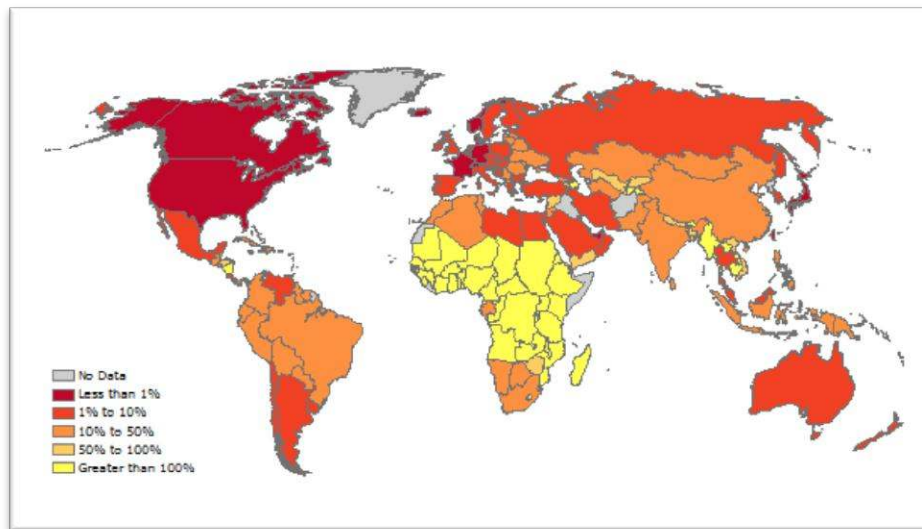


Exhibit 11: Growth in Global Internet Use (# of People)

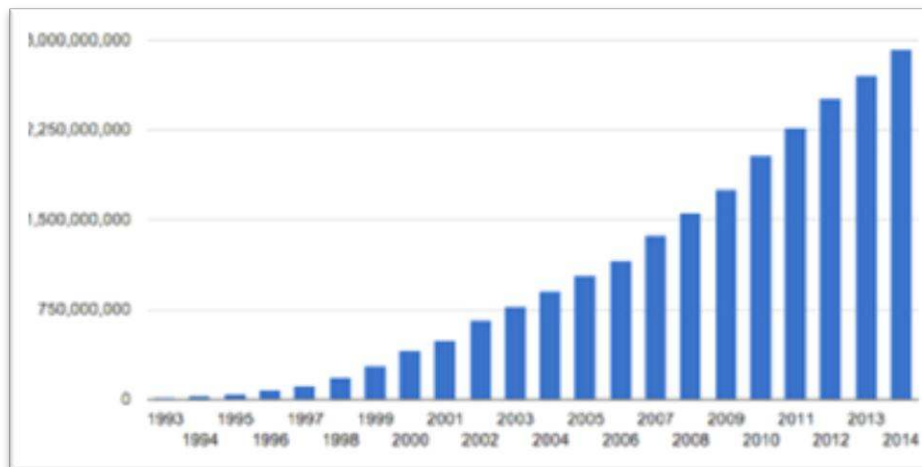


Exhibit 12: Canadian SME GDP Contribution

Province	Contribution to GDP (Percent)									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Newfoundland and Labrador	19	18	21	19	19	18	18	20	19	20
Prince Edward Island	32	29	31	30	30	29	29	29	26	32
Nova Scotia	26	25	26	25	25	26	25	25	24	23
New Brunswick	25	23	25	25	24	25	25	24	23	22
Quebec	27	27	29	30	30	30	31	30	28	27
Ontario	24	23	24	25	26	26	27	26	25	25
Manitoba	23	24	25	25	26	26	26	26	24	24
Saskatchewan	26	24	29	29	30	32	33	35	30	32
Alberta	28	26	26	27	29	31	31	29	27	27
British Columbia	28	29	33	33	33	34	34	32	30	29
Canada	26	25	27	28	28	29	29	28	27	27

Exhibit 13: DirectSplit Pricing Algorithm

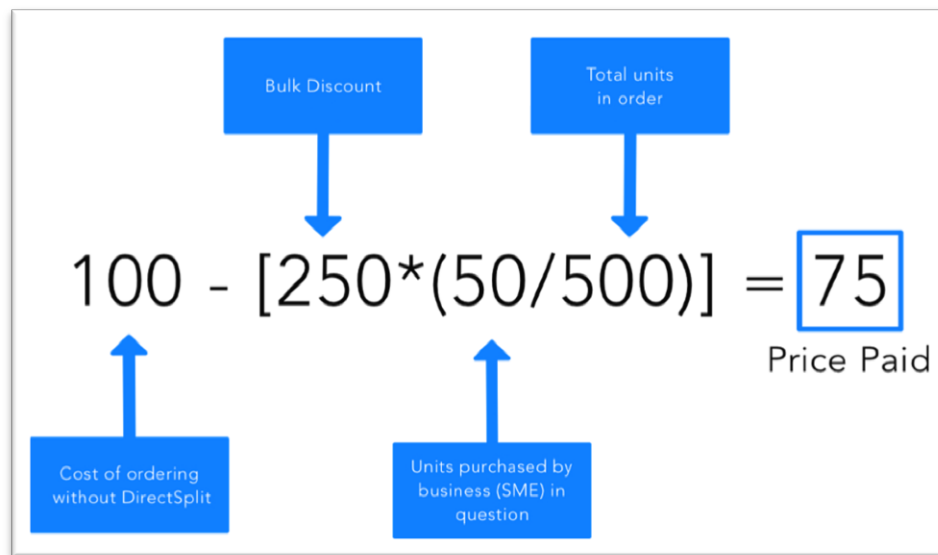


Exhibit 14: Tier-Based Discounts

The screenshot shows a product page for a 1.4V MINI HDMI cable. The product is sold by Zengwenbing and has a rating of 5 stars from 1 review. The unit price is US \$3.02 - 4.89 / Piece. The shipping cost is Free Shipping to Canada Via China Post Air Mail. The delivery is estimated between Mon Mar 2 and Sun Mar 15. The total cost is US \$4.89.

Qty	Price
1 - 4	US \$4.89
5 - 89	US \$3.64
90 - 99	US \$3.36
100 +	US \$3.02

In a tier-based discount model, the business that orders 5 cables and the business that orders 89 (a 1780% increase) pay the same price.

Exhibit 15: Domain Fees







Product	Term	Unit Price	Subtotal
 directsplit.com .COM Domain Registration <small>*Plus ICANN fee of C\$0.25/yr</small>	3 Years	C\$ 3.99/yr 1st year C\$ 16.99/yr 2+ years*	C\$ 37.97 @Remove
 directsplit.com Protected Registration Package 53% Off	3 Year(s)	C\$ 19.99 /yr Save C\$ 23.00	C\$ 59.97 @Remove
Also Includes:			
directsplit.com			
Business Registration			C\$ 0.00 C\$ 6.99 /yr
Domain Ownership Protection			C\$ 0.00 C\$ 23.99 /yr
Certified Domain Registration			C\$ 18.87
 directsplit.ca .CA Domain Registration			
	3 Years	C\$ 1.99/yr 1st year C\$ 13.99/yr 2+ years	C\$ 29.97 @Remove
 Matching Domains Available (.net, .co, .info)			
 Business Registration Package	3 Year(s)	C\$ 13.28 /yr	C\$ 39.84 @Remove
Also Includes:			
Business Registration			C\$ 20.97
Certified Domain Registration			C\$ 18.87
 Business Premium 40% Off	36 Months	C\$ 11.99 /mo Save C\$ 96.00	C\$ 431.64 @Remove

Exhibit 16: Terms of Service

Terms and Conditions of Use - Direct Split

1 Acceptance The Use Of Direct Split Terms and Conditions

Your access to and use of Direct Split is subject exclusively to these Terms and Conditions. You will not use the Website for any purpose that is unlawful or prohibited by these Terms and Conditions. By using the Website you are fully accepting the terms, conditions and disclaimers contained in this notice. If you do not accept these Terms and Conditions you must immediately stop using the Website.

2 LEGAL ADVICE

Direct Split reserves the right to: Change or remove (temporarily or permanently) the Website or any part of it without notice and you confirm that Direct Split shall not be liable to you for any such change or removal and. Change these Terms and Conditions at any time, and your continued use of the Website following any changes shall be deemed to be your acceptance of such change.

3 LINKS TO THIRDS PARTY WEBSITES

Direct Split Website may include links to third party websites that are controlled and maintained by others. Any link to other websites is not an endorsement of such websites and you acknowledge and agree that we are not responsible for the content or availability of any such sites.

4 COPYRIGHT

All copyright, trade marks and all other intellectual property rights in the Website and its content (including without limitation the Website design, text, graphics and all software and source codes connected with the Website) are owned by or licensed to Direct Split or otherwise used by Direct Split as permitted by law.

In accessing the Website you agree that you will access the content solely for your personal, non-commercial use. None of the content may be downloaded, copied, reproduced, transmitted, stored, sold or distributed without the prior written consent of the copyright holder. This excludes the downloading, copying and/or printing of pages of the Website for personal, non-commercial home use only.

5 LINKS TO AND FROM OTHER WEBSITES

5.1 Throughout this Website you may find links to third party websites. The provision of a link to such a website does not mean that we endorse that website. If you visit any website via a link on this Website you do so at your own risk.

5.2 Any party wishing to link to this website is entitled to do so provided that the conditions below are observed:

- (a) you do not seek to imply that we are endorsing the services or products of another party unless this has been agreed with us in writing;
- (b) you do not misrepresent your relationship with this website; and
- (c) the website from which you link to this Website does not contain offensive or otherwise controversial content or, content that infringes any intellectual property rights or other rights of a third party.

5.3 By linking to this Website in breach of our terms, you shall indemnify us for any loss or damage suffered to this Website as a result of such linking.

6 DISCLAIMERS AND LIMITATION OF LIABILITY

6.1 The Website is provided on an AS IS and AS AVAILABLE basis without any representation or endorsement made and without warranty of any kind whether express or implied, including but not limited to the implied warranties of satisfactory quality, fitness for a particular purpose, non-infringement, compatibility, security and accuracy.

6.2 To the extent permitted by law, Direct Split will not be liable for any indirect or consequential loss or damage whatever (including without limitation loss of business, opportunity, data, profits) arising out of or in connection with the use of the Website.

6.3 Direct Split makes no warranty that the functionality of the Website will be uninterrupted or error free, that defects will be corrected or that the Website or the server that makes it available are free of viruses or anything else which may be harmful or destructive.

6.4 Nothing in these Terms and Conditions shall be construed so as to exclude or limit the liability of Direct Split for death or personal injury as a result of the negligence of Direct Split or that of its employees or agents.

7 INDEMNITY

You agree to indemnify and hold Direct Split and its employees and agents harmless from and against all liabilities, legal fees, damages, losses, costs and other expenses in relation to any claims or actions brought against Direct Split arising out of any breach by you of these Terms and Conditions or other liabilities arising out of your use of this Website.

8 SEVERANCE

If any of these Terms and Conditions should be determined to be invalid, illegal or unenforceable for any reason by any court of competent jurisdiction then such Term or Condition shall be severed and the remaining Terms and Conditions shall survive and remain in full force and effect and continue to be binding and enforceable.

9 WAIVER

If you breach these Conditions of Use and we take no action, we will still be entitled to use our rights and remedies in any other situation where you breach these Conditions of Use.

10 GOVERNING LAW

These Terms and Conditions shall be governed by and construed in accordance with the law of Canada and you hereby submit to the exclusive jurisdiction of the Canada courts.

11 CONTACT DETAILS

1 Youngs St. Toronto ON M5J 1A7 Canada

Exhibit 17: Privacy Policy

DirectSplit.com Privacy Policy

This privacy policy has been compiled to better serve those who are concerned with how their 'Personally identifiable information' (PII) is being used online. PII, as used in US privacy law and information security, is information that can be used on its own or with other information to identify, contact, or locate a single person, or to identify an individual in context. Please read our privacy policy carefully to get a clear understanding of how we collect, use, protect or otherwise handle your Personally Identifiable Information in accordance with our website.

What personal information do we collect from the people that visit our blog, website or app?

When ordering or registering on our site, as appropriate, you may be asked to enter your name, email address, mailing address, phone number, credit card information or other details to help you with your experience.

When do we collect information?

We collect information from you when you place an order or enter information on our site.

How do we use your information?

We may use the information we collect from you when you register, make a purchase, sign up for our newsletter, respond to a survey or marketing communication, surf the website, or use certain other site features in the following ways: Personalize user's experience, to allow us to deliver the type of content and product offerings in which you are most interested. To improve our website in order to better serve you. To allow us to better service you in responding to your customer service requests. To quickly process your transactions. To send periodic emails regarding your order or other products and services.

How do we protect visitor information?

Our website is scanned on a regular basis for security holes and known vulnerabilities in order to make your visit to our site as safe as possible. We use regular Malware Scanning. Your personal information is contained behind secured networks and is only accessible by a limited number of persons who have special access rights to such systems, and are required to keep the information confidential. In addition, all sensitive/credit information you supply is encrypted via Secure Socket Layer (SSL) technology. We implement a variety of security measures when a user places an order enters, submits, or accesses their information to maintain the safety of your personal information. For your convenience we may store your credit card information kept for more than 60 days in order to expedite future orders, and to automate the billing process.

Do we use 'cookies'?

Yes. Cookies are small files that a site or its service provider transfers to your computer's hard drive through your Web browser (if you allow) that enables the site's or service provider's systems to recognize your browser and capture and remember certain information. For instance, we use cookies to help us remember and process the items in your shopping cart. They are also used to help us understand your preferences based on previous or current site activity, which enables us to provide you with improved services. We also use cookies to help us compile aggregate data about site traffic and site interaction so that we can offer better site experiences and tools in the future.

We use cookies to: Help remember and process the items in the shopping cart. Understand and save user's preferences for future visits. Compile aggregate data about site traffic and site interactions in order to offer better site experiences and tools in the future. We may also use trusted third party services that track this information on our behalf.

If you disable cookies off, some features will be disabled, it will turn off some of the features that make your site experience more efficient and some of our services will not function properly. However, you can still place orders personalization, product recommendations by contacting customer service.

We do not sell, trade, or otherwise transfer to outside parties your personally identifiable information. We use Google AdSense Advertising on our website. Google, as a third party vendor, uses cookies to serve ads on our site. Google's use of the DART cookie enables it to serve ads to our users based on their visit to our site and other sites on the Internet. Users may opt out of the use of the DART cookie by visiting the Google ad and content network privacy policy.

We have implemented the following: Remarketing with Google AdSense, Google Display Network Impression Reporting, Demographics and Interests Reporting

We honor do not track signals and do not track, plant cookies, or use advertising when a Do Not Track (DNT) browser mechanism is in place. When it comes to the collection of personal information from children under 13, the Children's Online Privacy Protection Act (COPPA) puts parents in control. The Federal Trade Commission, the nation's consumer protection agency, enforces the COPPA Rule, which spells out what operators of websites must do to protect children's privacy and safety online. We do not specifically market to children under 13.

In order to be in line with Fair Information Practices we will take the following responsive action, should a data breach occur:

We will notify the users via email within 1 business day.

We will notify the users via in site notification within 1 business day.

To be in accordance with CANSPAM we agree to the following: NOT use false, or misleading subjects or email addresses

- Identify the message as an advertisement in some reasonable way
- Include the physical address of our business or site headquarters
- Monitor third party email marketing services for compliance, if one is used.
- Honor opt-out/unsubscribe requests quickly
- Allow users to unsubscribe by using the link at the bottom of each email

Contacting Us

DirectSplit.com

1 Yonge St. Toronto ON M5J 1A7

contact@DirectSplit.com

Exhibit 18: Insurance Policy – Commercial General Liability

RE: Emailing: Business Flyer.pdf, SMALL BUSINESS INSURANCE INFOSHEET P020.pdf


Ursula Goudsbloem Add to contacts 02/02/2015 |
To: anita lin

Hi Anita – tis tough to get estimates "just like that" as there are so many different parts to an insurance policy for businesses (tis like putting an Ikea cabinet or a Lego castle together: Tons of different pieces!!)

I don't have a comparable business in our book of business, but for project sake I would think \$3000

Ursula Goudsbloem | Associate Insurance Advisor
Scot Musser Agency | The Co-operators
3-1900 Hyde Park Rd. London ON N6H 5L9
Tel.: 519-657-3300 | Toll Free 1-888-699-2667 | Fax: 519-474-1100

Exhibit 19: Sample Order Sheet

 **DirectSplit**

Date: 16-11-02
Invoice Number: 2257-1220E
Total Quantity: 4017
Item Description: 3.5mm Galvanized Bolt

Business Name	Address	City	Province	Postal Code	Quantity	Notes
Greg's Garage	123 Ivey Avenue	London	Ontario	N6H 0E6	2257	
Ory Supplies	12 Sommerville Crescent	Toronto	Ontario	L4S 1R4	540	
Critchley Corporation	10 Business Street	Calgary	Alberta	T2P 4J8	1220	

Exhibit 20: PayPal Fees

Your monthly sales	Your fee per transaction	Examples
\$0 to \$3,000	2.9% + \$0.30	\$3.20 fee on a \$100 sale
\$3,000.01+ to \$12,000	2.5% + \$0.30*	\$2.80 fee on a \$100 sale
\$12,000.01+ to \$125,000	2.2% + \$0.30*	\$2.50 fee on a \$100 sale
\$125,000.01+	1.9% + \$0.30*	\$2.20 fee on a \$100 sale

Exhibit 20: Variable Cost Schedule

Item	Dollar Value	Percentage of Sales	Contribution Margin
Transaction Fees - Year 1	\$ 30,904.05	30.7%	69.3%
Transaction Fees - Year 2	\$ 157,960.28	29.3%	70.7%
Transaction Fees - Year 3	\$ 362,069.93	29.3%	70.7%

Exhibit 22: DirectSplit's Progress Bar

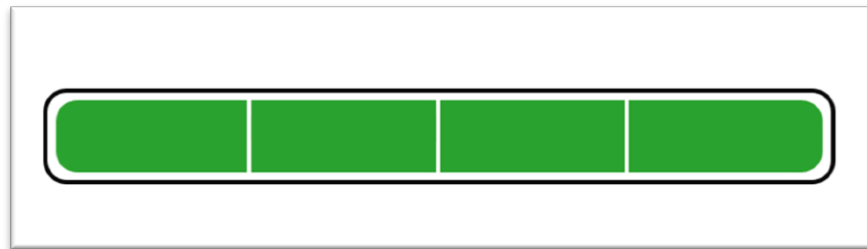


Exhibit 23: Interactive Web Interface

The screenshot displays the DirectSplit web interface. On the left, a sidebar lists various watches under the heading "leather watch". The main content area shows a "Leather Watch" product with a price of \$2.61, a quantity of 100, a cost of \$261.28, and a saved amount of \$51.33. Below this, there are sections for "Aviator Sunglasses" and "Car 5" GPS". The bottom of the interface shows a "Total Cost" of \$1,513.04 and "Total Savings" of \$267.08, along with a "Checkout" button. The top right corner features a shopping cart icon and user settings.

Exhibit 24: Consumer Perception Chart

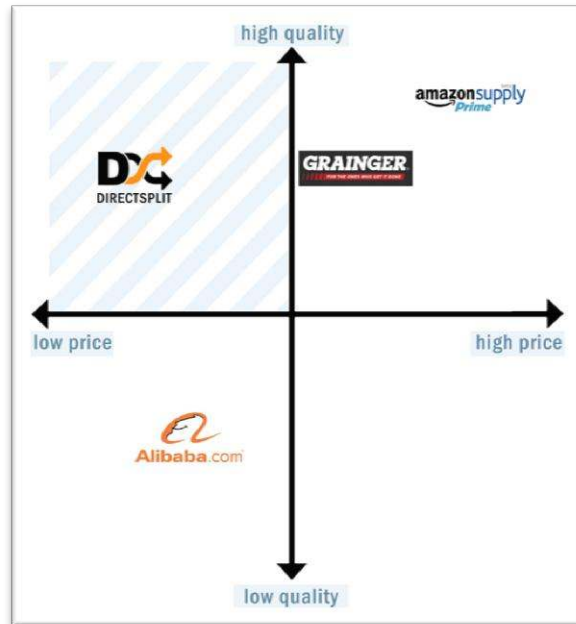


Exhibit 25: Sample Customer Segments

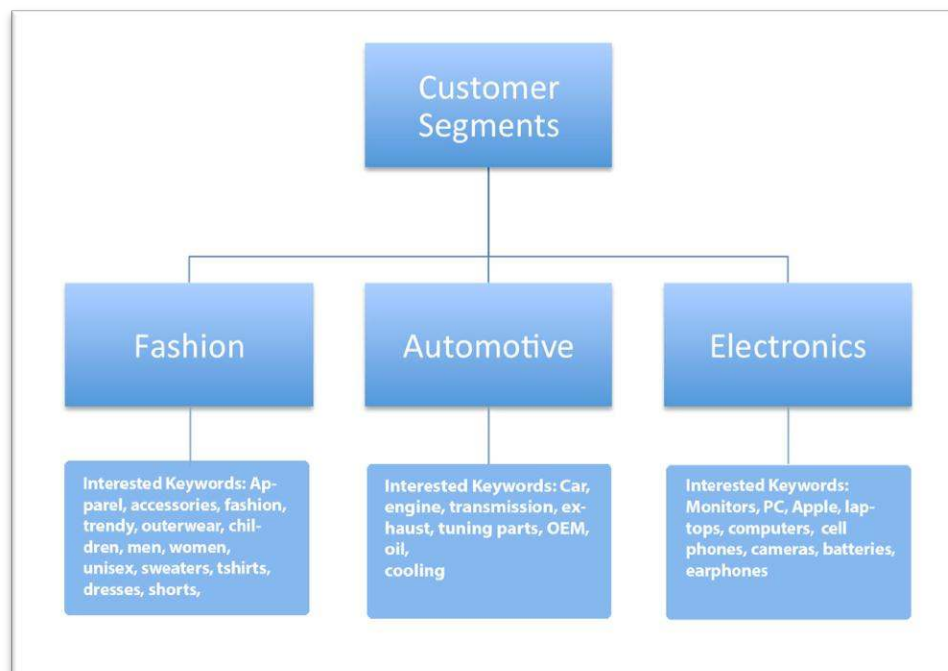


Exhibit 26: Corporate Structure

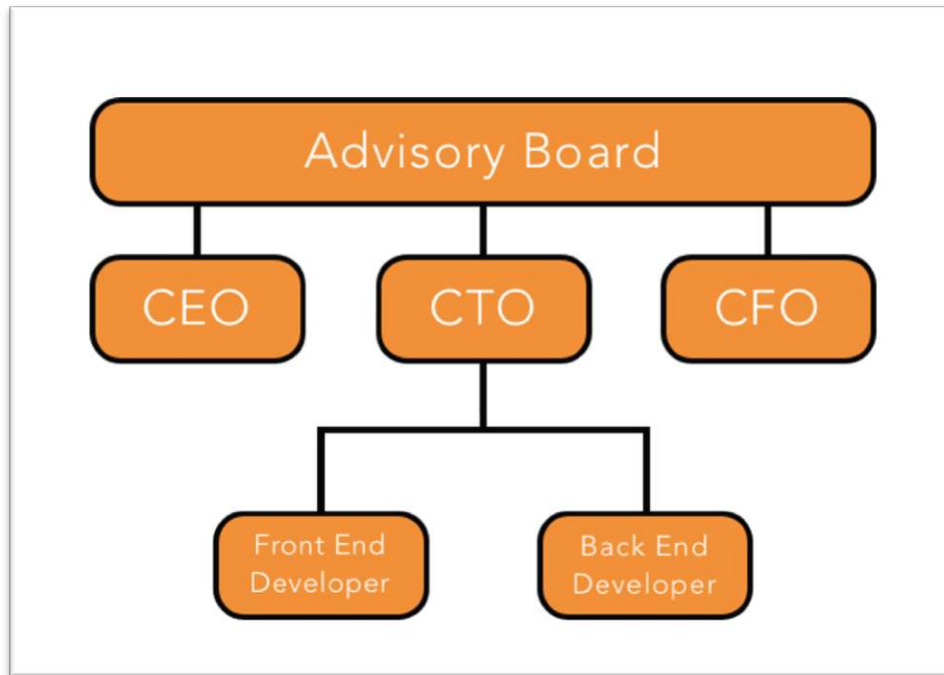


Exhibit 27: Revenue Model

$$\text{Sales Revenue} = N \times Y \times O \times A \times W \times M$$

N = Number of SMEs

Y = Average Yearly Purchases

O = Percentage of SMEs that Order Online

Market Size

$$A = \frac{(\text{Google AdWords Visitors} + \text{SEO Visitors})}{(\text{Number of SMEs} \times \text{Percentage of SMEs who Order Online})} \times \text{Online B2B Conversion Rate}$$

Adoption Rate

W = Average Wholesale Discount

M = DirectSplit's Margin

Gross Margin

Exhibit 28: Average Wholesale Discount

Categories	Number of listings	Average Discount	Weighted Discount
Agriculture & Food			
Agriculture	3978931	20%	0.17%
Food & Beverage	1844710	30%	0.12%
Apparel, Textiles, & Accessories			
Apparel	7293919	43%	0.67%
Fashion Accessories	3861822	4%	0.03%
Textile & Leather Product	6820301	18%	0.27%
Timepieces, Jewelry, Eyewear	9188403	25%	0.50%
Auto & Transportation			
Automobiles & Motorcycles	11099078	22%	0.52%
Transportation	4883794	17%	0.18%
Bags, Shoes, & Accessories			
Luggage, Bags, & Cases	7752108	12%	0.20%
Shoes & Accessories	1359509	28%	0.08%
Electronics			
Computer Hardware & Software	10651488	8%	0.17%
Consumer Electronics	19039688	55%	2.28%
Home Appliance	3377259	8%	0.06%
Security & Protection	6664595	3%	0.04%
Electrical Equipment, Components, & Telecoms			
Electrical Equipment & Supplies	12465565	46%	1.24%
Telecommunications	9556665	5%	0.11%
Electronic Components & Supplies	33741393	15%	1.12%
Gifts, Sports, & Toys			
Sports & Entertainment	7010615	107%	1.63%
Toys & Hobbies	2548903	27%	0.15%
Gifts & Crafts	8192465	4%	0.08%
Health & Beauty			
Health & Medical	14566191	33%	1.05%
Beauty & Personal Care	20219118	63%	2.74%
Home, Lights, & Construction			
Constructions & Real Estates	32362320	56%	3.90%
Lights & Lighting	17198857	38%	1.41%
Home & Garden	17874897	21%	0.80%
Furniture	66911014	4%	0.55%
Machinery, Industrial Parts, & Tools			
Machinery	37337099	25%	2.02%
Tools	2064999	9%	0.04%
Measurement & Analysis Instruments	2749009	26%	0.15%
Industrial Parts & Fabrication Services	8309870	107%	1.93%
Hardware	6789943	24%	0.35%
Metallurgy, Chemicals, Rubber, & Plastics			
Minerals & Metallurgy	17030847	9%	0.32%
Rubber & Plastics	4608372	8%	0.08%
Environment	799025	8%	0.01%
Chemicals	6071252	12%	0.16%
Energy	2587583	26%	0.15%
Packaging, Advertising, & Office			
Packaging & Printing	20135549	10%	0.42%
Service Equipment	7846483	36%	0.61%
Office & School Supplies	5188647	9%	0.10%
Total	461982286		26%

Exhibit 29: Projected Income Statements

	2016	%	2017	%	2018	%
Revenues	\$ 100,524	100.000%	\$ 539,277	100.000%	\$ 1,236,120	100.000%
Less: Variable Costs	30,904	30.743%	157,960	29.291%	362,070	29.291%
Gross Profit	<u>\$ 69,620</u>	<u>69.257%</u>	<u>\$ 381,317</u>	<u>70.709%</u>	<u>\$ 874,050</u>	<u>70.709%</u>
Operating Expenses						
Virtual Office	\$ 900	0.895%	\$ 900	0.167%	\$ 900	0.073%
Insurance	\$ 3,000	2.984%	\$ 3,000	0.556%	\$ 3,000	0.243%
Fixed Fee Banking Plan (RBC)	\$ 420	0.418%	\$ 600	0.111%	\$ 900	0.073%
Paypal Advanced	\$ 120	0.119%	\$ 120	0.022%	\$ 120	0.010%
<i>Domain</i>						
.COM Domain Registration	\$ 4	0.004%	\$ 17	0.003%	\$ 17	0.001%
.COM Certified Domain Registration	\$ 19	0.019%	\$ -	0.000%	\$ -	0.000%
.COM Protected Registration Package	\$ 20	0.020%	\$ 20	0.004%	\$ 20	0.002%
.CA Domain Registration	\$ 2	0.002%	\$ 14	0.003%	\$ 14	0.001%
.CA Business Registration Package	\$ 13	0.013%	\$ 13	0.002%	\$ 13	0.001%
Business Premium Email	\$ 144	0.143%	\$ 144	0.027%	\$ 144	0.012%
EC2 Hosting	\$ 915	0.911%	\$ 915	0.170%	\$ 915	0.074%
User Management - Master Key	\$ 12	0.012%	\$ 12	0.002%	\$ 12	0.001%
User Management - Requests	\$ 72	0.071%	\$ 72	0.013%	\$ 72	0.006%
<i>Marketing</i>						
Email Marketing	\$ 381	0.379%	\$ 763	0.142%	\$ 1,145	0.093%
Google AdWords	\$ 10,950	10.893%	\$ 16,425	3.046%	\$ 24,638	1.993%
<i>Wages</i>						
Front End Developer	\$ 60,000	59.687%	\$ 63,000	11.682%	\$ 66,150	5.351%
Back End Developer	\$ 50,000	49.739%	\$ 52,500	9.735%	\$ 55,125	4.460%
<i>Amortization</i>						
Website	\$ 3,333	3.316%	\$ 3,333	0.618%	\$ 3,333	0.270%
Trademark	\$ 30	0.030%	\$ 30	0.006%	\$ 30	0.002%
Total Expenses	<u>\$ 130,336</u>	<u>129.657%</u>	<u>\$ 141,879</u>	<u>26.309%</u>	<u>\$ 156,548</u>	<u>12.664%</u>
Net Profit Before Tax	(60,716)		239,438		717,502	
Income Taxes	-		63,451		190,138	
Net Profit After Tax	(60,716)		175,987		527,364	
Dividends	-		-		-	
Adj. to Retained Earnings	<u>\$ (60,716)</u>		<u>\$ 175,987</u>		<u>\$ 527,364</u>	

Exhibit 30: Breakeven Analysis

Break-Even	2016	2017	2018
Total Fixed Costs	\$ 132,167	\$ 140,963	\$ 155,632
Contribution Margin	69.3%	70.7%	70.7%
B/E Sales (\$)	\$ 190,835	\$ 199,357	\$ 220,102
Projected Sales	\$ 100,524	\$ 539,277	\$ 1,236,120
Margin of Safety	-89.8%	63.0%	82.2%

Cash Break-Even			
Total Cash Fixed Costs	\$ 128,803	\$ 137,600	\$ 152,269
Contribution Margin	69.3%	70.7%	70.7%
Cash B/E Sales (\$)	\$ 185,979	\$ 194,601	\$ 215,346
Projected Sales	\$ 100,524	\$ 539,277	\$ 1,236,120
Margin of Safety	-85.0%	63.9%	82.6%

Market Share Break-Even			
Breakeven Sales	\$ 190,835	\$ 199,357	\$ 220,102
Market Size	\$ 91,009,995,174	\$ 91,009,995,174	\$ 91,009,995,174
B/E Market Share	0.0002%	0.0002%	0.0002%

Exhibit 31: Projected Balance Sheets

	Year 1 as of 12/31/2016	Year 2 as of 12/31/2017	Year 3 as of 12/31/2018
Assets			
Current Assets			
Cash	\$ 29,145	\$ 272,861	\$ 931,192
Prepaid EC2 Hosting	1,831	915.33	-
Website	10,000	6,667	3,333
Less: Amortization	3,333	3,333	3,333
Total Current Assets	\$ 37,642	\$ 277,110	\$ 931,192
Intangible Assets			
Trademark	450	420	390
Less: Amortization	30	30	30
Articles of Incorporation		200	200
NUANS Name Search Report		21	21
Terms of Service		500	500
Privacy Policy		500	500
Total Intangible Assets	1,641	1,611	1,581
TOTAL Assets	\$ 39,284	\$ 278,722	\$ 932,773
Liabilities and Equity			
Current Liabilities			
Taxes payable	-	63,451	190,138
Total Current Liabilities	\$ -	\$ 63,451	\$ 190,138
Total Liabilities	\$ -	\$ 63,451	\$ 190,138
Owners' Equity			
Equity Infusion	\$ 100,000	\$ 100,000	\$ 100,000
Retained earnings - beginning	-	(60,716)	115,271
Retained earnings - current	(60,716)	175,987	527,364
Total Owners' Equity	\$ 39,284	\$ 215,271	\$ 742,635
Total Liabilities & Equity	\$ 39,284	\$ 278,722	\$ 932,773

Exhibit 32: Projected Statements of Cash Flows

	January	February	March	April	May	June	July	August	September	October	November	December	Totals
Sales	\$ 36,744.94	\$ 43,347.54	\$ 55,875.27	\$ 63,757.06	\$ 75,955.46	\$ 93,264.16	\$ 117,076.20	\$ 145,607.55	\$ 170,671.66	\$ 207,607.63	\$ 242,422.95	\$ 294,189.78	\$ 1,546,520.19
Inflows:													
Transaction Fee (6.5%)	\$ 2,386.42	\$ 2,817.59	\$ 3,631.89	\$ 4,144.21	\$ 4,937.10	\$ 6,062.17	\$ 7,609.95	\$ 9,464.49	\$ 11,093.66	\$ 13,494.50	\$ 15,757.49	\$ 19,122.34	\$ 100,523.81
Equity Infusion	\$ 100,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000.00
Total Inflows	\$ 102,386.42	\$ 2,817.59	\$ 3,631.89	\$ 4,144.21	\$ 4,937.10	\$ 6,062.17	\$ 7,609.95	\$ 9,464.49	\$ 11,093.66	\$ 13,494.50	\$ 15,757.49	\$ 19,122.34	\$ 200,523.81
Outflows:													
Variable Costs	\$ 809.89	\$ 965.45	\$ 1,231.66	\$ 1,405.36	\$ 1,674.02	\$ 2,055.71	\$ 2,580.48	\$ 2,772.24	\$ 3,249.66	\$ 3,952.64	\$ 4,615.64	\$ 5,601.31	\$ 30,904.05
Fixed Costs													
Virtual Office	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 900.00
Insurance	\$ 3,000.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 3,000.00
Fixed Fee Banking Plan (RBC)	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 420.00
Payroll Advanced	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 120.00
Domain													
.COM Domain Registration	\$ 4.24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4.24
.COM Certified Domain Registration	\$ 18.87	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18.87
.COM Protected Registration Package	\$ 19.99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19.99
CA Domain Registration	\$ 1.99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.99
Business Premium Email	\$ 13.28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13.28
EC2 Hosting	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 143.88
User Management - Master Key	\$ 2,746.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 2,746.00
User Management - Requests	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 12.00
Marketing	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 71.64
Email Marketing	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 31.79	\$ 381.48
Google AdWords	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 912.50	\$ 10,950.00
Wages													
Front End Developer	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 60,000.00
Back End Developer	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 4,166.67	\$ 50,000.00
Investments													
Website Design	\$ 10,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00
Trademark	\$ 450.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450.00
Incorporation	\$ 200.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200.00
NUANS Name Search Report	\$ 21.47	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21.47
Terms of Service	\$ 500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500.00
Privacy Policy	\$ 500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500.00
Total Outflows	\$ 28,535.65	\$ 11,206.36	\$ 11,481.57	\$ 11,655.27	\$ 11,923.94	\$ 12,305.63	\$ 12,830.39	\$ 13,022.16	\$ 13,499.58	\$ 14,202.56	\$ 14,865.55	\$ 15,851.22	\$ 171,378.89
Net Cash Flow	\$ 73,852.78	\$ (8,387.77)	\$ (7,849.68)	\$ (7,511.06)	\$ (6,986.83)	\$ (6,243.46)	\$ (5,220.44)	\$ (3,557.67)	\$ (2,405.92)	\$ (708.07)	\$ 891.94	\$ 3,271.11	\$ 29,144.93
Beginning Cash	\$ -	\$ 73,852.78	\$ 65,465.00	\$ 57,615.32	\$ 50,104.26	\$ 43,117.43	\$ 36,873.97	\$ 31,653.53	\$ 28,095.86	\$ 25,689.94	\$ 24,981.87	\$ 25,673.81	\$ -
Ending Cash	\$ 73,852.78	\$ 65,465.00	\$ 57,615.32	\$ 50,104.26	\$ 43,117.43	\$ 36,873.97	\$ 31,653.53	\$ 28,095.86	\$ 25,689.94	\$ 24,981.87	\$ 25,673.81	\$ 29,144.93	\$ 29,144.93

	January	February	March	April	May	June	July	August	September	October	November	December	Totals
Sales	\$ 370,734.23	\$ 398,217.51	\$ 471,165.73	\$ 512,458.49	\$ 582,690.39	\$ 628,472.23	\$ 708,404.06	\$ 777,739.11	\$ 834,019.84	\$ 932,653.39	\$ 986,514.61	\$ 1,091,437.70	\$ 8,296,567.29
Inflows:													
Transaction Fee (6.5%)	\$ 24,097.73	\$ 25,884.14	\$ 30,627.07	\$ 33,309.80	\$ 37,874.88	\$ 40,850.69	\$ 46,046.26	\$ 50,556.94	\$ 54,211.29	\$ 60,621.17	\$ 64,253.45	\$ 70,943.45	\$ 539,276.87
Equity Infusion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Inflows	\$ 24,097.73	\$ 25,884.14	\$ 30,627.07	\$ 33,309.80	\$ 37,874.88	\$ 40,850.69	\$ 46,046.26	\$ 50,556.94	\$ 54,211.29	\$ 60,621.17	\$ 64,253.45	\$ 70,943.45	\$ 539,276.87
Outflows:													
Variable Costs	\$ 7,058.65	\$ 7,581.73	\$ 8,971.13	\$ 9,756.81	\$ 11,093.92	\$ 11,965.57	\$ 13,487.58	\$ 14,808.78	\$ 15,879.08	\$ 17,756.63	\$ 18,820.48	\$ 20,779.92	\$ 157,960.28
Fixed Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Virtual Office	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 900.00
Insurance	\$ 3,000.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 3,000.00
Fixed Fee Banking Plan (RBC)	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 600.00
Payroll Advanced	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 120.00
Domain	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COM Domain Registration	\$ 17.24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17.24
COM Certified Domain Registration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COM Protected Registration Package	\$ 19.99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19.99
CA Domain Registration	\$ 13.99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13.99
CA Business Registration Package	\$ 13.28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13.28
Business Premium Email	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 143.88
EC2 Hosting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
User Management - Master Key	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 12.00
User Management - Requests	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 71.64
Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Email Marketing	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 63.59	\$ 763.08
Google AdWords	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 1,368.75	\$ 16,425.00
Wages	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 5,250.00	\$ 63,000.00
Front End Developer	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$ 52,500.00
Back End Developer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax	\$ 21,334.45	\$ 18,793.03	\$ 20,182.43	\$ 20,968.11	\$ 22,305.22	\$ 23,176.87	\$ 24,698.88	\$ 26,020.08	\$ 27,090.38	\$ 28,967.93	\$ 30,031.78	\$ 31,991.22	\$ 295,560.38
Total Outflows													
Net Cash Flow	\$ 2,763.27	\$ 7,091.11	\$ 10,444.64	\$ 12,341.69	\$ 15,589.66	\$ 17,673.82	\$ 21,347.39	\$ 24,536.86	\$ 27,120.91	\$ 31,653.24	\$ 34,221.67	\$ 38,953.23	\$ 243,716.50
Beginning Cash	\$ 29,144.93	\$ 31,908.20	\$ 38,999.31	\$ 49,443.95	\$ 61,785.64	\$ 77,355.30	\$ 95,029.12	\$ 116,376.51	\$ 140,913.37	\$ 168,034.28	\$ 199,687.52	\$ 233,909.19	\$ 291,144.93
Ending Cash	\$ 31,908.20	\$ 38,999.31	\$ 49,443.95	\$ 61,785.64	\$ 77,355.30	\$ 95,029.12	\$ 116,376.51	\$ 140,913.37	\$ 168,034.28	\$ 199,687.52	\$ 233,909.19	\$ 272,861.42	\$ 272,861.42

	January	February	March	April	May	June	July	August	September	October	November	December	Totals
Sales	\$ 1,294,903.40	\$ 1,290,920.79	\$ 1,396,596.05	\$ 1,422,941.14	\$ 1,507,546.54	\$ 1,537,915.88	\$ 1,628,920.91	\$ 1,682,237.55	\$ 1,708,061.65	\$ 1,796,762.32	\$ 1,827,583.03	\$ 1,922,843.87	\$ 19,017,233.11
Inflows:													
Transaction Fee (6.5%)	\$ 84,188.72	\$ 83,909.85	\$ 90,778.74	\$ 92,491.17	\$ 97,990.53	\$ 99,964.53	\$ 105,879.86	\$ 109,345.44	\$ 111,024.01	\$ 116,789.55	\$ 118,792.90	\$ 124,984.85	\$ 1,236,120.15
Equity Infusion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Inflows	\$ 84,188.72	\$ 83,909.85	\$ 90,778.74	\$ 92,491.17	\$ 97,990.53	\$ 99,964.53	\$ 105,879.86	\$ 109,345.44	\$ 111,024.01	\$ 116,789.55	\$ 118,792.90	\$ 124,984.85	\$ 1,236,120.15
Outflows:													
Variable Costs	\$ 24,653.86	\$ 24,577.89	\$ 26,589.92	\$ 27,091.38	\$ 28,702.18	\$ 29,280.40	\$ 31,013.10	\$ 32,028.21	\$ 32,519.77	\$ 34,208.68	\$ 34,795.48	\$ 36,609.03	\$ 362,069.93
Fixed Costs													
Virtual Office	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 800.00
Insurance	\$ 3,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000.00
Fixed Fee Banking Plan (RBC)	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 800.00
Payroll Advanced	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 120.00
Domain													
CCM Domain Registration	\$ 17.24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17.24
CCM Protected Domain Registration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CCM Protected Registration Package	\$ 19.99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19.99
CA Domain Registration	\$ 13.28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13.28
CA Business Registration Package	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 11.99	\$ 143.88
Business Premium Email	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EC2 Hosting	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 12.00
User Management - Master Key	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 5.97	\$ 71.64
User Management - Requests	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marketing													
Email Marketing	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 95.38	\$ 1,144.56
Google Adwords	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 2,053.13	\$ 24,637.50
Wages	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 5,512.50	\$ 66,150.00
Front End Developer	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 4,593.75	\$ 55,125.00
Back End Developer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax	\$ 40,152.08	\$ 37,011.61	\$ 39,023.64	\$ 102,976.12	\$ 41,135.90	\$ 41,714.12	\$ 43,446.81	\$ 44,481.93	\$ 44,953.49	\$ 46,642.40	\$ 47,229.19	\$ 49,042.75	\$ 577,790.03
Total Outflows	\$ 44,016.64	\$ 46,898.24	\$ 51,755.10	\$ (10,484.95)	\$ 56,854.63	\$ 58,250.42	\$ 62,433.05	\$ 64,893.51	\$ 66,070.52	\$ 70,147.15	\$ 71,563.70	\$ 75,942.10	\$ 658,330.12
Net Cash Flow	\$ 272,861.42	\$ 316,878.06	\$ 383,776.30	\$ 415,531.41	\$ 405,046.46	\$ 405,046.46	\$ 405,046.46	\$ 405,046.46	\$ 405,046.46	\$ 405,046.46	\$ 405,046.46	\$ 405,046.46	\$ 272,861.42
Beginning Cash	\$ 316,878.06	\$ 353,776.30	\$ 415,531.41	\$ 405,046.46	\$ 461,901.09	\$ 520,151.50	\$ 582,594.55	\$ 647,468.06	\$ 713,538.58	\$ 783,685.73	\$ 865,249.44	\$ 931,191.54	\$ 931,191.54

Exhibit 33: Sensitivity - Conversion Rate

		January	February	March	April	May	June	July	August	September	October	November	December
30%	2016	0.0488%	0.0609%	0.0731%	0.0853%	0.0975%	0.1219%	0.1463%	0.1788%	0.2113%	0.2438%	0.2844%	0.3250%
	2017	0.3656%	0.4063%	0.4469%	0.4875%	0.5281%	0.5688%	0.6094%	0.6500%	0.6906%	0.7313%	0.7638%	0.7963%
	2018	0.8288%	0.8450%	0.8613%	0.8775%	0.8938%	0.9100%	0.9263%	0.9360%	0.9458%	0.9555%	0.9653%	0.9750%
15%	2016	0.0431%	0.0539%	0.0647%	0.0755%	0.0863%	0.1078%	0.1294%	0.1581%	0.1869%	0.2156%	0.2516%	0.2875%
	2017	0.3234%	0.3594%	0.3953%	0.4313%	0.4672%	0.5031%	0.5391%	0.5750%	0.6109%	0.6469%	0.6756%	0.7044%
	2018	0.7331%	0.7475%	0.7619%	0.7763%	0.7906%	0.8050%	0.8194%	0.8280%	0.8366%	0.8453%	0.8539%	0.8625%
0%	2016	0.0375%	0.0469%	0.0563%	0.0656%	0.0750%	0.0938%	0.1125%	0.1375%	0.1625%	0.1875%	0.2188%	0.2500%
	2017	0.2813%	0.3125%	0.3438%	0.3750%	0.4063%	0.4375%	0.4688%	0.5000%	0.5313%	0.5625%	0.5875%	0.6125%
	2018	0.6375%	0.6500%	0.6625%	0.6750%	0.6875%	0.7000%	0.7125%	0.7200%	0.7275%	0.7350%	0.7425%	0.7500%
-15%	2016	0.0319%	0.0398%	0.0478%	0.0558%	0.0638%	0.0797%	0.0956%	0.1169%	0.1381%	0.1594%	0.1859%	0.2125%
	2017	0.2391%	0.2656%	0.2922%	0.3188%	0.3453%	0.3719%	0.3984%	0.4250%	0.4516%	0.4781%	0.4994%	0.5206%
	2018	0.5419%	0.5525%	0.5631%	0.5738%	0.5844%	0.5950%	0.6056%	0.6120%	0.6184%	0.6248%	0.6311%	0.6375%
-30%	2016	0.0263%	0.0328%	0.0394%	0.0459%	0.0525%	0.0656%	0.0788%	0.0963%	0.1138%	0.1313%	0.1531%	0.1750%
	2017	0.1969%	0.2188%	0.2406%	0.2625%	0.2844%	0.3063%	0.3281%	0.3500%	0.3719%	0.3938%	0.4113%	0.4288%
	2018	0.4463%	0.4550%	0.4638%	0.4725%	0.4813%	0.4900%	0.4988%	0.5040%	0.5093%	0.5145%	0.5198%	0.5250%

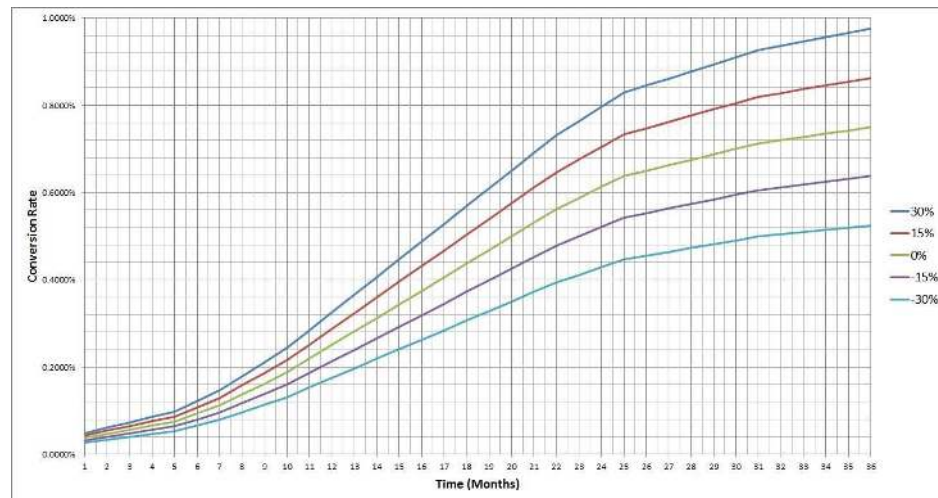


Exhibit 34: Net Income, FCF, and Revenue in Function of Sensitivity

	-30%			-15%			0%			15%			30%		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Revenue	\$ 70,367.00	\$ 377,494.00	\$ 865,284.00	\$ 85,455.00	\$ 458,385.00	\$ 1,050,702.00	\$ 100,524.00	\$ 539,277.00	\$ 1,236,120.00	\$ 115,602.00	\$ 620,168.00	\$ 1,421,538.00	\$ 130,681.00	\$ 701,060.00	\$ 1,606,956.00
Net Income	-\$ 82,267.00	\$ 91,906.00	\$ 334,635.00	-\$ 71,531.00	\$ 133,946.00	\$ 431,000.00	-\$ 60,716.00	\$ 175,987.00	\$ 527,364.00	-\$ 49,869.00	\$ 218,027.00	\$ 623,728.00	-\$ 39,373.00	\$ 260,068.00	\$ 720,092.00
Free Cash Flows	\$ 7,594.48	\$ 136,915.85	\$ 563,344.26	\$ 18,330.35	\$ 204,849.13	\$ 747,228.43	\$ 29,144.93	\$ 272,861.42	\$ 931,191.54	\$ 39,992.12	\$ 340,906.63	\$ 1,115,186.28	\$ 50,488.38	\$ 408,600.61	\$ 1,298,830.78

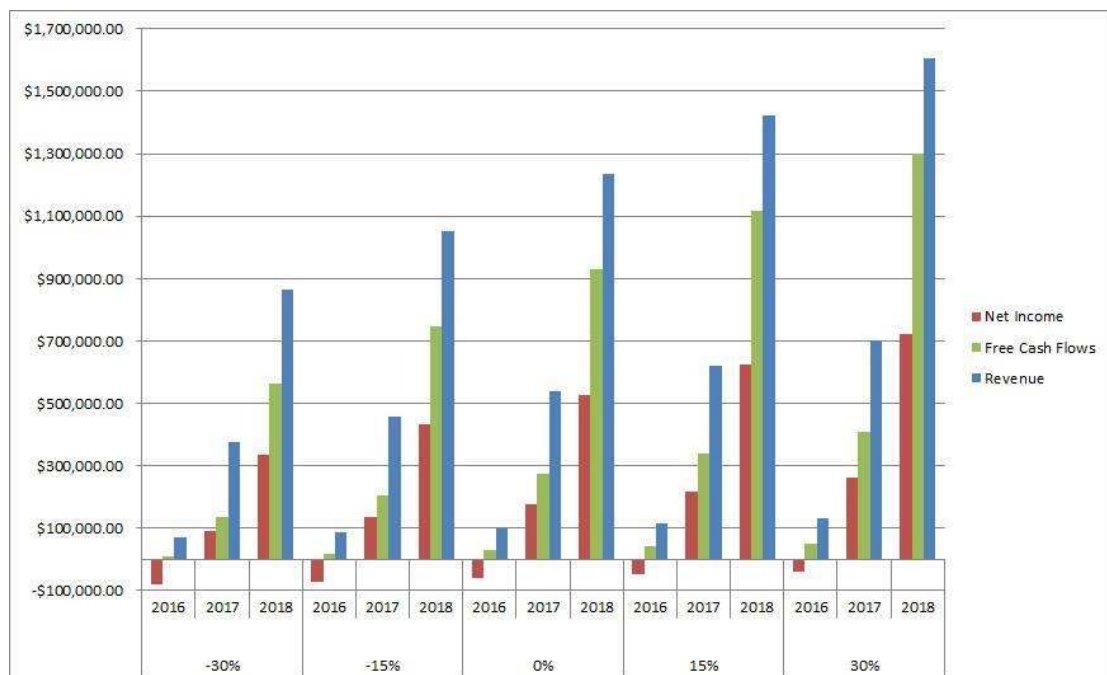


Exhibit 34: Fixed Costs Schedule

Item	2016	2017	2018
Virtual Office	\$ 900.00	\$ 900.00	\$ 900.00
Insurance	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Fixed Fee Banking Plan (RBC)	\$ 420.00	\$ 600.00	\$ 900.00
Paypal Advanced	\$ 120.00	\$ 120.00	\$ 120.00
Domain			
.COM Domain Registration	\$ 4.24	\$ 17.24	\$ 17.24
.COM Certified Domain Registration	\$ 18.87	\$ -	\$ -
.COM Protected Registration Package	\$ 19.99	\$ 19.99	\$ 19.99
.CA Domain Registration	\$ 1.99	\$ 13.99	\$ 13.99
.CA Business Registration Package	\$ 13.28	\$ 13.28	\$ 13.28
Business Premium Email	\$ 143.88	\$ 143.88	\$ 143.88
EC2 Hosting	\$ 2,746.00	\$ -	\$ -
User Management - Master Key	\$ 12.00	\$ 12.00	\$ 12.00
User Management - Requests	\$ 71.64	\$ 71.64	\$ 71.64
Marketing			
Email Marketing	\$ 381.48	\$ 763.08	\$ 1,144.56
Google AdWords	\$ 10,950.00	\$ 16,425.00	\$ 24,637.50
Wages			
Front End Developer	\$ 60,000.00	\$ 63,000.00	\$ 66,150.00
Back End Developer	\$ 50,000.00	\$ 52,500.00	\$ 55,125.00
Amortization			
Website	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33
Trademark	\$ 30.00	\$ 30.00	\$ 30.00
Total Fixed Costs	\$ 132,166.70	\$ 140,963.43	\$ 155,632.41

Exhibit 35: Investments

Item	Cost
Website Design	\$ 10,000.00
Trademark	\$ 450.00
Articles of Incorporation	\$ 200.00
NUANS Name Search Report	\$ 21.47
Terms of Service	\$ 500.00
Privacy Policy	\$ 500.00
Total	\$ 11,671.47

Exhibit 36: Return on Investment

Return on Investment	Year 1	Year 2	Year 3
Net Income	-\$60,716	\$175,987	\$527,364
Investments	\$11,671	\$11,671	\$11,671
ROI	-	1507.84%	4518.41%

Exhibit 37: Return on Equity

Return on Equity	Year 1	Year 2	Year 3
Net Income	-\$60,716	\$175,987	\$527,364
Equity	\$39,284	\$215,271	\$742,635
ROE	-	81.75%	71.01%

Appendix

Endnotes

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