



## **Business Plan**

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## Executive Summary

In Europe, multinational corporations ranging from Coca-Cola to Microsoft are adopting a unique form of outdoor advertising that involves wrapping Smart Cars with their marketing message.



The popularity of outdoor advertising, the unique, eye-catching design of Smart Cars and comparatively low CPMs have led to the popularity of this form of advertising.

Smart Cars were not introduced to the U.S. market until 2008, but their broad appeal (currently, interested buyers have to place their name on a waiting list) translates into an exciting opportunity to bring this form of outdoor marketing to America. And, in spite of economic conditions, dollars spent on outdoor advertising has grown every year since 1970.

Today, with Smart Cars populating the streets of America, [REDACTED] is bringing Europe's successful Smart Car formula to the United States.

[REDACTED]'s founder, [REDACTED], has invested \$127,000 into the Company to purchase an initial fleet of 5 Smart Cars. He is now applying his experience in commerce, management and marketing to build relationships with the various advertising agencies that represent the same multinational corporations that engage Smart Car marketing in Europe. Retained earnings will be used to expand the Company's fleet through commercial vehicle leasing and assemble a 7-person staff handling all aspects of marketing and execution of Smart Car events.

In addition to a Company-owned fleet, [REDACTED] will be reaching out private Smart Car owners to build an "independent fleet" of wrapped Smart Cars across the county. These independent operators will share in the advertising revenue of the Company – a business model that has been proven successful both in Europe and the United States.

[REDACTED] has built a comprehensive strategy and a solid financial model that projects Year 3 revenue of \$8 million. The underlying data, research and conservative assumptions that back up the strategy and the financial forecast are discussed in detail throughout this business plan.

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## Objectives

The strategy outlined in the following pages of this business plan includes the replication of successful European advertising programs that use Smart Cars as the canvas for outdoor marketing.

Management intends to enact the strategy over time. This will reduce the required amount of capital while increasing returns on investment.

The objectives are measurable, and they are listed below in chronological order:

- Raise the \$300,000 required to enact the strategy in this plan (the founder has already contributed \$127,000)
- Purchase an initial inventory of five Company-owned Smart Cars through dealers, auctions or waiting lists – whichever combination strikes the best balance between speed and cost-efficiency
- Supplement the initial inventory with another five cars quarterly for four quarters; these cars could be located entirely in one market or spread out over several markets, based on demand
- Begin to build a fleet of independent drivers, beginning in the second quarter:
  - To keep costs low, prospective drivers will be identified via dealership incentives; by mid-year, an online marketing campaign will supplement lead generation
- Add staff and infrastructure in a scalable proportion to revenue
- Achieve Year 3 revenue of nearly \$8 million with a 1,200-strong fleet of independent and Company-own Smart Cars in various markets
- Achieve a Year 3 EBITDA of nearly \$4 million

## Mission

██████████'s mission is to bring a proven marketing strategy to the United States – one that will give advertisers new means of outdoor marketing while allowing independent members across the country a means to supplement their income without changing their lifestyle.

## Keys to Success

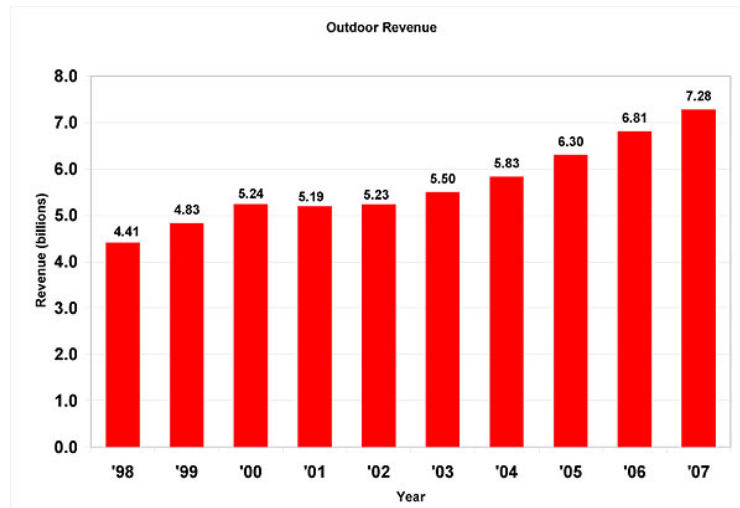
The Company is in the right place at the right time. Its keys to success include:

- A new marketing venue for major U.S. advertisers whose outdoor media options are currently stretched to capacity
- A proven marketing strategy that has not yet been adopted in the United States because the population of Smart Cars is just now reaching an inflection point
- The Company will be able to approach global companies in the United States that have already adopted Smart Car advertising strategies in Europe
- The Company will gain its foothold in the market and prove its concept through a Company-owned fleet of Smart Cars, but will supplement the population of this fleet by enlisting independent drivers that are interested in earning money – rather than just spending it – when they are in their cars

## Company Summary

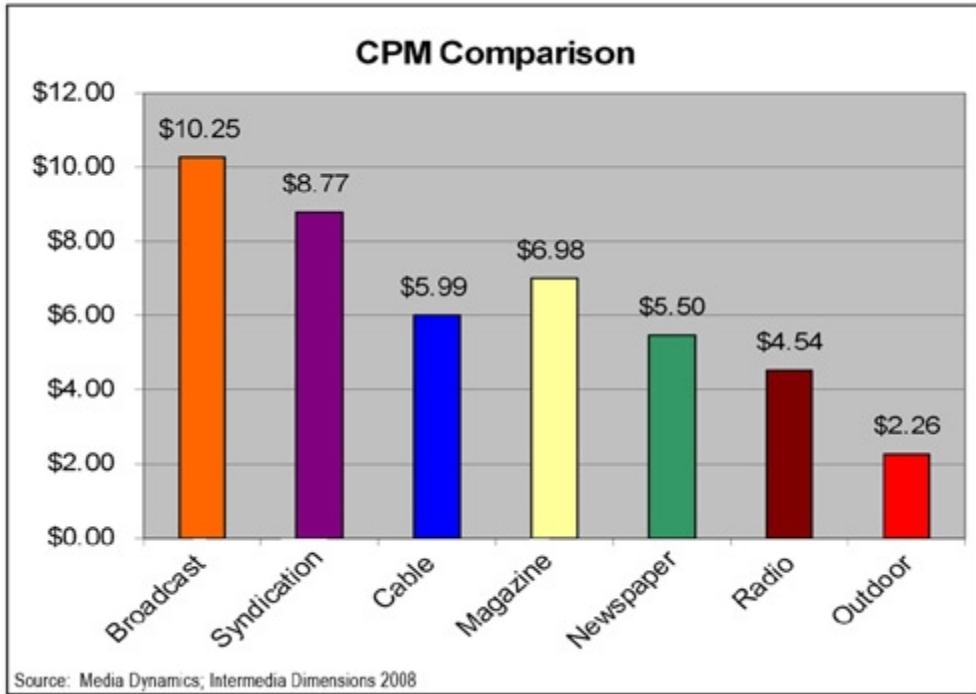
The company will be incorporated in the state of New York and will execute the strategy outlined in this business plan.

## Market Analysis Summary



Out of the home advertising is a multibillion-dollar industry that continues to grow in spite of economic downturns. For 2007, upwards of \$7 billion was spent targeting consumers via outdoor advertising with the need for better, more cost-effective ways to reach consumers driving growth. High impression counts and low CPMs have fueled more demand than traditional billboards and poster frames can supply, spawning innovative solutions like wrapped buses, televisions in taxicabs and flat screen monitors that hover over bank lines, shopping aisles and checkout counters.

Outdoor advertising has grown faster than any other segment of the advertising industry. Since 1970, street, transit and alternative outdoor categories have jumped from \$55 million to \$2.5 billion. This huge growth has been fueled, in great part, due to outdoor advertising's ability to provide high impressions at a low CPM. In CPM terms, outdoor advertising bests all of its competitors in terms of cost effectiveness, as the graph below demonstrates. On a CPM basis, outdoor advertising is half the cost of radio, a third of the cost of magazine ads, and one-fifth the cost of television advertising.



The economic slowdown has already begun to impact advertising budgets – but the need to reach consumers and to generate sales via advertising remains. As advertisers downsize, the need to find less expensive means of advertising should work to the advantage of mobile automobile advertising. An added benefit of using a Smart car fleet--which provides one of the least expensive CPMs within outdoor advertising--is that it is new, different and unusual for American consumers. The Smart Car only began being sold in the United States in early 2008 and its size and design almost guarantee it will have a broad impact on passersby with or without wrap advertising.

One advertising group (AdSmart Outdoor Advertising) compares CPM rates within the outdoor advertising segment as follows:

Outdoor Ad Segment	CPM
Fleet Auto Ads	\$0.73
Billboard Ads	\$1.78

Transit Ads

\$5.01

As for the overall outdoor advertising mix itself, the TNS Media Intelligence/OAAA categorizes and tracks out-of-home advertising data. For the first six months of 2008, the top ten categories of outdoor advertising generated over \$3 billion in fees in the following segments:

Industry Categories	Jan - June 2008 (\$m)	Percent of Total Revenue	Rank	Jan - June 2007 (\$m)	Rank	Category Growth Jan - June '08 vs '07 (\$m)	Percentage Change Jan - June '08 vs '07 (%)
	MISC SERVICES & AMUSEMENTS	\$ 601,955.5	15.7%	1	\$ 581,240.5	1	20,715.0
PUBLIC TRANS., HOTELS & RESORTS	\$ 352,783.2	9.2%	2	\$ 326,244.7	3	26,538.5	8.1%
INSURANCE AND REAL ESTATE	\$ 333,567.7	8.7%	3	\$ 382,493.8	2	-48,926.1	-12.8%
RETAIL	\$ 310,563.0	8.1%	4	\$ 296,245.2	5	14,317.8	4.8%
MEDIA & ADVERTISING	\$ 302,894.8	7.9%	5	\$ 307,495.0	4	-4,600.2	-1.5%
COMMUNICATIONS	\$ 291,392.5	7.6%	6	\$ 311,244.9	6	-19,852.4	-6.4%
RESTAURANTS	\$ 279,890.1	7.3%	7	\$ 232,496.2	8	47,393.9	20.4%
FINANCIAL	\$ 237,714.9	6.2%	8	\$ 217,496.5	7	20,218.4	9.3%
AUTOMOTIVE DEALERS & SERVICES	\$ 191,705.6	5.0%	9	\$ 198,746.8	9	-7,041.2	-3.5%
GOVERNMENT, POLITICS, & ORG	\$ 168,700.9	4.4%	10	\$ 153,747.5	10	14,953.4	9.7%
Total Top Ten Categories	3,071,168.2	80.1%		3,007,451.1		63,717.1	

Outdoor advertising has been highly creative in finding ways to reach consumers. In part, the old way of doing business started to change when the Highway Beautification Act was signed into law in 1965. The act applied only to "Federal Aid Primary" and "Defense" highways and limited billboards to commercial and industrial zones created by states and municipalities. It required each state to set standards based on "customary use" for the size, lighting and spacing of billboards. Since the act required the states to maintain "effective control" of billboards or lose 5% of federal highway dollars, it was strictly enforced causing available billboard signage to decrease.

But overall outdoor advertising spending continued to grow despite regulations. The *New York Times* reported in 2007, "Over the last two years, the category, which the industry refers to as out-of-home advertising, has been second only to the Internet in its growth rates."

Part of this growth in the outdoor advertising segment has been the use of automobile, truck, train and subway wrapping, which has taken off over the past few years due to the continuing search for cost-effective targeting of hard-to-reach demographics.

The use of the Smart Car is one of these avenues, monetizing the need for creative solutions for outdoor advertising without using billboards or stationary signage, which tend to blend into the background as opposed to watching an ad drive by while standing at a crosswalk or while stuck in traffic.

### Target Market Segment – Advertisers

With consumers saturated with advertising directed at them from all directions, advertisers seek newer, better, and cheaper methods to reach them. The use of

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vinyl wrapping advertisements around cars originated in Europe, where drivers have taken advantage of the fees and incentives offered and advertisers can target hard-to-reach demographics. Cult cars, such as the Smart, have had particular success, with some **30 percent of all Smart cars in Europe being utilized for advertising with some form of vehicle wrapping.**

The critical factor is that Smart Car advertising is cheaper than other outdoor advertising, such as billboards, which can cost up to \$50,000 for an eight-week campaign, or even transit advertising. Vehicle wrapping is an affordable means for companies to get their messages across to the public using outdoor advertising.

- Mobile advertising can be the most effective and efficient form of outdoor advertising, reaching more consumers at a lower Cost Per Thousand Impressions (CPM) than any other form of outdoor advertising.
- More than 95% of Americans are reached by media targeting vehicle drivers and passengers.
- The average American has traveled 302 miles in the past seven days.
- One vehicle wrap can generate between 30,000 - 70,000 impressions daily.
- Fleet vehicle wraps are ideally suited to new product launches and event marketing and are increasingly being used as part of the marketing mix.
- Fleet vehicle advertising boosts name recognition 15 times greater than any other form of advertising.
- 30% of mobile outdoor viewers indicate they would base a buying decision on the ad they see.
- Transit advertising has grown to be the second largest segment of the outdoor advertising industry in terms of dollars spent representing 19% in 2003.
- Eight out of 10 Americans report they have walked in a town, city or downtown area, on average 6.1 miles in the past seven days. This pedestrian traffic represents a significant reach opportunity for advertisers.

Major brands using wrapped vehicles for advertising include:

- Bayer Aspirin
- California Pizza Kitchen
- Canon
- Citibank (Hispanic)

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- Clorox
  - Coca-Cola
  - Discovery Channel
  - Domino's Pizza
  - Entourage (HBO)
  - Espirit
  - Fox Sports (Adelphia)
  - H&R Block
  - Harrah's
  - Head and Shoulders (Proctor & Gamble)
  - Honda
  - Hyatt
  - IHOP
  - Jamba Juice
  - JetBlue
  - Jiffy Lube
  - Lacoste
  - Listerine Breath Strips
  - Lo Jack
  - Lockheed Martin
  - MasterCard
  - McDonalds
  - MTV
  - Nabisco Chips Ahoy!
  - Nivea
  - Oakland Raiders
  - Papa Johns Pizza
  - PepsiCo
  - PowerBar (Nestle)
  - Pringles (Proctor & Gamble)
  - Qwest
  - Rawlings Golf
  - ReMax
  - Rolling Rock
  - Ryland Homes
  - Sega
  - Smuckers
  - Sprint
  - Starbucks
  - Sun Microsystems
  - Taco Bell
  - Teen People
  - Toshiba
  - TV Guide

- 
- Tylenol Cold and Flu (Johnson and Johnson)
  - United HealthCare
  - Verizon DSL
  - Verizon Long Distance
  - Virgin Records
  - Visa
  - Xbox (Microsoft)
  - Yahoo: Personals, Shortcuts, Search Engine

In Germany and Austria, LaudaMotion, set up by the former Formula One race car driver Niki Lauda, provides Smart cars or other small vehicles on a rental basis, for prices under \$2 a day if drivers agree to drive a vehicle decked out with advertising. LaudaMotion says its advertisers have included McDonald's and Visa. Other major firms utilizing vehicle wrapping advertising include Bayer HealthCare, which recently provided 1,000 cars to German pharmacists at favorable leasing rates in return for displaying ads for Bayer aspirin.

Vehicle wrapping started by most accounts in 1993, when PepsiCo bought the rights to paint six city buses in Seattle with its logo. Pepsi planned to put the buses in a paint shop for six weeks, but was persuaded to wrap the buses with vinyl that could be applied in less than two days. However, with new technology initiated by 3M, vinyl based wrapping can be done on cars, buses and trains in just a few hours.

3M, which remains the largest producer of the material, uses an adhesive similar to the one on its Post-It notes, enabling installers to place vinyl strips on a vehicle that do not stick until pressure is applied. The material is popular for wrapping race cars, helicopters, planes, boats and even buildings. Far from hurting the paint job, the wrap preserves it.

- ARD Ventures, a venture capital firm, estimates that a single vehicle's advertising message is viewed by motorists and pedestrians as many as 70,000 times a day.
- FreeCar Media, an advertising agency in Los Angeles, claims to have a database of more than 1 million car owners who say they are open to wrapping their cars in ads for a fee. This advertising appeals to companies like Procter & Gamble that need to target stay-at-home moms with two-plus children who live in local markets. FreeCar Media targets local moms since if they wrap her car and get it to her PTA meeting or Curves gym, they can achieve acceptance from her social circle. In the past seven years, FreeCar Media has hired about 7,000 motorists, who are instructed to park outside whenever possible, refrain from smoking, littering or swearing in their

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vehicle, and attend a monthly event where they hand out samples or coupon, as well as send frequent reports.

However, in addition to major brands utilizing the new vehicle wrap advertising, such advertising is also particularly suited for smaller, local businesses, which require visibility yet have not up until now had the ability to obtain it in a cost-effective manner. In Arizona, *We Fix Ugly Pools*, a pool repair and construction company in Phoenix, wrapped more than 30 vehicles in their fleet with company ads and attributes more than \$1 million in revenue over the past year to people seeing one of their trucks in a driveway. Another local Phoenix company, *At Jobing.com*, a job search and recruiting company, offers employees who have been with the company for more than a year to get their cars wrapped with company ads, which pays \$500 a month plus unlimited gasoline, or provides a free employee car.

The International Herald Tribune reported that tens of thousands of motorists have signed up to have their cars and trucks wrapped in advertisements in exchange for monthly fees. Competition to get the fees and participate is intense and car owners have been willing to limit where they shop and abide by a code of conduct while behind the wheel.

### **Target Market Segment – Independent US Drivers**

Smart car sales have beaten expectations in the United States, where the brand has been available since January. Smart USA has sold more than 14,000 cars in the United States—about double what manufacturer Daimler expected—and there is a yearlong waiting list. Worldwide, Smart sales are up 57% this year to 81,300 vehicles, causing Daimler to add additional shifts at its factory in Hambach, France. Daimler doesn't disclose results for Smart separately, but analysts expect operating earnings of about \$75 million on sales of \$1.5 billion. The 5% margin compares to about 8% for Mercedes cars as a whole.

Gas prices only provide a partial explanation for American interest in the Smart Car, which gets 41 mpg on the highway with its three-cylinder engine and plastic body panels. A diesel version, not available in the United States, gets 71 mpg. U.S. buyers are often affluent and design-conscious and many are familiar with Smarts from trips to Europe and own at least one other car. They are purchasing the Smart not only because of gas prices, but also because they understand that driving an SUV brands them as a contributor to global warming.

With the growing popularity of the Smart in the United States, many owners, like their European counterparts, plan to use their cars as moving billboards.

### **Marketing Strategy**

Given the cost benefits and reach abilities of Smart Car advertising, the Company plans on targeting the following groups:

- 
- [REDACTED]
1. U.S. ad agencies of major clients who already use Smart Car advertising in Europe and Australia
  2. Major companies who use Smart Car or other vehicle advertising in other U.S. cities, besides New York.
  3. Local businesses that require targeted local geographic advertising that is cost-effective and difficult to achieve with other means.

### Management Summary

[REDACTED]

### Financial Plan

This section is a compendium to an underlying financial model that was created to reflect the Company's strategy in numeric terms and present management with:

- Capital Requirements
- Projected Revenue
- Projected Cash Flow

In summary, the financial model states:

- A minimum investment of \$359,000 is required to enact the Company's strategy
- Based on conservative assumptions, the Company projects topline revenue of \$7.9 million by Year 3, and EBITDA of nearly \$4 million

The methodology behind the financial model, as well as additional results, is discussed in the following subsections.

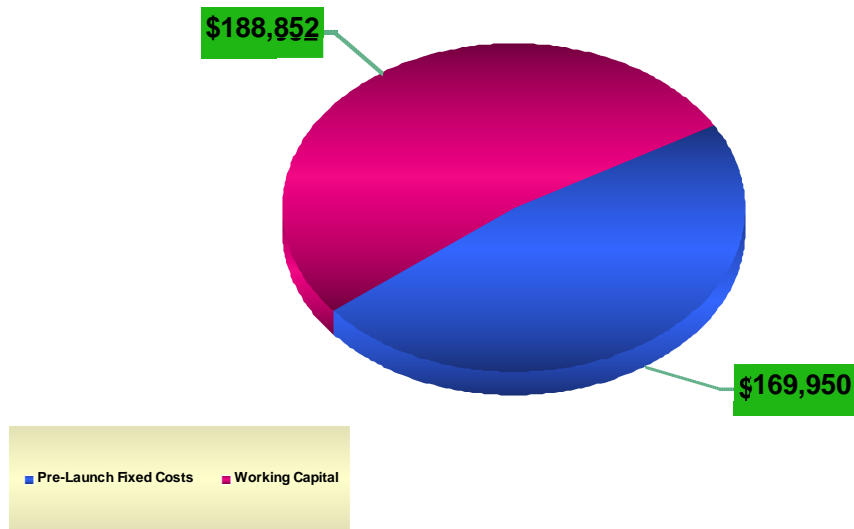
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## Capital Requirements

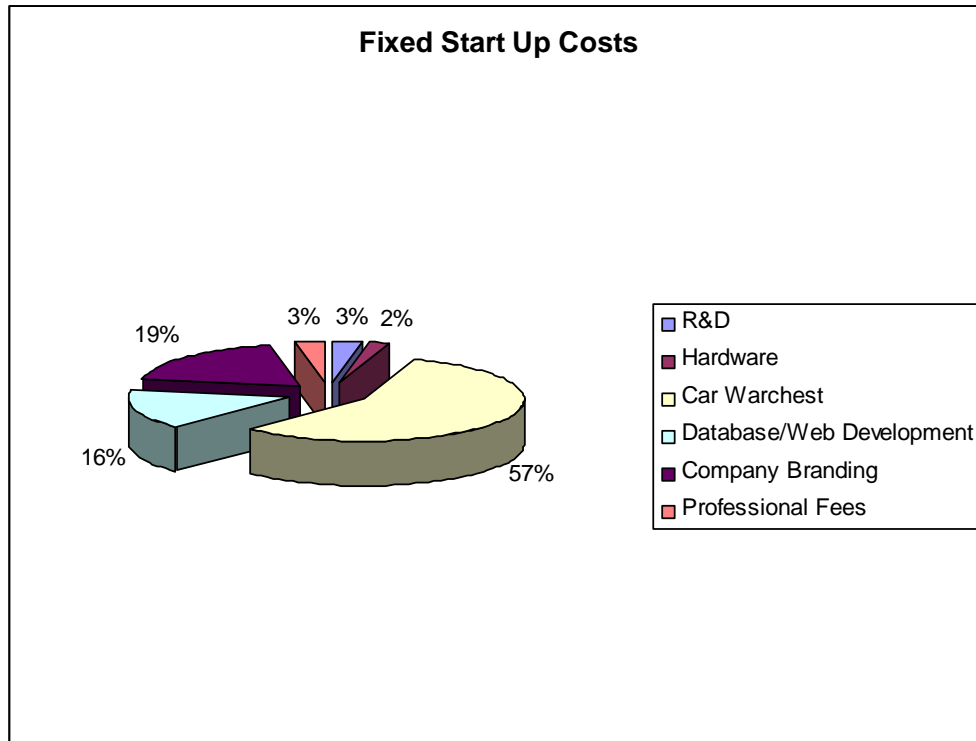
Start-up requirements are comprised of:

- Pre-launch expenses, meaning any required payment that the Company must make prior to it officially opening for business
- Working capital, which is the amount of money required after the Company's official launch to pay for operations until the Company is cash flow positive at the end of Year 1.

### Capital Investment and Requirements



The fixed startup costs are comprised of the following line items:



- Research and development (R&D) is a discretionary budget to be used for market research and consulting
- Hardware costs include a computer and operating software relevant to the nature of the business
- Car Warchest refers to the cost of the initial fleet of Company-owned cars, transportation to the first U.S. market, plus insurance and parking; after launch, car related expenses appear in the Income Statement under Cost of Goods Sold
- Database/Web development relates to a centralized, online “hub” that will be used as the center of operations; when the company begins to recruit independent drivers, the website will also be a recruitment, enlistment and tracking center
- Company Branding refers to all initial branding costs, trademark and registration fees, marketing materials and presentations
- Professional fees include the cost of incorporation and relevant documents and contracts that will be created for advertisers

The following table lists these categories in hard figures:

R&D	\$ 5,000
Hardware	\$ 3,000
Car Warchest	\$ 91,950
Database/Web Development	\$ 25,000
Company Branding	\$ 30,000
Professional Fees	\$ 5,000
Travel	\$ 10,000
<b>Total</b>	<b>\$ 169,950</b>

## Sales Strategy

The general business model calls for:

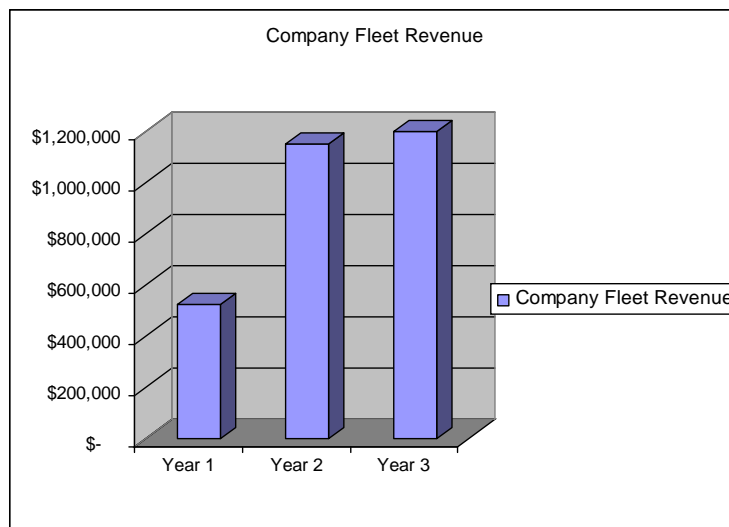
- Purchasing vehicles (the “Company fleet”) and monetizing them through advertising, and
- Enlisting owners of vehicles across the country (the “Independent fleet”) to dress their cars in Company-provided advertising in return for a share of revenue

The company will be able to exploit other revenue streams in the future (see Products and Services), but only these revenue streams are analyzed in the three-year projections in the financial model.

### Purchasing Vehicles (Company Fleet)

The Company will purchase a fleet of five cars immediately and increase the headcount of that fleet over time. This fleet will be used to ensure availability and maintain control over new advertising accounts.

The following table shows projected revenue from this channel:



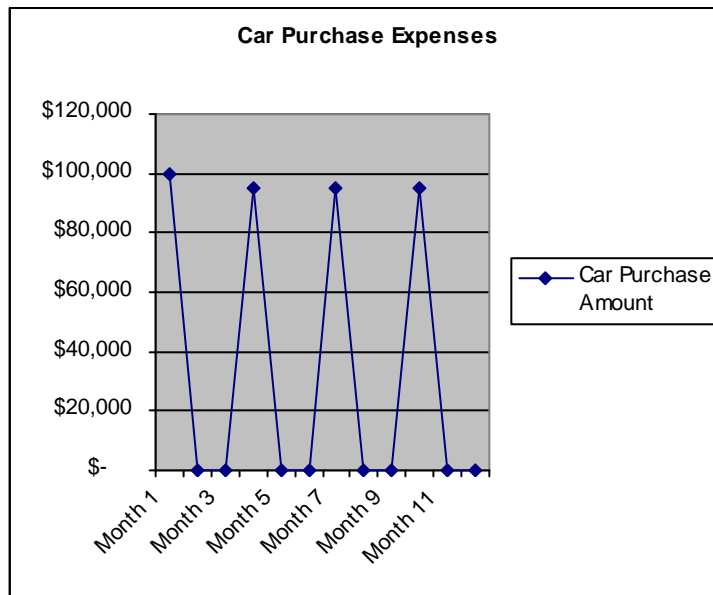
The following sections explain the underlying assumptions and related costs that generate the revenue projections above.

### Purchase Payment Assumptions

While financing is a possibility for the purchase of the fleet, this financial model assumes complete payment by the Company for each automobile through startup capital and later through retained earnings. This is a conservative assumption addressing the fact that corporate financing of any kind can be a roadblock for a new company – such as ██████████ – that does not have three or more years of historical financial information to present to a bank.

The following graph shows the financial model’s projected cost during Year 1 for the initial 20-car fleet:

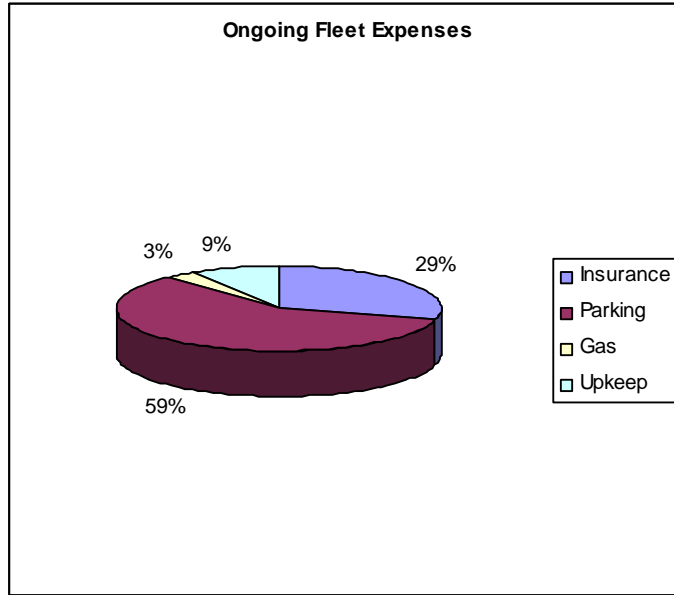
The first five cars are slightly higher in cost due to speculative sales, which are currently due to higher demand than supply.



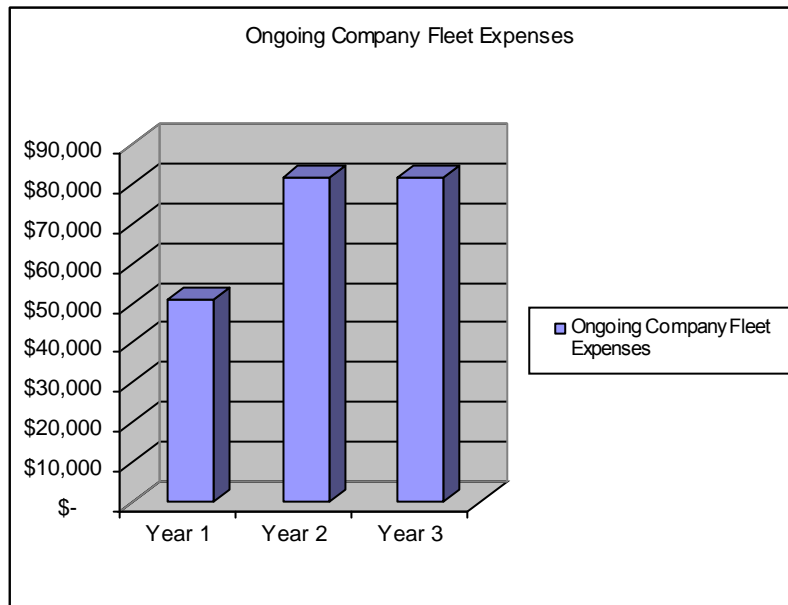
### Ongoing Expense Overview

The cars can be hired by advertisers individually or as a group. *It should be noted that the Company fleet will incur parking, insurance, maintenance, driver recruitment costs and other ongoing expenses; however, wrapping costs and personnel costs will be the direct burden of the advertiser, with the Company doing its part to expedite each event and maintain those accounts.*

On a monthly basis, these ongoing costs fall into the categories that appear in the chart below:



The following graph summarizes ongoing expenses over the period forecast:



Expenses level off in Years 2 and 3 due to the fact that the entire projected fleet is purchased in Year 1, and thereafter, the company begins signing on independent drivers who cover their own ongoing expenses.

Timing and Markets

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The financial model assumes a fleet of 20 cars built up in just over a year's time. Each fleet of five cars can theoretically open a market – New York, Miami, Los Angeles and the like. Conversely, all 15 can be located in a single market if demand warrants. Management will heed the marketplace and penetrate markets based on:

- Competitive landscape
- Demographics
- Smart Car availability
- Demand from established advertising clients

## **Monetizing the Company Fleet**

### Generating Client Advertisers

The Company's business plan enjoys the significant advantage that its model has been successfully implemented in Europe, where Smart Cars entered the market much earlier than they did in the United States. Also, the Company is implementing its U.S. version of the established model at the inflection point of Smart Car availability.

In Europe, major advertisers – globally recognized brands – are using Smart Cars to convey their message and add excitement and novelty to special events.

While virtually any company's advertising strategy can be enhanced through the products and services offered by [REDACTED], the Company will, at first, identify and market to the U.S. counterparts of same brands that have been using Smart Cars in Europe.

This should lower the bar for signing on new advertising accounts. For example, when the Company contacts Coke or its media buyers, it can tempt them with the success that their European division has already experienced with Smart Cars.

### Long-Term vs. Event Marketing

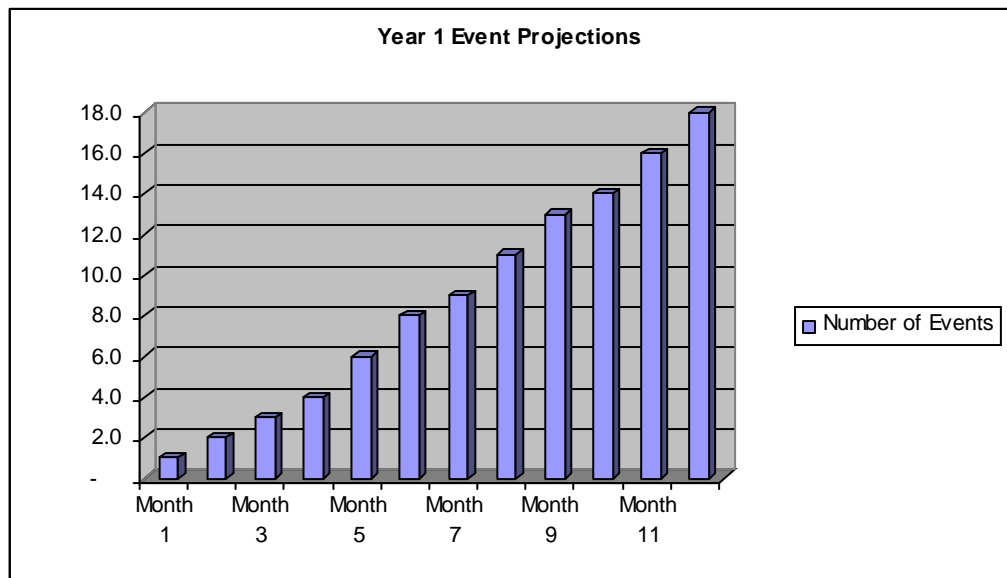
The Company can support any configuration of advertising: a single wrapped car running the streets of NYC for a month ("long-term"), or a squad of five cars targeting a certain neighborhood in Lower Manhattan during a single lunch hour ("event").

To maintain conservative projections and model the more likely needs of advertisers, the financial model exclusively projects "event" marketing.

For simplicity, the financial model assumes that each event will share the following characteristics:

- Each event will be comprised of five cars, 20 cars will be in the fleet by the end of Year 1
- The rate for each car will be \$200 per hour
- The average event will run for five hours

Additionally, the number of projected events is conservative. The following shows the underlying assumptions for event marketing in Year 1.

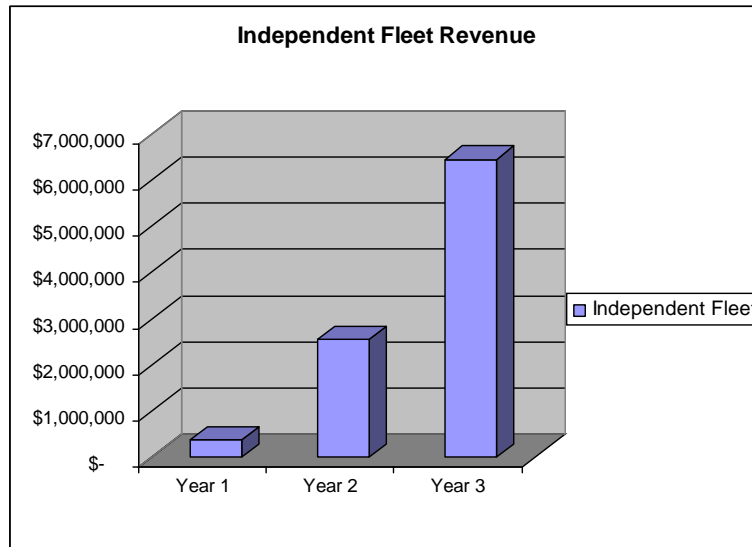


### The Independent Fleet

Rather than carry the burden of purchasing and maintaining an ever larger Company Fleet, [REDACTED] will supplement its overall access to Smart Cars by building an Independent Fleet of drivers nationwide.

To build this fleet, the Company will market through Smart Car dealerships, through the Internet and through various groups and clubs of Smart Car enthusiasts and owners. As an incentive, the Smart Car owners who enlist as part of the Independent fleet will receive a percentage of the revenue that they generate for the Company.

The following snapshot shows projected revenue from this incentive.



The next sections describe the underlying assumptions and costs that support projected revenue from this sales channel.

### Independent Fleet Generation: Dealer Incentives

The Company will work with Smart Car dealers to generate members of the Independent fleet.

Starting in Month 4 of the financial plan, management will reach out to dealers in major markets and test an incentive program. Based on negotiations with dealers, the cash incentive will take one of the following forms:

- A dealer will receive a “commission” from [REDACTED] for each prospective fleet member that actually enlists; or
- As an added incentive to prospective Smart Car buyers, the Company will give dealers the opportunity to “offer” their clients a sign-up bonus with [REDACTED] – much like a cash back incentive that dealers use every day to close sales

For the purposes of forecasting, the financial model budgets this incentive at \$500 per enlistment – whether that goes to the dealer, the buyer or is split between them.

Further, the financial model assumes approximately two new enlisted members for the Independent fleet per market per month.

## Independent Fleet Generation: Online Marketing

Starting in Month 6 of operations, the Company will execute an online marketing strategy to attract and enlist new members of the Independent fleet.

The following table shows the total marketing budget for the three years projected:

<b>\$25,000</b>	Year 1
<b>\$100,000</b>	Year 2
<b>\$250,000</b>	Year 3

Each annual budget will be applied to the following campaigns:

	%			\$		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Keyword, PPC Campaign	0%	45%	45%	\$0	\$45,000	\$112,500
Search Engine Optimization	15%	10%	15%	\$3,750	\$10,000	\$37,500
Viral Campaign*	75%	25%	27%	\$18,750	\$25,000	\$67,500
Press Rel/Print Campaign	10%	10%	5%	\$2,500	\$10,000	\$12,500
PR Events	0%	10%	8%	\$0	\$10,000	\$20,000

The viral campaign is further broken down into these categories:

BUDGET ALLOTMENT	%			\$		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
<b>BUDGET ALLOTMENT</b>	<b>75%</b>	<b>25%</b>	<b>27%</b>	<b>\$18,750</b>	<b>\$25,000</b>	<b>\$67,500</b>
Sponsorships	50%	50%	50%	\$9,375	\$12,500	\$33,750
Facebook	25%	25%	25%	\$4,688	\$6,250	\$16,875
Email Blast	20%	20%	20%	\$3,750	\$5,000	\$13,500
Freebies	5%	5%	5%	\$938	\$1,250	\$3,375

The marketing categories in the above tables are explained in the sections below:

### Keyword/PPC Campaigns

Search Engine Marketing (SEM) is a key component of building site traffic, and it is assumed that various keyword campaigns will be administrated by a qualified SEM consultant.

The following is an overview of the SEM process:

- A qualified SEM consultant will “purchase” keywords from search engines like Google and Yahoo. People online who type in those keywords will be shown a text ad/link to the [REDACTED] website. If and only if they click on that link, the search engine charges the Company for the agreed upon “purchase” price of the keyword.

- 
- [REDACTED]
- Keywords vary in cost and several campaigns would be running simultaneously, or consecutively, at the discretion of the SEM consultant and in tandem with the Company’s strategic geographic roll-out.
  - Within each campaign, the SEM consultant would likely purchase three tiers of keywords: high-priced, medium-priced and low-priced.
  - Campaigns are often modeled to reflect a higher portion of the budget going toward the more motivated (and therefore expensive) prospects in each category.
  - In addition to managing the keyword campaigns, the SEM consultant will be designing specific *landing pages* that are tailored to convert people who click over to the Company’s site into registered drivers. For example, someone who found [REDACTED] through a search term such as “gas prices” would land on a different “home page” than someone who used “outdoor advertising” as a search term. Over time, fine-tuning of the landing pages will result in higher and higher conversion-to-membership rates.

Once a visitor enters the site through their appropriate landing page, the forecast for their conversion to membership must be based on certain assumptions. These conservative assumptions include:

- Many visitors will drop off immediately. This is standard. They may have simply been expecting to find a different site or different products.
- Efficiencies and the overall marketing campaign elements will work together to convert a higher portion of new visitors into members over time.

### Banner Ads

Advertisements will be posted on sites that known Smart Car owners frequent, and the methodology in the previous section will be employed to convert a portion of those responding to the ads to become members of [REDACTED].

### Search Engine Optimization

Search engine optimization is a behind-the-scenes method of gaining a higher position on search engine result lists. Again, a qualified consultant will be retained to monitor and tag the [REDACTED]

██████████ site to achieve this – and the result is more prestigious online exposure and, therefore, higher traffic.

### Press Releases

Today, bloggers have incredible audiences and most are under the gun for material to write about every day.

Certain services, such as PR Web, optimize press releases for products and services and distribute them to bloggers. A mention or hyperlink to ██████████ from a blogger with even a modest following can cause a spike in traffic and lead to increased membership.

### Viral Campaigns

Viral campaigns are an effective and relatively inexpensive marketing tool for reaching a target audience. Whether sponsoring a local car show or developing profiles on MySpace and Facebook, such efforts can raise awareness about ██████████ without the massive production and placement costs of television, radio and print media. Included in the viral budget are:

- Sponsorships
- Facebook/Social Networking
- Email Blasts
- Freebies/Give-aways
- Word of mouth commissions

The goal of these initiatives is to drive traffic to the ██████████ website and then convert that traffic into registered drivers in the fleet through a simple sign-up process.

The following table shows the conservative conversion estimates used by the financial model to project enlistment and revenue:

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Total Expected Traffic	146,673	378,033	1,021,357
New Fleet Members	287	745	1,174
<b>Conversion Rate:</b>	0.20%	0.20%	0.11%

Based on traffic, conversion and overall marketing costs, the following can be projected:

	Year 1	Year 2	Year 3
Member Acquisition	\$ 108.76	\$ 141.32	\$ 215.35

Though member acquisition rises over time – which is generally consistent across industries – the average revenue per enlisted car remains a constant. The Company’s financial projections indicate that monthly per-car revenue will be \$283. The assumptions behind this figure are elaborated upon in the next section.

## Monetizing the Independent Fleet

Outdoor advertising works on a CPM basis and that method is used by the underlying financial model to project revenue.

The following table reflects the assumptions used by the financial model:

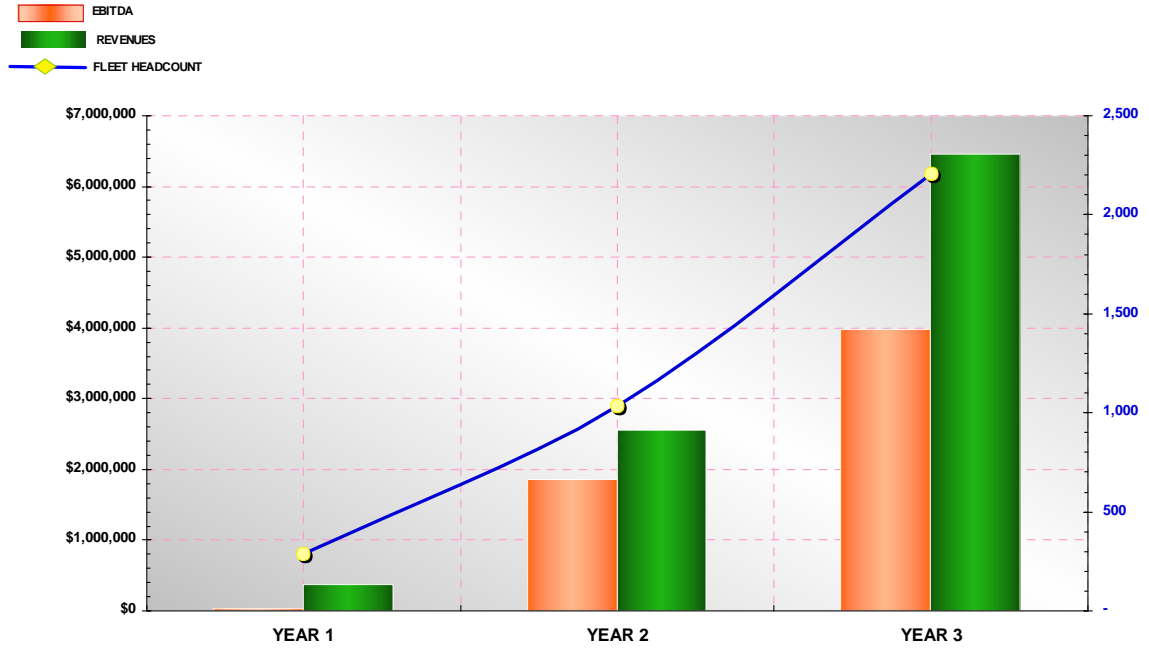
	Saturation	Targeted
Total Average Time on Road	120	120
% of Time Displaying Signs	65%	65%
Total Minutes Displaying Signs	78	78
Impressions Per Minute	85	85
Number of Days	30	30
CPM	\$ 1.50	\$ 3.00
Estimated Imp.	198,900	198,900
% Of Whole	80%	20%

Important notes include:

1. **SATURATION vs. TARGETED:** as is customary with outdoor advertising, ads that appear on targeted – or premium – routes command a higher CPM. This is reflected in the CPM line item.
2. **TOTAL AVERAGE TIME ON ROAD:** This figure, in minutes, is based on the average commute time for U.S. drivers according to the U.S. Government.
3. **PERCENT OF TIME DISPLAYING SIGNS:** It is assumed that participating drivers will not be in “advertising mode” 100% of the time; human nature dictates that a driver would remove the advertising from their car when bringing a date to a restaurant, taking the kids to soccer practice, etc.
4. **IMPRESSIONS PER MINUTE:** Figure based on outdoor advertising research.
5. **NUMBER OF DAYS:** The financial model uses 30 days as the length of any given month.

6. ESTIMATED IMPRESSIONS: This is merely a calculation of the inputs described above.

The following table presents a snapshot of projected EBITDA, revenue and fleet headcount:



### Other Revenue Streams

Other revenue streams fall into these categories:

- Creative setup fees and signage fees
- Website monetization

Each is discussed in the following subsections.

### Creative & Signage Fees

The Company will act as a middle man between Independent fleet drivers and advertisers, thereby maintaining a revenue-generating position.

Therefore, while wrapping cars is the responsibility of the advertiser with regard to the Company fleet, [REDACTED] will assume that responsibility when it comes to the Independent fleet.

This translates into additional Company costs, but those expenses will be marked up and passed along to the advertisers.

Hence, the Company will charge advertisers a creative fee and signage fee for each new campaign. The following inputs are used by the financial model to project corresponding revenue:

Car to Campaign Ratio 1:	50
Avg. Campaign Length (Mo)	3.00
Creative Setup Fee	\$ 300.00
Signage Fee	\$ 60.00

The basic assumptions behind these inputs include:

1. **CAR TO CAMPAIGN RATIO:** It is assumed that advertisers will demand a minimum of 50 available cars per campaign; therefore, the financial model does not “trigger” a new campaign unless 50 cars are available.
2. **AVERAGE CAMPAIGN LENGTH:** Based on statistics for outdoor advertising trends, it is assumed that each campaign will last three months.
3. **CREATIVE SETUP FEE:** The Company will charge a setup fee of \$300 per campaign to offset costs related with launching a new campaign for an advertiser.
4. **SIGNAGE FEE:** The production and distribution costs of the actual signs distributed to the car fleet for each campaign will be marked up and charged to the media buyer.

## Website Monetization

As stated previously, the Company’s online marketing efforts will be driving traffic to its site, and members will use the site as their virtual [REDACTED] office.

While not a main source of revenue, the financial projections do acknowledge that [REDACTED]’s website will be a center of activity for Smart Car owners, and that advertisers wishing to reach that demographic would be interested in using the Company’s website for their own advertising.

Projected revenue appears in the P&L.

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## **Expense Assumptions**

The company is run primarily on technology and media sales, and therefore enjoys the benefit of a lean staff and highly scalable expenses. The following subsections review expenses, which fall into these categories:

- Cost of Goods Sold
- General & Administrative
- Marketing
- Personnel

### **COGS**

Cost of Goods is defined as non-discretionary expenses required to make a sale or enlist a driver for the fleet.

COGS fall into the following categories:

1. Pay-Per-Click advertising that directly translates into website traffic, whether that traffic is monetized as a fleet member or through online advertising
2. Hosting and bandwidth costs related to the company's own website
3. The independent driver revenue share is classified as COGS

### **Independent Driver Revenue Share**

Based on incentives from other outdoor advertisers that enlist independent drivers, it is assumed that each enlisted member of the Independent fleet should be offered a minimum of \$100 per month.

This figure translates into 36% of the Company's projected revenue on each car.

The split between the Company and its Independent driver fleet is subject to rise after early adopters have been depleted.

### **General & Administrative Expenses**

The following table summarizes projected G&A expenses:

G&A

	Y1Q1	Y1Q2	Y1Q3	Y1Q4	YEAR 1	YEAR 2	YEAR 3	3-YR TOTAL
Rent	\$0	\$5,000	\$15,000	\$15,000	\$35,000	\$60,000	\$60,000	\$155,000
Phone/Internet	\$1,200	\$1,200	\$1,200	\$1,200	\$4,800	\$4,800	\$4,800	\$14,400
Office/Computer Supplies	\$1,500	\$1,500	\$1,500	\$1,500	\$6,000	\$6,000	\$6,000	\$18,000
Business Insurance	\$750	\$750	\$750	\$750	\$3,000	\$3,000	\$3,000	\$9,000
Legal Fees	\$3,600	\$3,600	\$3,600	\$3,600	\$14,400	\$14,400	\$14,400	\$43,200
Accounting	\$1,500	\$1,500	\$1,500	\$1,500	\$6,000	\$6,000	\$6,000	\$18,000
Travel & Entertainment	\$18,000	\$18,000	\$18,000	\$18,000	\$72,000	\$72,000	\$72,000	\$216,000
Consultant: SEM	\$94	\$94	\$94	\$94	\$375	\$1,000	\$3,750	\$5,125
Consultants	\$1,500	\$1,500	\$1,500	\$1,500	\$6,000	\$6,000	\$6,000	\$18,000
Ongoing R&D	\$1,500	\$1,500	\$1,500	\$2,000	\$6,500	\$12,000	\$18,000	\$36,500
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$3,000	\$3,000	\$3,000	\$3,000	\$12,000	\$12,000	\$12,000	\$36,000
<b>Total</b>	<b>\$32,644</b>	<b>\$37,644</b>	<b>\$47,644</b>	<b>\$48,144</b>	<b>\$166,075</b>	<b>\$197,200</b>	<b>\$205,950</b>	<b>\$569,225</b>

Note that:

- The Company will not be working out of an official office space until the first fleet is generating revenue
- Travel & Entertainment is budgeted as a relatively high figure and includes:
  - Transporting Company owned cars from their purchase location to the market where they are required
  - Management presence in various markets

## Online Marketing

The following table summarizes online marketing costs. The underlying assumptions have been addressed in section 0.

MARKETING

	Y1Q1	Y1Q2	Y1Q3	Y1Q4	YEAR 1	YEAR 2	YEAR 3	3-YR TOTAL
SEM CAMPAIGN#1	\$0	\$0	\$0	\$0	\$0	\$18,000	\$45,000	\$63,000
SEM CAMPAIGN#2	\$0	\$0	\$0	\$0	\$0	\$13,500	\$33,750	\$47,250
SEM CAMPAIGN#3	\$0	\$0	\$0	\$0	\$0	\$13,500	\$33,750	\$47,250
Search Engine Optimization	\$844	\$844	\$844	\$844	\$3,375	\$9,000	\$33,750	\$46,125
Press Rel/Print Campaign	\$625	\$625	\$625	\$625	\$2,500	\$10,000	\$12,500	\$25,000
Facebook	\$1,172	\$1,172	\$1,172	\$1,172	\$4,688	\$6,250	\$16,875	\$27,813
Sponsorships	\$2,344	\$2,344	\$2,344	\$2,344	\$9,375	\$12,500	\$33,750	\$55,625
Email Blast	\$938	\$938	\$938	\$938	\$3,750	\$5,000	\$13,500	\$22,250
Media Kit/Creative	\$2,500	\$1,250	\$2,500	\$1,250	\$7,500	\$7,500	\$10,000	\$25,000
PR Events	\$0	\$0	\$0	\$0	\$0	\$10,000	\$20,000	\$30,000
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$8,422</b>	<b>\$7,172</b>	<b>\$8,422</b>	<b>\$7,172</b>	<b>\$31,188</b>	<b>\$105,250</b>	<b>\$252,875</b>	<b>\$389,313</b>

## Personnel

The Company has a distinct advantage in the simplicity of its operations. By Year 2, five full-time employees, in conjunction with outsourced

services, will be able to handle ongoing operations. The following table shows projected personnel positions and expenses:

**PERSONNEL**

	Y1Q1	Y1Q2	Y1Q3	Y1Q4	YEAR 1	YEAR 2	YEAR 3	3-YR TOTAL
CEO/Head of Sales	\$20,000	\$20,000	\$20,000	\$20,000	\$80,000	\$80,000	\$80,000	\$240,000
SVP Logistics	\$0	\$0	\$5,000	\$15,000	\$20,000	\$60,000	\$60,000	\$140,000
SVP Sales	\$0	\$0	\$0	\$0	\$0	\$16,667	\$200,000	\$216,667
Comptroller	\$0	\$0	\$0	\$4,583	\$4,583	\$55,000	\$55,000	\$114,583
Gen Admin	\$0	\$0	\$0	\$0	\$0	\$36,667	\$40,000	\$76,667
Client Manager	\$0	\$0	\$0	\$5,833	\$5,833	\$70,000	\$70,000	\$145,833
Production/Traffic	\$0	\$0	\$12,500	\$12,500	\$25,000	\$50,000	\$50,000	\$125,000
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$20,000</b>	<b>\$20,000</b>	<b>\$37,500</b>	<b>\$57,917</b>	<b>\$135,417</b>	<b>\$368,333</b>	<b>\$555,000</b>	<b>\$1,058,750</b>

**Projected Profit and Loss**

The following P&L reflects all the assumptions and calculations presented in this plan.

**PROJECTED INCOME STATEMENT**

	YEAR 1	YEAR 2	YEAR 3	TOTAL
<b>REVENUES</b>				
Site Advertising	\$ -	\$ 44,539	\$ 251,266	\$ 295,805
Independent Fleet	\$ 379,254	\$ 2,556,795	\$ 6,456,511	\$ 9,392,561
Company Fleet	\$ 525,000	\$ 1,150,000	\$ 1,200,000	\$ 2,875,000
Other	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues:</b>	<b>\$ 904,254</b>	<b>\$ 3,751,334</b>	<b>\$ 7,907,777</b>	<b>\$ 12,563,365</b>
<b>Cost of Sales</b>				
Press Rel/Print Campaign PPC	\$ 2,056	\$ 9,008	\$ 11,505	\$ 22,570
Hosting	\$ 2,694	\$ 8,897	\$ 25,125	\$ 36,716
Driver Distribution	\$ 126,133	\$ 850,347	\$ 2,147,326	\$ 3,123,806
Commissions	\$ 948	\$ 10,846	\$ 41,268	\$ 53,062
Dealer Incentive	\$ 17,500	\$ 13,333	\$ 13,333	\$ 44,167
Event Sponsored Expenses	\$ 334,300	\$ 81,600	\$ 81,600	\$ 497,500
Signage	\$ 24,757	\$ 166,904	\$ 421,471	\$ 613,132
	<b>\$ 508,389</b>	<b>\$ 1,140,935</b>	<b>\$ 2,741,629</b>	<b>\$ 4,390,953</b>
<b>Gross Margin</b>	<b>\$ 395,865</b>	<b>\$ 2,610,399</b>	<b>\$ 5,166,148</b>	<b>\$ 8,172,413</b>
	44%	70%	65%	65%
<b>EXPENSES</b>				
Personnel	\$ 135,417	\$ 368,333	\$ 555,000	\$ 1,058,750
Personnel Fringe	\$ 20,313	\$ 55,250	\$ 83,250	\$ 158,813
G&A	\$ 166,075	\$ 197,200	\$ 205,950	\$ 569,225
Marketing Costs	\$ 31,188	\$ 105,250	\$ 252,875	\$ 389,313
Green Initiative	\$ 4,951	\$ 33,381	\$ 84,294	\$ 122,626
	<b>\$ 357,943</b>	<b>\$ 759,414</b>	<b>\$ 1,181,369</b>	<b>\$ 2,298,726</b>
	40%	20%	15%	18%
Pre-tax net	\$ 37,922	\$ 1,850,985	\$ 3,984,779	\$ 5,873,686
Cumulative	\$ 37,922	\$ 1,888,907	\$ 5,873,686	

Note that the gross margin decreases in Year 3 due to the higher proportion of Independent fleet drivers earning commissions.

**Projected Cash Flow**

The statement of cash flow includes the following assumptions:

- It is assumed that 50% of revenue will be recognized in the period in which they are recognized in the income statement, and the balance will be collected in the following period
- COGS, driver commissions, personnel costs and related taxes will be paid in the period when due; all other bill payments are on a 45-day cycle
- Short term assets are detailed in the startup cost section of this document

- This cash flow does not include required capital; rather it is being used to determine required capital, which appears in the startup cost section of this document

**PROJECTED CASH FLOW STATEMENT**

	Year 1	Year 2	Year 3	Total
<b>CASH RECEIVED</b>				
Cash Sales \$	452,127	\$ 1,875,667	\$ 3,953,889	\$ 6,281,683
Cash: Receivables \$	407,882	\$ 1,618,777	\$ 3,672,886	\$ 5,699,545
Other \$	-	\$ -	\$ -	\$ -
<b>Total Cash Received \$</b>	<b>860,009</b>	<b>\$ 3,494,444</b>	<b>\$ 7,626,774</b>	<b>\$ 11,981,228</b>
<b>EXPENDITURES</b>				
Direct Cost of Sales \$	382,255	\$ 290,588	\$ 594,303	\$ 1,267,147
Driver Distribution \$	126,133	\$ 850,347	\$ 2,147,326	\$ 3,123,806
Personnel \$	135,417	\$ 368,333	\$ 555,000	\$ 1,058,750
Personnel Taxes \$	20,313	\$ 55,250	\$ 83,250	\$ 158,813
Bill Payments \$	195,782	\$ 313,698	\$ 525,379	\$ 1,034,859
Short Term Assets \$	179,700	\$ -	\$ -	\$ 179,700
Long Term Assets \$	-	\$ -	\$ -	\$ -
<b>Total Expenditures \$</b>	<b>1,039,600</b>	<b>\$ 1,878,216</b>	<b>\$ 3,905,258</b>	<b>\$ 6,823,075</b>
<b>NET CASH FLOW \$</b>	<b>(179,591)</b>	<b>\$ 1,616,228</b>	<b>\$ 3,721,516</b>	<b>\$ 5,158,153</b>
<b>CASH BALANCE \$</b>	<b>(179,591)</b>	<b>\$ 1,436,637</b>	<b>\$ 5,158,153</b>	

**Projected Balance Sheet**

**PROJECTED BALANCE SHEET**

	Year 1	Year 2	Year 3
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash \$	(179,591) \$	1,436,637 \$	5,158,153
Accounts Receivable \$	44,245 \$	301,135 \$	582,138
Other Current Assets \$	- \$	- \$	-
<b>Total Current Assets \$</b>	<b>(135,346) \$</b>	<b>1,737,772 \$</b>	<b>5,740,291</b>
<b>LONG TERM ASSETS</b>			
Startup Assets \$	119,800 \$	59,900 \$	0
Accumulated Depreciation \$	59,900 \$	119,800 \$	179,700
<b>Total Long Term Assets \$</b>	<b>179,700 \$</b>	<b>179,700 \$</b>	<b>179,700</b>
<b>TOTAL ASSETS \$</b>	<b>44,354 \$</b>	<b>1,917,472 \$</b>	<b>5,919,991</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable \$	6,432 \$	28,565 \$	46,305
	-	-	-
Current Borrowing \$	-	-	-
Other Current Liabilities \$	-	-	-
<b>Total Current Liabilities \$</b>	<b>6,432 \$</b>	<b>28,565 \$</b>	<b>46,305</b>
<b>Long-Term Liabilities</b>			
Long Term Liabilities \$	-	-	-
Other \$	-	-	-
<b>Total Long-Term Liabilities \$</b>	<b>- \$</b>	<b>- \$</b>	<b>-</b>
<b>Total Liabilities \$</b>	<b>6,432 \$</b>	<b>28,565 \$</b>	<b>46,305</b>
<b>EQUITY</b>			
0			
Retained Earnings \$	(44,775) \$	1,277,285 \$	4,670,381
Earnings \$	82,697 \$	611,622 \$	1,203,305
<b>Total Equity \$</b>	<b>37,922 \$</b>	<b>1,888,907 \$</b>	<b>5,873,686</b>
<b>TOTAL LIABILITIES &amp; EQUITY \$</b>	<b>44,354 \$</b>	<b>1,917,472 \$</b>	<b>5,919,991</b>

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**Appendix A: Year 1 Monthly Financial Statements**

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