

**THE GADFLY GROUP**

SAILING WITH EVERY WIND

**CONFIDENTIAL**

# **ORGANIZATIONAL PLAN**

SOCIAL ENTERPRISE DEDICATED TO WORKPLACE MISFITS

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**SHAN S. BALA**

135 Franklin Street  
Malden, MA 02148  
Phone: 617-987-5489  
Phone: 212-444-8232  
E-Mail: [shanbala@g.harvard.edu](mailto:shanbala@g.harvard.edu)

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## EXECUTIVE SUMMARY

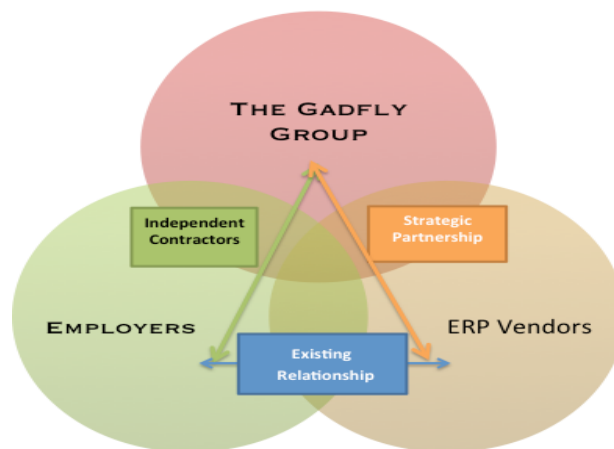
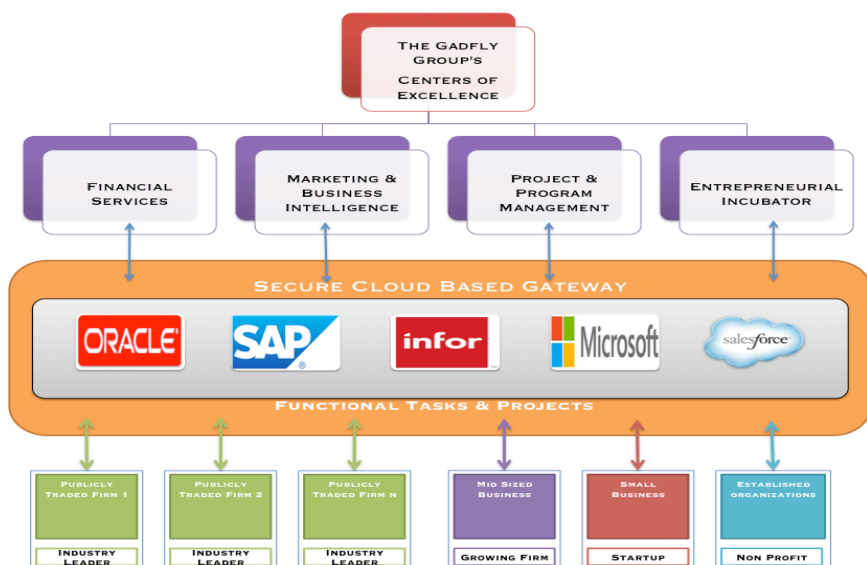
### THE PROBLEM

Over 700,000 long-term unemployed with at least a Bachelor's degree struggling to regain their lives.

19% worked in service industries such as business support functions and financial services

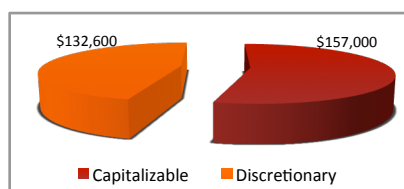
Chances of receiving calls for interviews drops significantly past the 6 month mark of unemployment

### PROPOSED SOLUTION



### FINANCIAL CONSIDERATIONS

#### STARTUP EXPENSES (6 MONTH ESTIMATE)

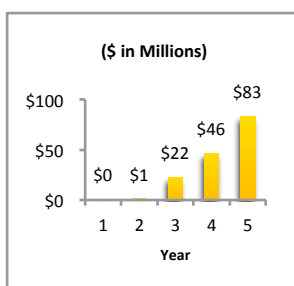


#### Primary Drivers:

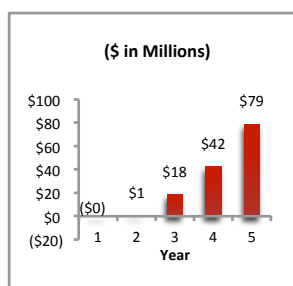
- CapEx: Web Application Development Costs

Operating Expenses: Salaries & Benefits

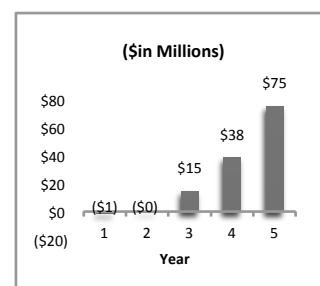
#### FEES EARNED EST.



#### GROSS MARGIN EST.



#### OPERATING MARGIN EST.



## GENERAL DESCRIPTION

### OUR GUIDING PRINCIPLE

The Gadfly Group is a social enterprise dedicated to misfits in the professional business and support service industry with college degrees and prior experience. Specifically, our organization helps the long-term unemployed and other dislocated workers with employable skills regain their livelihood. Unlike organizations dedicated to a specific protected class in the workplace, we work with individuals of all backgrounds, capabilities and goals. Working in concert with both public and private entities, we strive to preserve the dignity and dreams of those who we serve.

#### **misfit**

*n* ['mis,fit]

1. a person not suited in behaviour or attitude to a particular social environment.<sup>1</sup>
2. One who is unable to adjust to one's environment or circumstances or is considered to be disturbingly different from others.<sup>2</sup>

### OUR GOALS

#### Social Change

The pronounced manner in which an individual's civil liberties in the workplace have evolved to becoming an afterthought comes to light during and following macro-economic downturns, as indicated by recent trends published by EEOC and independent research studies. Without cohesive intervention, the principles on which this country's rise to global leadership was based on, the hope for many individuals in realizing his or her American dream will cease to exist. In our effort to promote, preserve and enhance socio-economic opportunity for affected populations, The Gadfly Group pursues changes in employment practices at publicly traded firms in the United States.

"Many voters remember a time when hard work was reliably rewarded with economic security."<sup>3</sup>

We realize corporate policies as they exist, professional standards guidelines for human resource professionals and statutory laws are ineffective in preserving individual liberties, particularly for certain demographic groups in the country. In addition to highlighting disparity between the principles on which this country is founded and what is evident in practice through research activities, The Gadfly Group targets

offsetting the economic impact of adverse managerial decisions and macro-economic conditions leading to an individual's income loss.

#### Policy Change

In conjunction with our efforts to enhance social responsibility in the workplace, The Gadfly Group simultaneously makes an effort to influence change in laws governing employment practices. Realizing social responsibility is contrary to the better interest of profit generating organizations, our work targets changes in the level of managerial accountability as they pertain to hiring and firing of individuals, as well as being a thought leader on topics pertaining to social responsibility through data driven research the justifies need for policy refinement.

## MARKET CONDITIONS

*“The largesse of the Federal Reserve over the past five years has amounted to one of the largest ever subsidies to the American wealthy—fueling record fortunes, record numbers of new millionaires and billionaires, and an unprecedented shopping spree for everything from Ferraris to Francis Bacon paintings. The prices of the assets owned by the wealthy, and the things they buy, have gone parabolic, bearing little relationship to the weak, broader economy.”<sup>4</sup>*

## THE GREAT RECESSION’S AFTERMATH

As the dust settled following the collapse of sub-prime mortgage lending in 2008, there was a global realization of dangers associated with financial innovation put in practice without adequate oversight and the risks it carried in our capitalist environment. As usual, our society looked towards the central banking institution to show us the way to a recovery. And, as expected, the Federal Reserve used tools at its disposal

to control the banking environment.<sup>5</sup> Furthermore, in unprecedented manner, the Fed went as far as to bail out non-banking corporations such as the big three automakers out of Detroit.<sup>6</sup> A half-decade later, the effects of central banking activities post economic downturn are becoming clear, and the news is not good for most of the US population.

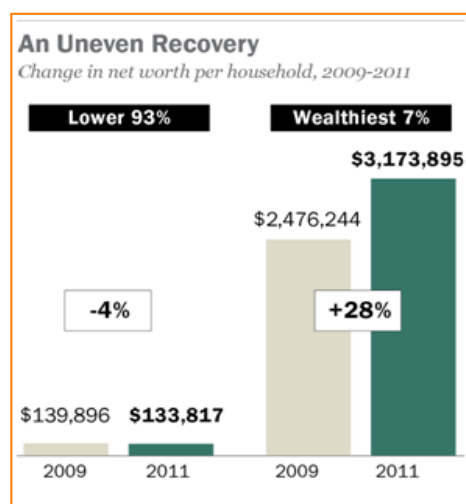


Figure 1

With most gains in the economy since the recession coming from markets affecting financial assets, the benefit has been to those who hold sophisticated and riskier equities assets not commonly found in middle and lower wage earning population.<sup>7</sup> A study held by PewResearch revealed the extent to which the recovery has been uneven (figures 1 and 2).<sup>8</sup> While most of America has seen its purchasing power and net

worth decline, the top 7% of households have seen their assets grow significantly over the past few years. In fact, the wealthiest 1% in the country has seen their savings rate increase to 37% in 2013, compared with 1/3 that rate in 2007, about the time the economy began slowing down.<sup>9</sup>

If those statistics were not enough, the income earners who fell into the middle class categories have seen their jobs disappear and to have it only reappear at lower wage earning roles.<sup>10</sup> Furthermore, job growth seen two years following the great recession in industries like finance, insurance and management are not being filled with those who held them before as it is very strongly suggested by a recent study<sup>11</sup> conducted at Northeastern University.

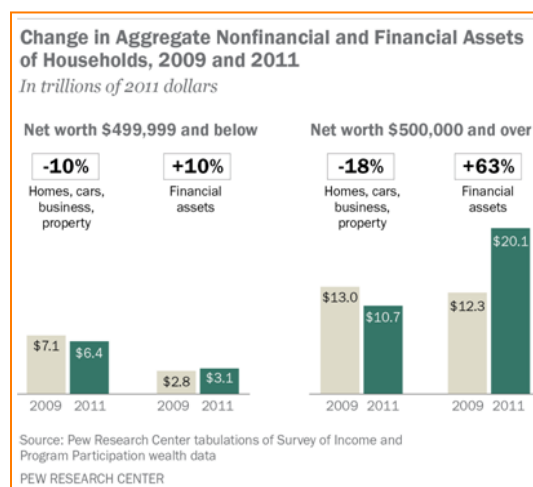


Figure 2

## Unemployment Rates During Recessions and Recoveries

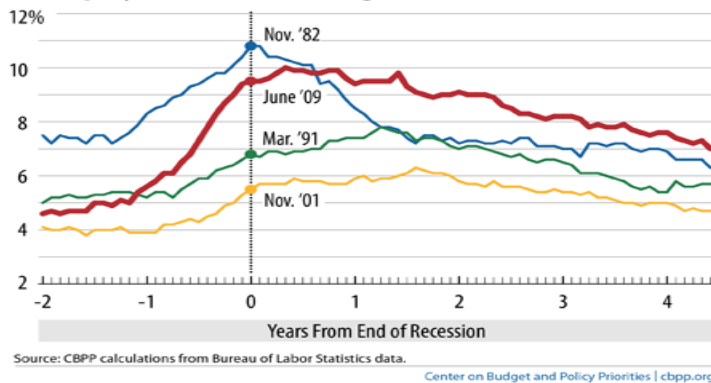


Figure 3

## SPECIAL CHALLENGES POSED BY LENGTHY, STAGNANT MARKETS

### LONG-TERM UNEMPLOYMENT

In conducting his research, Rand Ghayad, a graduate student at Northeastern University, sent 4,800 fictitious resumes of the same caliber, with the exception of varying lengths of unemployment on the resume to potential employers. Rand Ghayad's research revealed that employers showed four times more interest in individuals unemployed less than 6

months versus those who have been without a job for a longer period. He concluded his research result serves as "proxy for whether a company would even consider hiring an applicant" that has been out of work for more than six months.

As the aftermath began to reveal effects of monetary policies in place following the great recession, all indications pointed to a jobless economic recovery. A phenomenon observed throughout our country's economic history, inadequate job recoveries post recessionary periods, have yet to be fully understood or explained. Empirical evidence has shown the rate at which job losses occur amidst unfavorable market conditions is higher than the rate of job gains when markets recover to prior levels (figure 3)<sup>12</sup>. Ghayad's research at Northeastern, surprisingly a first of its kind in socio-economic disciplines<sup>13</sup>, warrants a deeper delve into the correlations existing between macroeconomic cycles and human resource management. An undertaking of such research is key to The Gadfly Group's core activities.

## UNEMPLOYMENT BENEFITS

Resulting from changes in market dynamics, competitive pressures in both supply and demand aspects of labor markets, in addition to unprecedented adoption of innovative technologies the world over, those who lost their jobs amidst the great recession found it was harder, and that it took longer, to find a comparable position or one of their expectation. The magnitude by which this trend persisted has been evident through the extended unemployment benefit provided by state and federal resources to individuals who are involuntarily separated from an employer.<sup>14</sup>

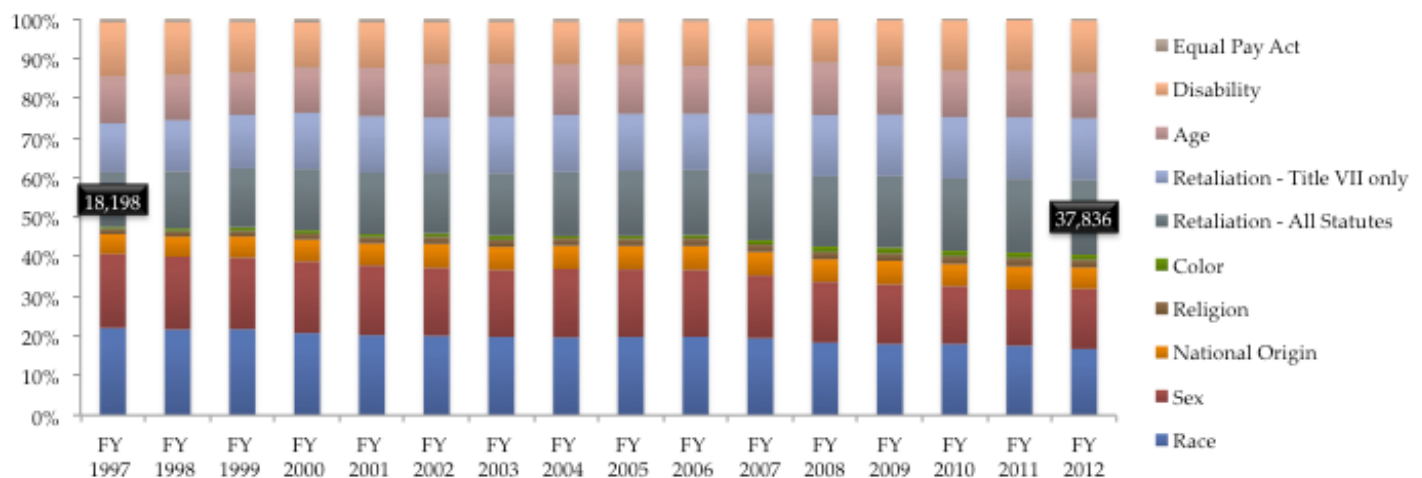
Although the extended benefit from unemployment funds aided and continues to help many with income loss for a period of time, many continue to find it very difficult to restore their lives to the levels they once experienced. "Discouraged Workers" as they are referred to by the Department of Labor, in addition to those who have exhausted all extended benefits, have grown both in number and as a percentage of the total unemployed population. By recent measures, with signs of some improvement, the overall total number of long-term unemployed with at least a Bachelor's degree has fallen to a little over 700,000<sup>15, 16</sup> individuals from over a million individuals when the unemployment rate was at its peak.

One additional point of view worth considering in evaluating current market conditions and socio economic challenges for the long-term unemployed is whether extended unemployment insurance, causes long-term unemployment. Although not discussed as prominently as the reasons, for which unemployment benefits should be extended, a report issued by JPMorgan Chase, following the end of recession lows on the topic of unemployment insurance, hinted that the extended benefits are in fact helping long-term unemployment figures stay higher at record levels.<sup>17</sup>

## SOCIAL IRRESPONSIBILITY

It is generally accepted that corporations aimed with maximizing shareholder wealth will find it contrary to their objectives to pursue fair employment practices. Federal and state mandates governing labor standards and practices attempt to protect “at risk” individuals from adverse employment decisions by employers and their managers. However, during periods of excessive unemployment or some other national and global event such as a war, an opportunity seems to exist for employers to get around the need to being ethical or socially responsible.

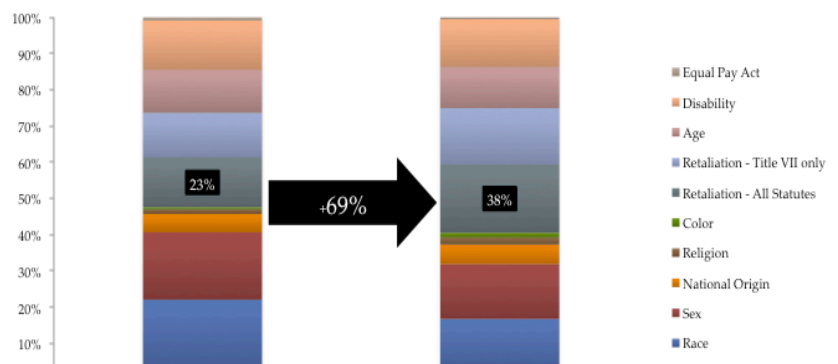
**Breakdown of charges filed with EEOC 1997 - 2012**



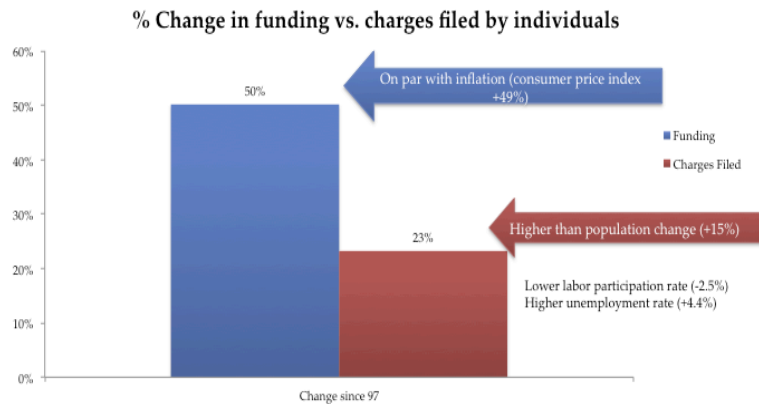
**Figure 4**

The most recent data<sup>18</sup> published by the Equal Employment Opportunity Commission reveals the nature by which the “at risk” population is being adversely affected. In addition to the number of charges filed by individuals increasing disproportionately with that of overall population increase<sup>19, 20</sup>, the historically more common charges, such as those pertaining to race and age, seem to be circumvented with other practices that are more manageable to their own advantage by the employers. As figures (4 & 5)<sup>21</sup> reveal, between 1997 and 2012, there has been a tremendous increase in retaliation charges filed with the EEOC. Simultaneously, as figure 6<sup>22</sup> reveals, the

**Largest change in charge type since 1997**



inflation adjusted increase in funding for the Equal Employment Opportunity Commission is inadequate to meet the 23% increase in charges filed despite lower labor participation<sup>23</sup> and higher unemployment rates<sup>24</sup>.

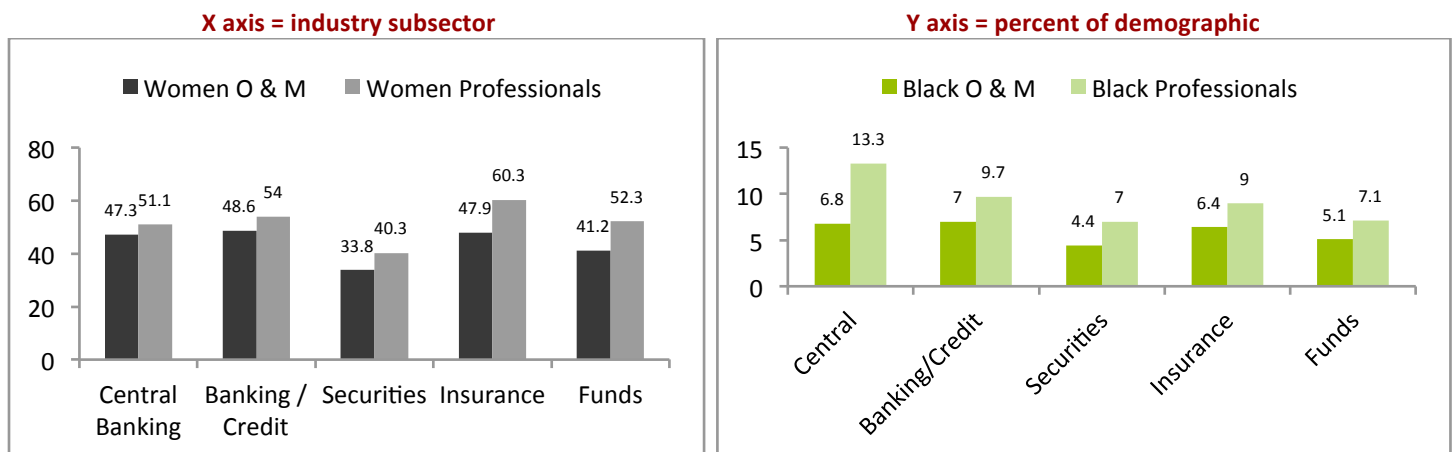


**Figure 6**

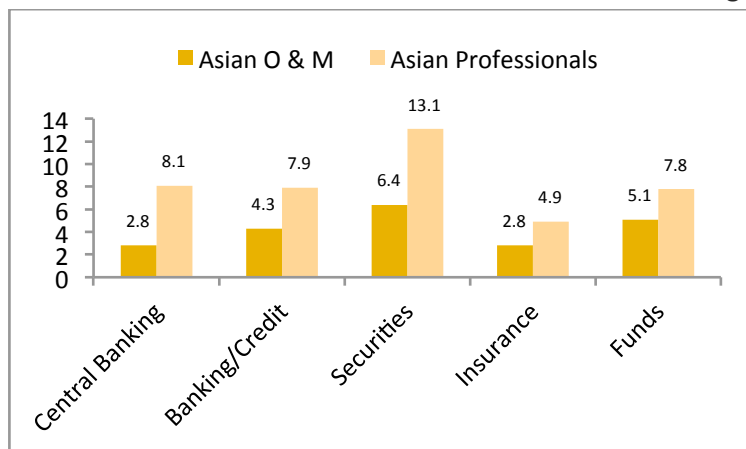
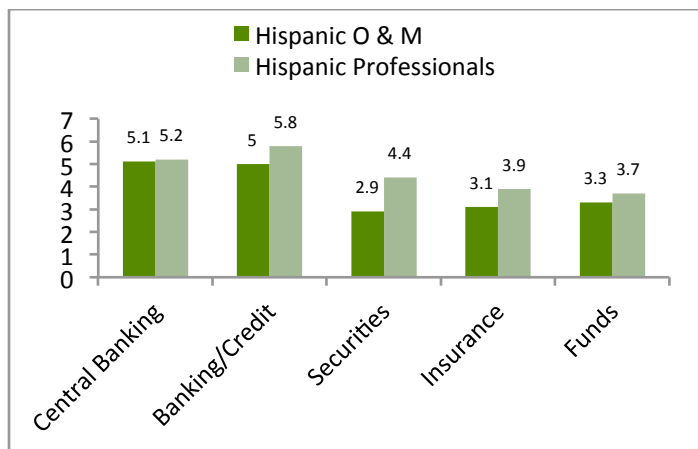
## THE GLASS CEILING PERSISTS FOR MANY

The finance industry has shown evidence of discriminatory practices in recent years that should pose cause for civil rights concerns pertaining to an individual's ability to move up the corporate ladder based on his or her race, cultural roots and perhaps their values. A study published by the Equal Employment Opportunity Commission in 2006 titled "Diversity In The Finance Industry" examined the makeup of professionals and managers in the industry and highlighted what appears to be glass ceilings for both African Americans and Asian Americans.

In evaluating five subsectors of the industry, the EEOC report demonstrated very low odds for an African American or Asian American to hold decision-making or influential roles in each of the five subsectors. Of the groups evaluated, that included Women, Hispanics, African Americans and Asian Americans, the latter of the four groups seem to experience the most difficulty in career progression, as demonstrated in figure 7<sup>25</sup>.





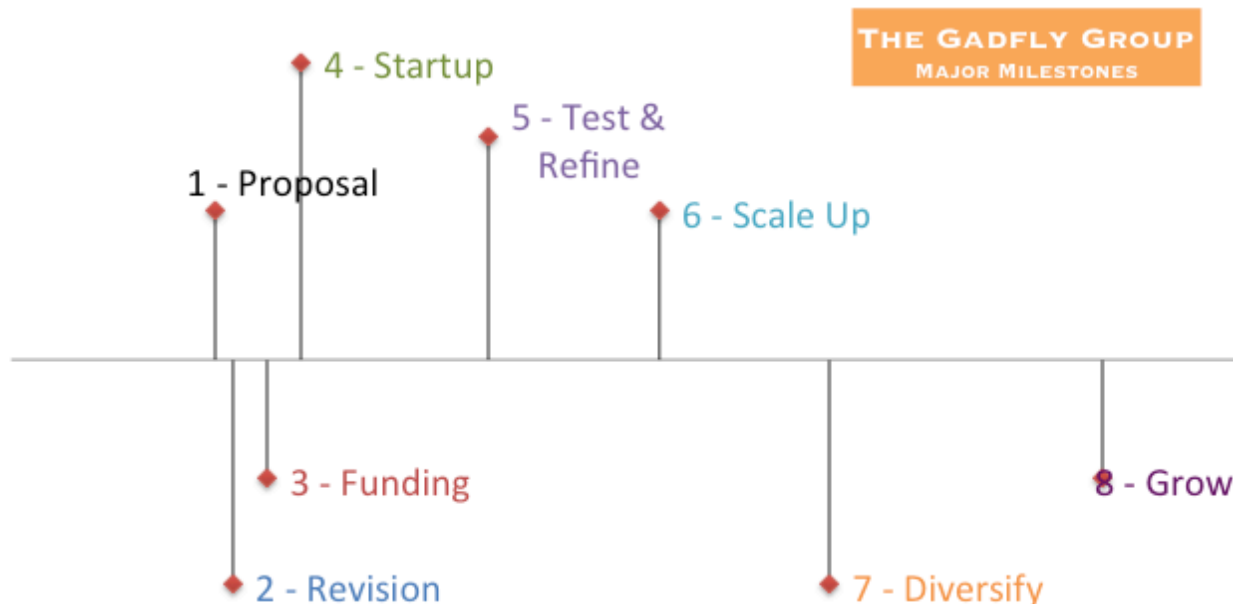


While one possible assessment of the statistics relevant to the Asian population will warrant inclusion of other pertinent data, such as the composition of foreign-born technology workers who have migrated to the United States in recent years taking up non-managerial consultant positions, another suggests discriminatory practices throughout the industry based on ethnicity<sup>26</sup> and the Asian community's evaluative orientation<sup>27</sup> towards the level of acceptable risk, especially in light of what it takes to succeed in modern day finance.

As one of our initiatives, The Gadfly Group will conduct research with hopes of identifying key causes for such disparity and develop solutions that enable underrepresented communities to further their career ambitions. We will work towards implementation of programs through a consultative approach with employers in addition to individual empowerment through our cloud based web application.

## OUR PROPOSED EFFORTS

### MAJOR MILESTONES



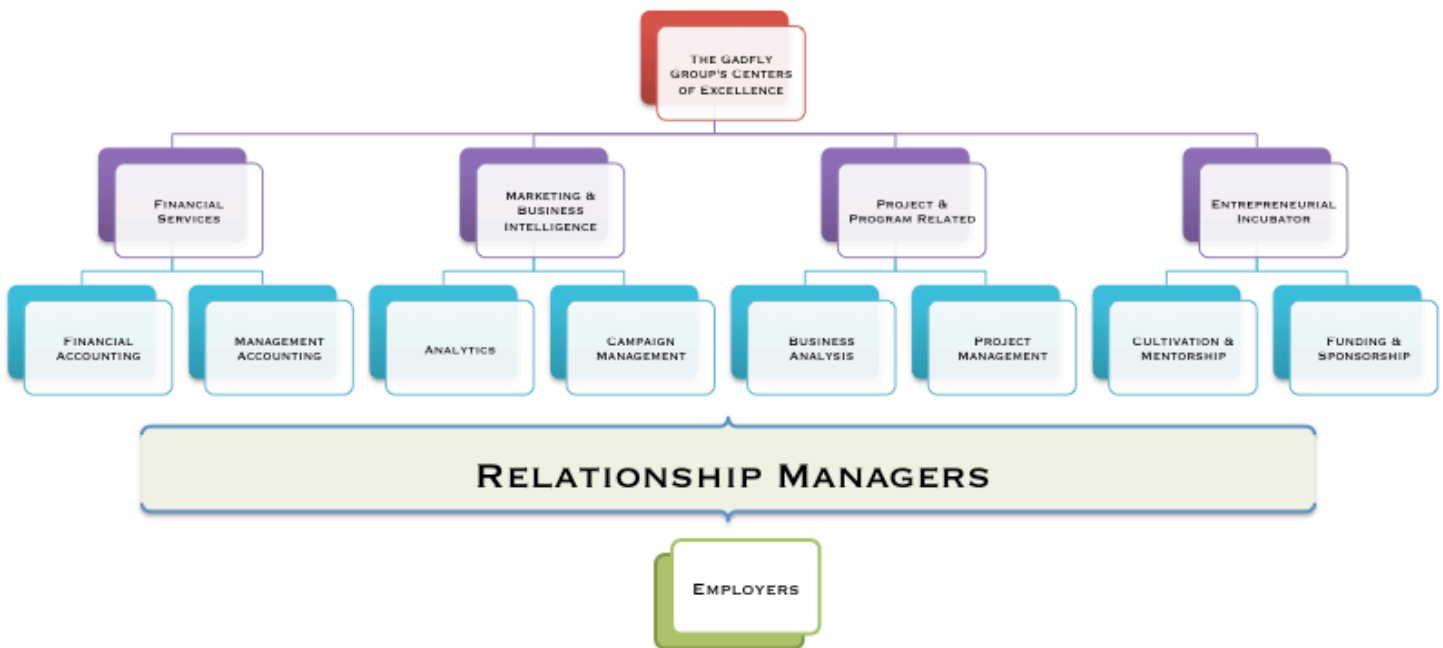
### IMMEDIATE PRIORITIES & PLANS

#### WEB APPLICATION

Our proposed efforts are to partner with large firms that are active participants in the labor market as well as their enterprise resource planning software vendors. By partnering in this effort, The Gadfly Group will leverage existing virtualization technologies to securely interface with each employer in a cloud setting over the World Wide Web. In order to accomplish this, we will develop a proprietary web application that meets the needs of employers, software vendors and our application users.

Simultaneously, as development progresses, our Account Management team will work towards securing relationships with target employers, whereby select roles they intend to fill, as well as individual tasks and projects will be made available through The Gadfly Group's web application.

Included in our web application will be facilities for face-to-face chat, text chat, real-time collaboration between multiple parties and forums for this particular demographic. From the perspective of a single application user, an account dashboard giving them access to their history, pipeline and other resources will also be made available.



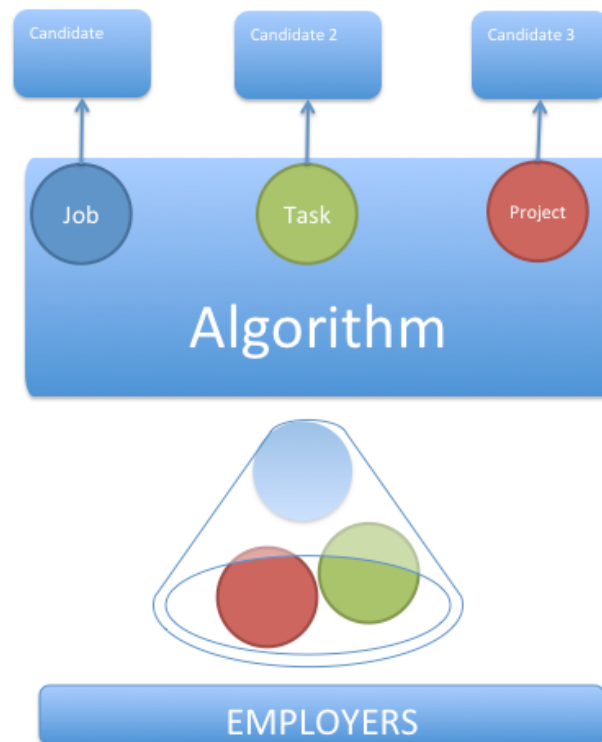
## **LONG-TERM UNEMPLOYED CANDIDATES & EMPLOYERS**

### **CONTENT**

For each major category of business support services such as financial accounting, management accounting, analytics, marketing, technical business analysis, sales support and the like, The Gadfly Group will create virtual centers of excellence consisting of media-rich content depicting best practices for each business category in our target demographic. This content will serve two purposes:

1. Serve as a point of reference for technical details for our application users and
2. To test a potential candidate's proficiency as it relates to subject matter for the roles or tasks they wish to take on.

By demonstrating aptitude, proficiency and availability to accept tasks, projects, or positions, a candidate will join a pool of screened individuals eligible for paid opportunities. In order to match a candidate with an appropriate opportunity, we will adopt and implement an algorithm to rank a candidate's fit for that particular opportunity. Without revealing personal details regarding a candidate, his or her qualifications and "fit details" will be made available to the employer. Both employer and candidate will have the opportunity to accept or reject a proposed match.



### **NATURE OF RELATIONSHIPS**

Considering the variability of assignments proposed through this plan, including long-term projects, short-term projects, permanent positions and one-off tasks, the financial obligation for long-term unemployed application users is to be based on deliverables, taking into consideration the number of hours worked, project modifications and other extenuating circumstances.

It is our goal to simultaneously match individuals to opportunities local to both employers and long-term unemployed users of the application. By creating a local relationship, any future mobility for the independent contractor to the employer's physical location can be coordinated with added efficiency. It is our goal to transition the individuals we work with to an appropriate full-time employment opportunity or provide the resources and guidance necessary for them to sustain an independent, gainful practice.

While not defined as an immediate priority in our plan, The Gadfly Group intends to, over the long-run, benefit from economies of scale and scope in addition to profitable operations and be able to offer fringe benefits to certain individuals including contributions to a defined benefit retirement plan.

## FINANCIAL INFORMATION

### REVENUE ASSUMPTIONS

#### DEMOGRAPHIC DETAILS

Total Unemployed Estimate	4,066,000
% with At Least A College Degree	17.2%

Total Long-Term Unemployed	699,352	Professional, Business & Financial Composition
Target Demographic	133,576	19%

	Northeast	West	Midwest	South	Total
Composition	20%	27%	35%	19%	100%
Demographic by Region	26,047	35,798	46,485	25,246	133,576
Participation Pool @95%	24,745	34,009	44,160	23,984	126,897

#### SOURCE OF REVENUE

	All Unemployed	At Least Bachelor's Degree
Average of Lost Salary Prior To L-T Unemployment	43,700 <sup>28</sup>	58,937 <sup>29</sup>
Work Week		
Days		5
Hours Per Day		8
Total Hours Per Week		40
Weeks in One Year		52
Total Work Hours Per Year		2080
Lost Salary At Hourly Rate	\$21.009615	\$28.335096

Fees Per Hour Worked (Source of Revenue)	(\$1.00)	(\$1.00)
<u>Net Hourly Rate For 1099</u>	<u>\$20.01</u>	<u>\$27.34</u>

### EXPENSE ASSUMPTIONS

Startup			Test & Refine			Scale Up		
Type	Expenses	6 Month Estimates	Type	Expenses	Year 1	Type	Expenses	Mature
D	Formation	\$500	E	Managed Hosting & Monitoring	\$4,800	E	Managed Hosting & Monitoring	\$24,000
D	Legal	\$5,000	E	Software & License	\$6,000	E	Software & Licenses	\$25,000
D	Design & Develop - Web Application	\$136,500	C	Account Management	\$520,000	C	Account Management	\$3,900,000
D	Content Development	\$15,000	E	Transaction Processing	\$5,000	E	Transaction Processing	\$10,000
E	Office supplies	\$500	D	Content Development	\$30,000	D	Content Development	\$500,000
E	Office space	\$7,500	E	Office Space	\$25,000	E	Office Space	\$120,000
E	Research & Consultants	\$10,000	E	Consultants	\$250,000	E	Consultants	\$250,000
E	T&E	\$5,000	E	T&E	\$25,000	E	T&E	\$250,000
E	Software licenses	\$3,000	E	Salaries & Benefits	\$291,200	E	Salaries & Benefits	\$2,293,200
E	Miscellaneous / Incidentals	\$1,500	E	Advertising	\$25,000	E	Advertising	\$500,000
E	Salaries	\$104,000	E	Legal	\$25,000	E	Legal	\$300,000
E	Communication	\$500	E	Communication	\$5,000	E	Communication	\$15,600
E	Utilities	\$600	E	Utilities	\$1,200	E	Utilities	\$14,400
<b>Total</b>		<b>\$289,600</b>	<b>Total</b>		<b>\$1,213,200</b>	<b>Total</b>		<b>\$8,202,200</b>
Depreciable Assets		\$157,000	Depreciable Assets		\$30,000	Depreciable Assets		\$500,000
- Carryover to following year			- Carryover to following year			- Carryover to following year		
- Monthly SL Dep Amount		\$2,617	- Monthly SL Dep Amount		\$500	- Monthly SL Dep Amount		\$8,333

Organizational Head Count Estimate			
Milestone	Internal	External	Total
1 - Proposal	1	0	1
2 - Revision	1	0	1
3 - Funding	2+	0	2+
4 - Startup	2	5	7
5 - Test & Refine	7	TBD	7
6 - Scale Up	65	TBD	65
7 - Diversify	TBD	TBD	
8 - Grow	TBD	TBD	TBD

- Initial per hour rate for application developers assumed at \$50
- Initial per hour rate for salaries assumed at \$50

### Depreciation Schedule

	Startup	Year1	Year2	Year3	Year4	Year5
Depreciable Assets	157,000	30,000	30,000	500,000	500,000	500,000
Expected Useful Life	5	5	5	5	5	5
Straight Line / Month	2,617	500	500	8,333	8,333	8,333
	1	2,617	3,117	3,617	11,950	20,283
	2	2,617	3,117	3,617	11,950	20,283
	3	2,617	3,117	3,617	11,950	20,283
	4	2,617	3,117	3,617	11,950	20,283
	5	2,617	3,117	3,617	11,950	20,283
	6	2,617	3,117	3,617	11,950	20,283
	7	2,617	3,117	3,617	11,950	20,283
	8	2,617	3,117	3,617	11,950	20,283
	9	2,617	3,117	3,617	11,950	20,283
	10	2,617	3,117	3,617	11,950	20,283
	11	2,617	3,117	3,617	11,950	20,283
	12	2,617	3,117	3,617	11,950	20,283
Total		31,400	37,400	43,400	143,400	243,400
Book value						
Startup		\$125,600	\$94,200	\$62,800	\$31,400	\$0
Year 1			\$24,000	\$18,000	\$12,000	\$6,000
Year 2				\$24,000	\$18,000	\$12,000
Year 3					\$400,000	\$300,000
Year 4						\$400,000
Year 5						\$718,000

## PRO-FORMA INCOME STATEMENTS

### YEAR 1 – TEST PHASE

Test Market Participants				Base: 26,047				Pro-forma Income Statement - Year 1					
Item	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Cumulative Participants	5	15	25	40	50	70	80	95	110	125	145	160	160
Monthly Fees Earned	867	2,600	4,333	6,933	8,667	12,133	13,867	16,467	19,067	21,667	25,133	27,733	159,467
Cost of Revenue													
Account Management	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	520,000
Managed Hosting & Monitoring	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Software & Licenses	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Gross Margin (Loss)	(43,367)	(41,633)	(39,900)	(37,300)	(35,567)	(32,100)	(30,367)	(27,767)	(25,167)	(22,567)	(19,100)	(16,500)	(371,333)
Operating Expenses													
Advertising	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Legal	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Salaries & Benefits	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	291,200
Office Space	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Consultants	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Depreciation Expense	2,617	2,617	2,617	2,617	2,617	2,617	2,617	2,617	2,617	2,617	2,617	2,617	31,400
T&E	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Communication	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Utilities	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Operating Expenses Total	56,567	56,567	56,567	56,567	56,567	56,567	56,567	56,567	56,567	56,567	56,567	56,567	678,800
Operating Margin (Loss)	(99,933)	(98,200)	(96,467)	(93,867)	(92,133)	(88,667)	(86,933)	(84,333)	(81,733)	(79,133)	(75,667)	(73,067)	(1,050,133)

### YEAR 2 – TEST PHASE

Test Market Participants				Base: 26,047				Pro-forma Income Statement - Year 2					
Item	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Total
Cumulative Participants	180	200	210	240	275	400	450	520	700	930	1025	1275	1275
Monthly Fees Earned	31,200	34,667	36,400	41,600	47,667	69,333	78,000	90,133	121,333	161,200	177,667	221,000	1,110,200
Cost of Revenue													
Account Management	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	43,333	520,000
Managed Hosting & Monitoring	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Software & Licenses	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Gross Margin (Loss)	(13,033)	(9,567)	(7,833)	(2,633)	3,433	25,100	33,767	45,900	77,100	116,967	133,433	176,767	579,400
Operating Expenses													
Advertising	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Legal	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Salaries & Benefits	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	24,267	291,200
Office Space	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Consultants	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Depreciation Expense	3,117	3,117	3,117	3,117	3,117	3,117	3,117	3,117	3,117	3,117	3,117	3,117	3,117
T&E	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Communication	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Utilities	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Operating Expenses Total	57,067	57,067	57,067	57,067	57,067	57,067	57,067	57,067	57,067	57,067	57,067	57,067	684,800
Operating Margin (Loss)	(70,100)	(66,633)	(64,900)	(59,700)	(53,633)	(31,967)	(23,300)	(11,167)	20,033	59,900	76,367	119,700	(105,400)

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### YEAR 3 – SCALE UP INITIAL PHASE

Scale Up Participants	Base: 126897												
	Month25	Month26	Month27	Month28	Month29	Month30	Month31	Month32	Month33	Month34	Month35	Month36	Total
Cumulative Participants	6,810	7,418	7,783	8,148	8,853	9,777	10,847	11,674	12,744	14,009	14,836	15,930	15,930
Monthly Fees Earned	1,180,379	1,285,770	1,349,004	1,412,239	1,534,492	1,694,687	1,880,175	2,023,506	2,208,995	2,428,208	2,571,539	2,761,243	22,330,237
Cost of Revenue													
Account Management	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	3,900,000
Managed Hosting & Monitoring	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Software & Licenses	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Gross Margin (Loss)	851,295	956,686	1,019,921	1,083,156	1,205,409	1,365,603	1,551,091	1,694,423	1,879,911	2,099,124	2,242,456	2,432,160	18,381,237
Operating Expenses													
Advertising	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	500,000
Legal	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000
Salaries & Benefits	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	2,293,200
Office Space	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Consultants	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Depreciation Expense	3,617	3,617	3,617	3,617	3,617	3,617	3,617	3,617	3,617	3,617	3,617	3,617	43,400
T&E	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Communication	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	15,600
Utilities	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Operating Expenses Total	315,550	315,550	315,550	315,550	315,550	315,550	315,550	315,550	315,550	315,550	315,550	315,550	3,786,600
Operating Margin (Loss)	535,745	641,136	704,371	767,606	889,859	1,050,053	1,235,541	1,378,873	1,564,361	1,783,574	1,926,906	2,116,610	14,594,637

### YEAR 4 – SCALE UP GROWTH PHASE

Scale Up Participants	Base: 126897												
	Month37	Month38	Month39	Month40	Month41	Month42	Month43	Month44	Month45	Month46	Month47	Month48	Total
Cumulative Participants	16,727	17,563	18,441	19,363	20,331	21,348	22,415	23,536	24,713	25,949	27,246	28,608	28,608
Monthly Fees Earned	2,899,305	3,044,271	3,196,484	3,356,308	3,524,124	3,700,330	3,885,346	4,079,614	4,283,594	4,497,774	4,722,663	4,958,796	46,148,610
Cost of Revenue													
Account Management	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	3,900,000
Managed Hosting & Monitoring	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Software & Licenses	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Gross Margin (Loss)	2,570,222	2,715,187	2,867,401	3,027,225	3,195,040	3,371,247	3,556,263	3,750,530	3,954,511	4,168,691	4,393,580	4,629,713	42,199,610
Operating Expenses													
Advertising	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	500,000
Legal	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000
Salaries & Benefits	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	2,293,200
Office Space	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Consultants	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Depreciation Expense	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	49,400
T&E	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Communication	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	15,600
Utilities	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Operating Expenses Total	316,050	316,050	316,050	316,050	316,050	316,050	316,050	316,050	316,050	316,050	316,050	316,050	3,792,600
Operating Margin (Loss)	2,254,172	2,399,137	2,551,351	2,711,175	2,878,990	3,055,197	3,240,213	3,434,480	3,638,461	3,852,641	4,077,530	4,313,663	38,407,010



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### YEAR 5 – SCALE UP MATURE PHASE

Test Market Participants	Base: 126897												
	Month49	Month50	Month51	Month52	Month53	Month54	Month55	Month56	Month57	Month58	Month59	Month60	Total
Cumulative Participants	30,039	31,541	33,118	34,774	36,512	38,338	40,255	42,268	44,381	46,600	48,930	51,377	51,377
Monthly Fees Earned	5,206,736	5,467,073	5,740,426	6,027,448	6,328,820	6,645,261	6,977,524	7,326,400	7,692,720	8,077,356	8,481,224	8,905,285	82,876,274
Cost of Revenue													
Account Management	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	3,900,000
Managed Hosting & Monitoring	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Software & Licenses	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Gross Margin (Loss)	4,877,653	5,137,989	5,411,343	5,698,364	5,999,737	6,316,178	6,648,441	6,997,317	7,363,637	7,748,273	8,152,141	8,576,202	78,927,274
Operating Expenses													
Advertising	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	500,000
Legal	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000
Salaries & Benefits	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	191,100	2,293,200
Office Space	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Consultants	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Depreciation Expense	4,617	4,617	4,617	4,617	4,617	4,617	4,617	4,617	4,617	4,617	4,617	4,617	4,617
T&E	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Communication	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	15,600
Utilities	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Operating Expenses Total	316,550	316,550	316,550	316,550	316,550	316,550	316,550	316,550	316,550	316,550	316,550	316,550	3,798,600
Operating Margin (Loss)	4,561,103	4,821,439	5,094,793	5,381,814	5,683,187	5,999,628	6,331,891	6,680,767	7,047,087	7,431,723	7,835,591	8,259,652	75,128,674

### SOURCES – USES OF FUNDS

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Sources of Funds</b>						
Fees Earned	0	159,467	1,110,200	22,330,237	46,148,610	82,876,274
Debt	0	750,134	0	0	0	0
Grants	289,600	300,000	300,000	300,000	300,000	300,000
Total Inflow	289,600	1,209,600	1,410,200	22,630,237	46,448,610	83,176,274

### Uses of Funds

Startup Expenses	(289,600)	0	0	0	0	0
Cost of Revenue	0	(530,800)	(530,800)	(3,949,000)	(3,949,000)	(3,949,000)
Operating Expenses	0	(678,800)	(684,800)	(3,786,600)	(3,792,600)	(3,798,600)
Interest Expense (@ 5%)	0	0	(37,507)	(37,507)	0	0
Debt Repayment (Principal)	0	0	0	(750,134)	0	0
Total Outflow	(289,600)	(1,209,600)	(1,253,107)	(8,523,240)	(7,741,600)	(7,747,600)
Net Cash Provided (Used)	0	0	157,093	14,106,997	38,707,010	75,428,674

## **FOUNDER**

Shan S. Bala

### **Summary**

A strategist by nature, Shan is an extensively trained and diligent professional with ability to properly balance business objectives with social responsibility. Driven by a passion for efficiency and actionable insight, he tirelessly works to providing value added, sustainable solutions and services. Recognizing the competitive and evolving landscapes of small, medium and enterprise level businesses, his efforts are targeted to achieving competitive advantage and financial success. With extensive training, unconditional dedication to life-long learning and industry experiences in high-end fashion, fundraising, non-profit, healthcare, publishing, financial services, e-commerce / internet marketing and consumer products marketing, he offers a seasoned and versatile approach to opportunity assessments, problem solving and organizational transformation.

### **Select Career Achievements**

- Reduced revenue budget / forecast variance from nearly 20% to less than 5% by proposing, creating and deploying a centralized dashboard application used by multiple functional departments including Sales, Finance and HR for a \$400 million revenue generating business unit
- Increased net profit margin for a \$60MM business unit from 3.8% to 5.2% by:
  - Successfully leading multi-functional task force charged with stabilizing product cost when foreign VAT rates increased significantly
  - Influencing change towards tighter credit policy in order to reduce bad debt
  - Identifying process inefficiencies that (1) added a 2% increase to gross revenue and (2) reduced G&A expenses
- Conducted channel / segment based profitability analysis of a targeted demographic acquired through multi-channel marketing efforts including TV, Print (Direct Mail), Web and Retail. Recommended discontinuing the acceptance of prepaid credit cards submitted through affiliate websites, with estimated addition to contribution margin \$ of approximately \$1.1MM.

### **Education**

Harvard Extension School

Candidate for Admission, Master of Liberal Arts, Management	2013 – Present
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New York University School of Continuing & Professional Studies

Certificates, Accounting & Financial Analysis	2009 – 2011
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New Jersey Institute of Technology

Master of Science, Information Systems	2007 – 2009
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Stony Brook University

Bachelor of Science, Applied Mathematics & Statistics	1997 – 2001
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## ENDNOTES

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<sup>14</sup> Mark S. Ludwick and Benjamin A. Mandel, "Analyzing Federal Programs Using BEA Statistics: A Look At Unemployment Insurance Benefits Payments," [http://www.bea.gov/scb/pdf/2011/09%20September/0911\\_unemploy.pdf](http://www.bea.gov/scb/pdf/2011/09%20September/0911_unemploy.pdf)

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