



**Public Utilities
Commission**

DIS Case Number: 14-1092-EL-AGG

NOTICE OF MATERIAL CHANGE

Certified Competitive Retail Electric Service Provider:

Date: 3/10/2023

Case Number:

14-1092-EL-AGG Certificate Number: 14-846E

Pursuant to Rule 4901:1-24-11 of the Ohio Administrative Code, the above-referenced entity has submitted the following documents or information as notification of a material change to the information supplied in its application for certification or certification renewal.

Exhibit C-2: Financial statements

Exhibit C-3: Forecasted financial statements



**Public Utilities
Commission**

Submitted by: Kimberly Garvey-Hurst

Section A: Application Information

Section B: Applicant Managerial Capability and Experience

Section C: Applicant Financial Capability and Experience

C-2. Financial statements

Provide copies of the applicant's two most recent years of audited financial statements, including a balance sheet, income statement, and cash flow statement. If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, provide audited or officer certified financial statements covering the life of the business. If the applicant does not have a balance sheet, income statement, and cash flow statement, the applicant may provide a copy of its two most recent years of tax returns with **social security numbers and bank account numbers redacted**.

If the applicant is unable to meet the requirement for two years of financial statements, the Staff reviewer may request additional financial information.

File(s) attached

C-3. Forecasted financial statements

Provide two years of forecasted income statements **based solely on the applicant's anticipated business activities in the state of Ohio**.

Include the following information with the forecast: a list of assumptions used to generate the forecast; a statement indicating that the forecast is based solely on Ohio business activities only; and the name, address, email address, and telephone number of the preparer of the forecast.

The forecast may be in one of two acceptable formats: 1) an annual format that includes the current year and the two years succeeding the current year; or 2) a monthly format showing 24 consecutive months following the month of filing this application broken down into two 12-



Public Utilities Commission

month periods with totals for revenues, expenses, and projected net incomes for both periods. Please show revenues, expenses, and net income (revenues minus total expenses) that is expected to be earned and incurred in **business activities only in the state of Ohio** for those periods.

If the applicant is filing for both an electric certificate and a natural gas certificate, please provide a separate and distinct forecast for revenues and expenses representing Ohio electric business activities in the application for the electric certificate and another forecast representing Ohio natural gas business activities in the application for the natural gas certificate.

File(s) attached

[Section D: Applicant Technical Capacity](#)



Public Utilities
Commission

Application Attachments

Legend Energy Advisors LLC

Balance Sheet

	12/31/20
Assets	
Cash	411,103
Accounts receivable	425,276
Inventory	2,887
Prepaid expense	14,496
^a Contract assets (Controls business)	95,649
current assets	949,411
Property, plant & equipment, net of depreciation	22,842
Intangible assets, net of amortization	161,711
^b LEA's 51% interest in the Legend Municipal JV	343,631
total assets	1,477,595
Liabilities	
^c Current debt	214,100
Accounts payable	134,164
^d Contract liabilities (Controls business)	63,179
Accrued commissions	247,234
^e Unearned revenue	110,351
^f Other ST liabilities	70,068
current liabilities	839,095
^g Convertible debt	2,375,000
^h Long-term notes, net of unamortized issuance costs	1,038,756
^e Unearned revenue	238,203
total liabilities	4,491,054
Owner's equity	
Paid in capital	1,450,000
Retained earnings	-4,429,696
ⁱ Members' draws	-33,764
total equity	-3,013,460

Notes

- ^a Contract assets are costs incurred by the Controls business for jobs that have yet to be invoiced to the customer, e.g., the purchase of project supplies and equipment.
- ^b This is LEA's 51% interest in the Legend Municipal JV; LEA is required to pay royalties of \$30k per year to the JV in order to preserve access to a VSS patent owned by the JV's minority shareholder.
- ^c This is the Paycheck Protection Loan which will be converted into a grant during 1H 2021.
- ^d Contract liabilities represent revenue recognized by the Controls business ahead of goods and services being delivered.
- ^e Black Mountain Sand 2018 advanced payment accrual - Advisory segment.
- ^f This is comprised of unpaid credit card float (no interest paid), unpaid legal liabilities, sales tax payable and other miscellaneous items.
- ^g This is comprised of the SAFE round investment (PIK 6% annually) which converts to equity at a subsequent equity round. We received \$875,000 during the 2H 2020, \$3 million in January 2021 and expect the final \$125,000 by the end of Q1 2021.
- ^h Please see debt table for details.
- ⁱ This is money paid to Dan Crosby outside of payroll.



Legend Energy Advisors LLC

Income Statement 2020

	12 ME 12/31/20	3 ME 12/31/20	3 ME 9/30/20	3 ME 6/30/20	3 ME 3/31/20
Revenue					
Analytics					
Monitoring	200,120	48,030	48,030	50,030	54,030
Installation	71,905	38,980	27,425		5,500
total analytics	272,025	87,010	75,455	50,030	59,530
Advisory	1,308,762	311,130	323,272	356,133	318,227
Controls	1,115,008	342,188	202,212	360,547	210,061
total revenue	2,695,795	740,328	600,939	766,710	587,818
COGS					
Analytics					
Monitoring	(115,509)	(32,531)	(28,502)	(24,011)	(30,465)
Installation	(46,640)	(29,121)	(17,519)		
a total analytics	(162,149)	(61,652)	(46,021)	(24,011)	(30,465)
Advisory	(593,529)	(138,495)	(158,595)	(155,199)	(141,240)
Controls	(1,015,072)	(374,849)	(141,043)	(285,519)	(213,661)
total COGS	(1,770,750)	(574,996)	(345,659)	(464,729)	(385,366)
Gross profit	925,045	165,332	255,280	301,981	202,452
Operating expenses					
G&A	(323,737)	(87,392)	(88,728)	(89,255)	(58,362)
a Sales	(519,613)	(120,853)	(132,053)	(142,925)	(123,781)
a Platform development	(1,036,481)	(273,775)	(281,885)	(240,664)	(240,157)
Occupancy	(147,705)	(43,477)	(37,690)	(32,800)	(33,738)
Travel	(106,237)	(19,424)	(30,410)	(18,787)	(37,616)
Professional fees	(126,191)	(48,862)	(14,793)	(38,317)	(24,219)
a Other	(134,067)	(56,190)	(26,875)	(24,889)	(26,113)
total OE	(2,394,031)	(649,973)	(612,434)	(587,638)	(543,986)
EBIT	(1,468,987)	(484,641)	(357,155)	(285,657)	(341,534)
Interest & related, net	(206,977)	(37,946)	(51,908)	(51,238)	(65,885)
Loss	(1,675,964)	(522,587)	(409,063)	(336,895)	(407,419)
<u>Gross margin summary</u>					
Analytics					
Monitoring	42%	32%	41%	52%	44%
Installation	35%	25%	36%	NA	100%
Advisory	55%	55%	51%	56%	56%
Controls	9%	-10%	30%	21%	-2%

^a Please see respective tab for detailed schedule supporting this entry.



Legend Energy Advisors LLC

Cash Flow Statement

12 ME 12/31/20

Operating activities

Net income	-1,675,964
Accounts receivable	51,611
Prepaid expense	-1,063
Inventory	-1,838
Accounts payable	41,835
Accrued expense	2,630
LT liabilities	-271,177
Unearned revenue	-132,225
Legal and Sales Tax liability	-23,070

Cash used for operating activities -2,009,261

Investing activities

Capital expenditures	-6,000
Intangible assets: Patent	-86,513
Loans to Legend Municipal	-30,612

Cash used for investing activities -123,125

Financing activities

¹ PPP SBA loan	214,100
Credit card float	15,172
Convertible notes (SAFE round)	925,000
Long term notes payable: unamortized debt issuance costs	14,312
Other	-33,764

Cash provided by financing activities 1,134,819

Net cash decrease -997,567

Cash at beginning of period 1,408,670

Cash at end of period 411,103

Note

¹ On 5/4/2020 Legend received a Pay Check Protection Plan loan; this loan will convert to a grant during H1 2021.



Detail of Other Expenses

	12 ME 12/30/20	3 ME 12/31/20	3 ME 9/30/20	3 ME 6/30/20	3 ME 3/31/20
Computer & Equipment	-10,064	-1,295	-410	-3,996	-4,364
Web Service	-21,281	-4,639	-6,367	-6,316	-3,958
Education & Training	-6,782	-265	-5,087	-143	-1,287
Gifts & Donations	-2,905	-1,655			-1,250
Licenses, Fees & Permits	-5,517	-1,010	-2,485	-1,521	-501
Team Building	-323			-109	-214
Shipping & Delivery	-13,199	-4,153	-3,733	-2,995	-2,318
Office Expenses	-17,432	-3,868	-3,464	-4,627	-5,474
Business Insurance	-22,589	-5,330	-5,330	-5,183	-6,746
Bad Debt Write-off *	-33,974	-33,974			
	<u>-100,093</u>	<u>-56,190</u>	<u>-26,875</u>	<u>-24,889</u>	<u>-26,113</u>

* This was a one-off situation resulting from work we did in the ethanol industry.



Legend Energy Advisors, LLC - Electric Financial Forecast - Ohio Only

	2022^	2023	2024
Total Revenue (2 Clients) *	\$ 55,500	\$ 66,123	\$ 66,123
Total Operating Expenses**	\$ -	\$ -	\$ -
Total Profit - Ohio Only	\$ 55,500	\$ 66,123	\$ 66,123

Prepared by Cal Johnson

Email: cjohnson@legendea.com

**Based on forecasted revenue for current clients, but no supply deals have been closed.*

***Legend Energy Advisors, LLC has no Ohio-specific expenses as we have no personnel located in the state and our sales operations are focused nationally*

^2022 figures are a mix of actual, current customer revenue and forecast for remainder of year based on existing customers.

Legend Energy Advisors Inc.

Balance Sheets

(000\$)	12/31/21	12/31/20
Assets		
Cash	1,898	411
^a Accounts Receivable, net of allowances	432	428
Inventory	142	3
Prepaid Expense	21	14
^b Contract Assets (Controls Segment)	320	96
Current Assets	2,813	953
Property, Plant & Equipment, net of depreciation	18	33
Intangible Assets, net of amortization	173	153
^c LEA's 51% Interest in Legend Municipal Services LLC	-	306
^d Other Long-Term Assets	31	
Total Assets	3,035	1,444
Liabilities		
^e Current Debt		216
Accounts Payable	231	138
Contract Liabilities (Controls Business)	273	74
Accrued Controls Management Fee	246	247
Accrued Commissions	247	
^g Unearned Revenue	478	140
^h Other Short-Term liabilities	-	70
Current Liabilities	1,475	885
ⁱ Convertible Debt (SAFE)	5,500	2,425
Long-term Notes	-	1,048
^g Unearned Revenue	61	201
Total Liabilities	7,036	4,559
Owners' equity		
Paid-in Capital	1,400	1,400
Retained Earnings	(5,401)	(4,475)
^j Members' Draws		(40)
Total Equity	(4,001)	(3,114)

Numbers may not sum due to rounding.

Legend Energy Advisors Inc.

Balance Sheet Notes

- a During Q3 2021, we instituted a policy to charge \$6,000 per quarter to doubtful accounts; we will review this policy quarterly. Please see the A/R aging report for details.
- b Contract assets are costs incurred by the Controls segment for jobs that have yet to be invoiced to the customer, e.g., the purchase of project supplies and equipment.
- c This was LEA's 51% interest in the Legend Municipal Services LLC; LEA was required to pay royalties of \$30,000 annually to the LLC in order to preserve access to a VSS patent owned by the LLC's minority shareholder. During Q2 LEA stopped payments and wrote off the asset.
- d This is comprised of \$21,400 of real estate deposits associated with rented office space. Also included in this are 25,000 Quantum Loophole shares (carried at \$9,600) which Legend received in exchange for Advisory work performed by Dan Crosby.
- e On 9/14/21 we paid down all outstanding debt. On 11/5/2021 we signed a senior secured credit facility agreement with Heritage Bank of Commerce for up to \$1 million at WSJ prime + 3%. As of 12/31/21 the credit facility was undrawn.
- f Contract liabilities represent revenue recognized by the Controls business ahead of goods and services being delivered.
- g This is comprised of revenue received from a mining customer in 2018 as an advance payment for the Advisory segment. Also included in this number is advance payment received during Q4 2021 from a seafood processing company.
- h This is comprised of unpaid credit card float (no interest paid), unpaid legal liabilities, sales tax payable and other miscellaneous items.
- i This is comprised of the SAFE round investment (PIK 6% annually) that converts to equity at a subsequent equity round.
- j This was compensation paid to Dan Crosby outside of payroll. As of 9/30/2021, the company began reporting as a Delaware C corporation and the Members' Draw was incorporated into retained earnings per GAAP.

Legend Energy Advisors Inc.

Income Statement

	3 Months Ended 12/31		12 Months Ended 12/31	
(000\$)	2021	2020	2021	2020
Revenue				
Ana y t cs SaaS	69	48	255	200
Ana y t cs Hardware	850	39	2 443	72
Adv sory	470	311	1 778	1 309
Contro s	656	342	2 029	1 115
Total Revenue	2,045	740	6,505	2,696
Cost of Sales				
Ana y t cs SaaS	(59)	(32)	(187)	(116)
Ana y t cs Hardware	(309)	(29)	(915)	(46)
Adv sory	(209)	(139)	(717)	(593)
Contro s	(293)	(375)	(1 435)	(685)
Total COS	(870)	(575)	(3 254)	(1 440)
Gross Profit	1,175	165	3,251	1,256
Operating Expenses				
Genera & Adm n strat ve	(387)	(88)	(1 064)	(654)
Bus ness Deve opment	(207)	(121)	(690)	(520)
P atform Deve opment	(286)	(274)	(998)	(1 036)
Deprec at on & Amort zat on	(3)		(11)	
Occupancy	(70)	(45)	(259)	(148)
Trave & Insurance	(57)	(19)	(229)	(106)
Profess ona Fees	(50)	(49)	(183)	(126)
Other net	(60)	(56)	(240)	(134)
Loss on W re Fraud	(135)		(135)	
Accounts Rece vab e Wr te-down			(79)	
Interest Expense & Re ated net		(38)	(155)	(207)
Total Operating Expenses	(1 255)	(690)	(4 043)	(2 931)
Operating Earnings (Loss) Before Tax	(80)	(525)	(792)	(1 675)
Paycheck Protect on P an Loan Forg veness			216	
D scont nued Bus ness Wr te-off			(313)	
Income Tax				
Net Earnings (Loss)	(80)	(525)	(889)	(1,675)
EBIT	(80)	(487)	(734)	(1,468)
EBITDA	(77)	(487)	(723)	(1,468)
Gross Margin Summary				
Ana y t cs SaaS	15%	33%	27%	42%
Ana y t cs Hardware	64%		63%	
Adv sory	55%	55%	60%	55%
Contro s	55%	-10%	29%	39%

- a Please see support ng schedu es on fo ow ng pages for the deta s that compr se th s expense
- b A/R wr te-downs were taken for rece vab es n the Contro s segment dur ng 1H 2021
- c LEA s Paycheck Protect on Loan was converted nto a grant dur ng Q2 2021
- d LEA wrote off ts 51% nterest n the Legend Mun c pa Serv ces JV dur ng Q2 2021

Legend Energy Advisors Inc.

Cash Flow Statement

(000\$)	12 ME 12/31/21	12 ME 12/31/20
Operating Activities		
Net Income	(888)	(1,676)
Accounts Receivable	(8)	52
Prepaid Expense	(7)	(1)
Depreciation & Amortization	9	
Investment in Quantum Loophole	(10)	
^a Amortization of Unearned Revenue	198	(132)
Contract Assets	(225)	
Inventory	(138)	(2)
Accounts Payable	93	42
Accrued Commissions	247	
Accrued Expense	(60)	3
Contract Liabilities	199	(271)
Legal and Sales Tax Liabilities	(15)	(23)
Cash Used for Operating Activities	(605)	(2,009)
Investing Activities		
Investment in Intangible Assets	(24)	(87)
Capital Expenditures	(11)	(6)
Write-Off Investment in Legend Municipal Services LLC	307	(31)
Cash Provided by Investing Activities	272	(123)
Financing Activities		
Increase (reduction) in Credit Card Float	8	15
Proceeds from Convertible Notes Issued (SAFE round)	3,125	925
Unamortized Debt Issuance Costs		14
^b Repayment of Debt	(1,048)	
PPP Loan - Loan Forgiveness	(214)	214
^c Owner's Equity	(50)	
Other		(34)
Cash Provided by Financing Activities	1,821	1,135
Net Cash Increase (decrease)	1,487	(998)
Cash at Beginning of Period	411	1,409
Cash at End of Period	1,898	411

Notes

- ^a This is comprised of an advanced payment from a mining customer in 2018 (Advisory segment) plus an advanced payment from a seafood processing customer during Q4 2021.
- ^b This includes paydown of the Pnta loan which converted into a self-amortizing loan during Q1; this also includes payback of a shareholder loan that was subsequently invested in the SAFE round.
- ^c This entry was made during Q2 2021 to reverse an accounting error made in 2019.

Numbers may not sum due to rounding.

**This foregoing document was electronically filed with the Public Utilities
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Case No(s). 14-1092-EL-AGG

Summary: In the Matter of the Application of Legend Energy Advisors, LLC