



Solar Direct
Solutions that make life **green!**

**Solar Direct
Business Plan**
July 2006

Energy SuperMarket, LLC
dba Solar Direct

5919 21st Street East
Bradenton Florida 34203

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1.0 Executive Summary

A pioneer in the world of energy conservation products since 1986, Solar Direct began with a focus on residential and commercial systems including solar thermal and geothermal heat pumps. Today Solar Direct hosts the Internet's fastest growing Energy Product Super Mall, TheEnergySupermarket.com. It offers over 350 energy-efficient leisure and appliance products to home-owners throughout the U.S. and the world. The company's exclusive flagship product, the Vortex™ Solar Pool Heating solution, is nationally known for its home-owner-friendly self-installation, product reliability and high customer satisfaction ratings. The company also offers solar design and contracting services to the commercial and residential markets, principally in the home base Florida market.

The focus of this business plan is to put forth objectives to solve the present cash-flow squeeze, and to increase profits from the present near break-even level to net profits of \$221k by the end of the 2006 FY, rising to \$1,398k by 2010. We intend to accomplish this growth by reducing cost of goods sold, and trimming operating expenses. Term loan proceeds will be used to pay off short-term debt, purchase inventory to increase our revenue rate and to intensify marketing efforts to concentrate on our designated target markets.

The Company

Solar Direct's mission is to introduce environmentally-responsible energy solutions to "Mainstream USA", both consumers and businesses. Timing is excellent for expansion due to numerous market factors, including: the rising cost of energy, a general public awareness of conservation importance and the availability of new Federal and State consumer and business incentives.

Solar Direct has reconfigured its business model which will build and maintain separate focus for two divisions:

The Energy SuperMarket (**ESM**) – Online Product Super Mall

Solar Direct (**SD**) – Installation and Service contracting; Professional Design Services

The business is structured as a Florida Limited Liability Corporation, Energy SuperMarket, LLC, D/B/A Solar Direct. It is fully owned by two people, Mr. Kirk Maust and Mr. Dale Gulden. Combined, Maust and Gulden represent over 50 years of solar sales and contracting experience. Their knowledge, experience and industry contacts accumulated over the 20-year history of Solar Direct, combined with internet web marketing expertise, has led to a unique business model in the solar industry. This model has allowed the company to forge a customer base of 32,000 accounts, most of which are Internet product retail sales.

At the present time, Solar Direct's facilities are located in Bradenton, Florida. The current office and warehouse space is adequate for first year growth; during the second year additional space will be required. It has a present staff of eighteen people plus five outside installation subcontractors. The growth of the company will



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be carefully guided by following the objectives outlined in this plan, with an emphasis on accuracy and efficiency.

Products & Services

Solar Direct provides energy-related equipment for residential and commercial markets. The company's ecommerce site, TheEnergySuperMarket.com, provides Do-It-Yourself kits for home-owners. It also offers wholesale parts and kits to contractors for resale to consumers.

Of the 350 products offered on the ESM e-commerce website, the most popular products ordered include: solar pool heaters, pool heat pumps, solar water heaters and miscellaneous pool/spa supplies.

The Market

There is a huge market in the United States for energy-savings products – particularly with the advent of the nation's growing Energy Crisis. Concerns of dwindling oil and gas supply for heating and electricity, plus associated energy price increases, have increased consumer awareness.

In terms of total market potential for **ESM online energy shopping mall**, there are an estimated 33 Million consumers (so-called 'Cultural Creatives' or LOHAS) who seek "green" environmentally responsible products. More broadly, there is an additional growing base among the mainstream public who are becoming energy-conscious. Fueling both consumer and commercial demand for ESM products and services, over 22 states have Renewable Portfolio Standards in place and associated energy rebates. Further, the passage the Federal Energy Act of 2005 adds another incentive layer for purchasing renewable energy products during the 2006-2008 timeframe.

In terms of growing the **SD contracting business**, the company will refocus on a number of key target markets and industries where the cost-savings benefits of solar water heating and solar pool heating offer to significantly decrease their cost of energy. These markets include: single family homes, hotels and resorts, the health industry, home owner associations, educational institutions, and multi-unit residential facilities. To create greater market share within each of these verticals, case studies of related Solar Direct projects servicing the industry will be published through public relations efforts.

Nearly 3,315,000 Florida single-family residences have been identified as candidates for Solar Direct's energy products and services. In addition some 250,000 new homes are being constructed in Florida every year.

Nearly 61,476 Florida commercial business, government and educational organizations have been identified as likely candidates for SD design and installation contracts.



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For solar pool heating and pool purification, these include pools located within:

- Hotels/Resorts
- Colleges-Universities
- Multi-unit Residential Housing (e.g. Condominiums, apartments)
- Wellness Centers/Hospitals

For solar water heating, although replacing existing water heaters with energy-efficient is an immense opportunity with all commercial buildings, three market sectors which are especially “warming” to solar water heating are:

- Hotels/Resorts
- State and municipal governments
- College/University

To create greater market share within each of these verticals, Solar Direct will invest in marketing, advertising and sales initiatives crafted to the targeted industry needs of these market sectors.

Competition

Competition within the online business is mostly limited to a few bigger stores such as Gaiam.com and RealGoods.com (although their real strength is in mail order catalog sales). Others include pool and spa supply sites, and small energy related sites; most of these do not offer the level of online and personal customer support that ESM provides, allowing consumers to educate themselves to make informed buying decisions.

Most traditional solar contractors have primitive websites and cannot compete with Solar Direct’s online and back-office IT capabilities in servicing online buyers. SD will benefit from the broad Internet exposure created by ESM, fostering the image that it is the leader in its field.

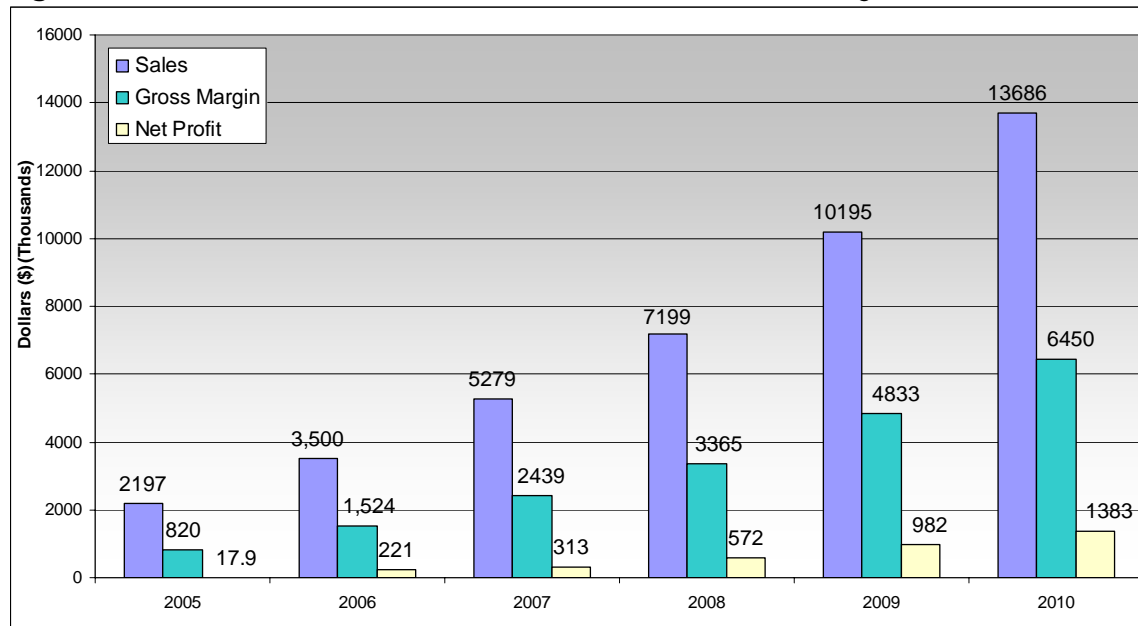
Financial Paths to Success

With Solar Direct’s restructuring into two separate divisions as well as refocusing on its key industries for service opportunity, the company expects its revenue to rise from \$2,197k in FY2005 to \$13,686K in 2010, a 44.17% CAGR. It also expects to move net profits from \$17.9K in 2005 to \$1,398K in 2010, a 139% CAGR. Such a large increase in profits is projected because we will be both increasing sales and reducing cost of goods from 62% to 53% of sales, plus operating expenses will be reduced from 39% to 34% of sales by improving operating efficiencies.

Solar Direct’s present thin cash position has resulted in a lower ability to purchase needed inventory and hence has slowed product-order and service project delivery times. Similarly, delays in equipment delivery have slowed revenue recognition for larger contract projects. Some competitively bid projects had to be cancelled. These setbacks will be remedied by cash infused from a loan of \$250,000.



Figure 1. Solar Direct's Revenue and Profit Trend and Projections



To maintain sufficient cash, procure needed inventory and implement our marketing plan the company will require \$250,000 of first stage funding. Our projected cash flow will increase our cash balance and allow us to leverage this asset to create new opportunities.

Objectives

There are four major objectives in this business plan, of which the first three will be realized in the first year, and the forth is longer term – occurring in the second year.

1. Solve the present working capital shortage. Towards this, Solar Direct is pursuing a \$250K term loan to take place in July, 2006.
2. Increase inventory levels, allowing faster revenue turn via faster fulfillment.
3. Create a detailed Business Development Plan for each division based on a franchise model. The Business Development Plan will also include analysis of additional funding requirements for further expansion.
4. Leverage the steady growth of ESM revenue to rapidly increase SD market growth. Although SD's contract sales pipeline is looking strong, significant results are not expected to appear until the second and third years. This objective must be executed carefully after adequate research in order to target specific market segments.



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Vision and Mission Statement

Solar Direct's vision: *Inspiring others to discover environmentally responsible energy solutions.*

Solar Direct's mission: *Building a revolutionary Internet presence that dramatically shifts the way renewable technologies are acquired well into the future, enhancing awareness on a worldwide scale.*

The company's mission is in line with the national consciousness: A Harris Interactive Poll conducted in October 2005 found that 74% of U.S. adults believe environmental standards cannot be too high. Supporting this, 22 states have implemented a Renewable Portfolio Standard (RPS) committing to convert a significant percent of their energy usage to renewable sources such as solar energy.

Keys to Success

The key success factors involved in running a successful online E-tail site (ESM) are very different from those for running a successful contracting service business (SD).

On one hand, e-tail is obviously a highly automated, turnkey business – ideally, most customer transactions can take place on “auto-pilot” provided IT infrastructure, and marketing investments are maintained to remain competitive. On the other hand and sharply contrasting with this, contract services are more labor-intensive and require ongoing project management and people resources.

Key well-known success factors for any E-tail website, whether selling energy products or other products, include the following:

- Selection
- Convenience
- Price

ESM offers a broad selection of products at very competitive pricing using a convenient online purchase method. Well known examples of highly successful E-tail businesses that we model after include Amazon.com and Shopping.com.

Evaluating the key success factors for solar contracting services is more difficult as there is no national or regional success role-model! However, selling solar and alternative energy technology and associated services can learn from earlier successful technology markets.

Solar Pool heating, solar water heating, solar electric and pool purification all may be described as “replacement technologies”, meaning they replace or substitute for products of like functionality which are current incumbents in the market. For example, solar water heaters are a candidate replacement technology for the popular electric and gas water heaters.



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There are two questions for evaluating the success likelihood of a business built around replacement technology. A successful business dependent on technology replacement can answer "Yes" to at least one of the two questions:

- Does the business alleviate a frustration experienced by a large enough group of consumers?¹
- Does the business have a strategic advantage over the competition?

Do ESM and SD alleviate a frustration experienced by a large enough group of consumers? The answer is yes! Consumers are frustrated by increasing energy costs and increasing environmental pollution from legacy fossil fuel sources.

Do ESM and SD have a strategic advantage over the competition? Yes, by combining the vertical and horizontal channels of two different business models. The ESM model's broad market exposure through the Internet and high volume drives cost of goods down as sales revenue goes up. These cost savings make contracting services more profitable. The broad market exposure attracts not only online ESM sales, but low cost leads that cross over to the SD contracting business.

Each model compliments the other; and Solar Direct has proven the validity of this concept for over ten years. With the cash from a loan for expansion, we believe this synergistic plan can succeed.

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¹ This is a success criterion specified in the Michael Gerber's The E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It. 1995.