

ACCY 200

Project Report

A Deep Dive into an AI Startup Company in the Pandemic

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Prof. Li Zhang

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Dear Nathan,

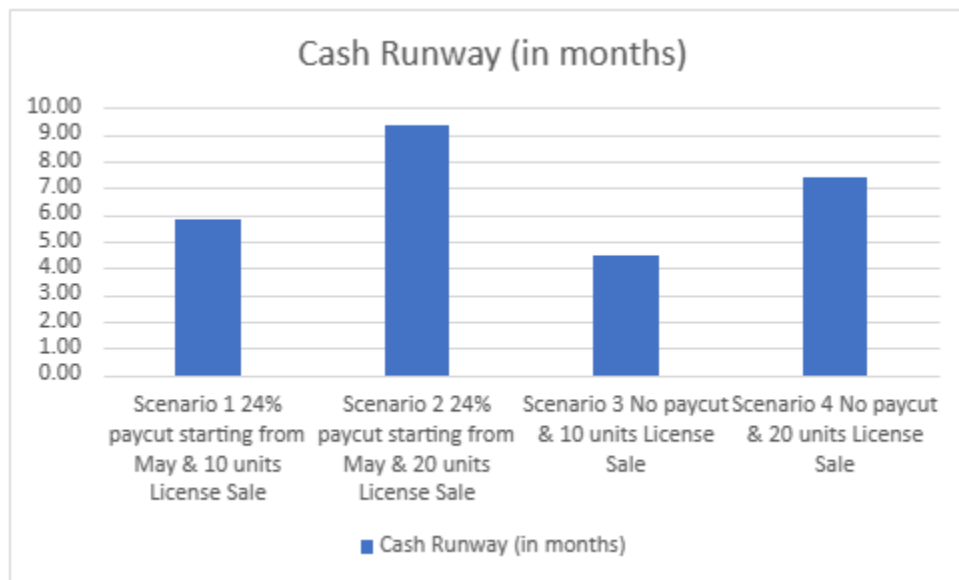
We have done the following research for your firm:

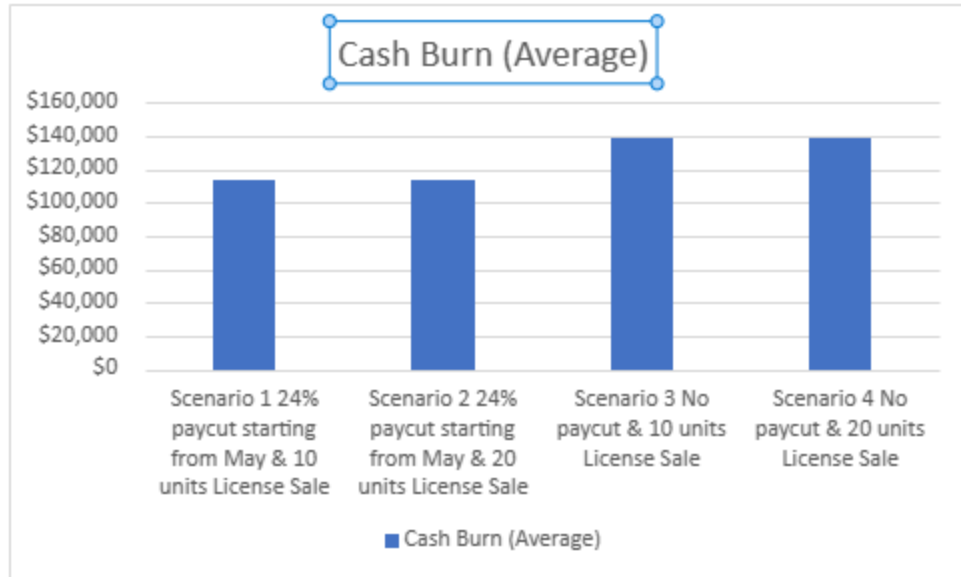
Requirement 1:

COSTS	Discretionary	Non-discretionary
Variable		<ul style="list-style-type: none">- Independent contractors- Trade shows + travel- Misc. Meals
Fixed		<ul style="list-style-type: none">- Insurance- Office rent

Factors to consider making a cost cut proposal: Unnecessary expenses post-COVID, redundant costs, gradual implementation, replacing old/legacy systems w/ newer more efficient tech, using used equipment, cut down business travel (zoom), reduce salaries according to PPP requirements

Requirement 2:





Requirement 3:

The funds from a PPP loan used to supplement payroll costs, rent or mortgage interest, utilities, and other expenses. These funds can help businesses continue operating during a pandemic, even if they experience a drop in revenue due to decreased demand or other factors. Furthermore, the loan can be forgiven if the business uses the funds for eligible expenses, such as payroll costs, rent, utilities, and interest on mortgages. This means that the business will not have to repay the loan, which can be a significant relief for businesses that are struggling to stay afloat. The government assistance loans are imperative to the company's survival and turn-around, giving them more than 3 months of additional runway both under no pay cut and pay cut scenarios.

Requirement 4:

Var cost per license: \$500

Total annual fixed cost: \$1,018,038

Total revenue = $125000 + 100000 + 7500(x-20)$

Break Even point: $500x + 1,018,038 = 125000 + 100000 + 7500(x-20)$

$X = 134.7197143$

The company needs to sell 135 licenses to break even.

Requirement 5:

An example of PPP fraud is the case of Maurice Fayne, a reality TV star on the show "Love & Hip Hop: Atlanta." In May 2020, Fayne was charged with fraudulently obtaining a PPP loan of \$2.2 million for his trucking business, Flame Trucking, LLC.

He was accused of using the funds for personal expenses, including jewelry, child support payments, and a Rolls-Royce. He also allegedly transferred \$1.5 million of the loan funds to a bank account for a separate business he owned. Fayne pleaded guilty to the charges in October 2020.

The legal consequences for Fayne included a sentence of 17.5 years in federal prison, as well as restitution payments of \$4,465,865.78. He was also ordered to forfeit various assets, including his Rolls-Royce and a Rolex watch. In addition, the company Flame Trucking, LLC was barred from participating in any federal government contracts or programs.

PPP fraud is a serious offense that can result in significant legal penalties for both individuals and companies. In addition to criminal charges and potential prison time, perpetrators may be required to pay fines and restitution to the government.

Requirement 6:

One recommendation we would make is to focus on marketing AI Luxe's visual analytics product to industries, like healthcare or film, who were affected less significantly by the pandemic. These industries also have a greater need for data analysis and visualization tools, and may be more willing to invest in such products despite the economic downturn. Another recommendation we would make would be looking to partner with other companies in the data analysis or visualization space to become more capable of handling larger and more complex projects.

Proposal:

We propose a 24% pay-cut starting from May & 20 unit License Sale. With this combination, we have a cash runway of over 9 months, which is the longest scenario out of the possibilities we tested. Although pay cuts are not ideal, we find that the opportunity cost of proceeding with a 24% pay cut is the most feasible option to move forward. Layoffs can be reduced significantly by the pay cuts, resulting in a well saturated employee base. This negates the possibility of significant interruption in revenue and operations during COVID-19. Nathan should begin the pay cut prior to exhausting government assistance, however there should be a period of time for adjustments as well, to allow employees the leeway in their salaries.