



# XYZ Business Plan

October 2016

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## 1. EXECUTIVE SUMMARY

XYZ will emerge as the premiere online and mobile application that enables individuals to **REMOVED INFO**.

XYZ will be an online and mobile application that features a **REMOVED INFO** organized by "XYZ" and "XYZ" and with 5 listings per page, distance from the user, and position on a map (similar to XYZ and XYZ).

The U.S. online and mobile coupon and promotion market is enormous and growing, as demonstrated by many stats including the following:

- 127.5 million Americans will use digital coupons in 2016, a growth rate of 5.2% (eMarketer)
- 74% of U.S. adult online shoppers with annual household incomes of \$75,000 or more use online coupons, compared with 59% of those under \$35,000 (PromotionalCodes.com)
- 96% of Americans plan to use their mobile device to find better retail bargains (Shopular)
- In 2015, 40.5% of US companies with more than a hundred employees will use mobile coupons for marketing purposes (eMarketer)

- About 25 million Americans use coupon apps each month (NPD)

There are several players on the market including Flipp, Yowza, Coupons.com, 8Coupons, Cheatz, RetailMeNot, ShopKick, Shopular, Krazy Lady Coupons, and the Coupons App. **REMOVED INFO**

Due to the highly localized for of distributing promotions and coupons and very low amount of competition with that specific focus, the Company should be able to garner market share from the leading players within this enormous market, which include relatively large players.

The Company seeks seed equity financing of \$300,000, which will primarily for application development of the iOS app and the website. Upon completing the application and website, the Company will seek Series A financing of \$4,000,000, of which approximately \$500,000 will be to develop the Android and Windows apps and v2.0 of the iOS app; \$3,500,000 will be available for working capital. The Company plans to raise Series B financing of \$20 million in approximately month 19, which will be used for national expansion efforts.

## 2. COMPANY OVERVIEW

### 2.1. MISSION STATEMENT

XYZ will be the premiere online and mobile application that enables individuals to locate coupons and retail deals based on location.

### 2.2. COMPANY DESCRIPTION

XYZ (herein also referred to as “the Company”) will be established as a standard C corporation in the state of ABC in 2016 and will emerge as the premiere online and mobile application that enables individuals to locate coupons and retail deals based on location. The concept for the company comes from its founder, John Doe, a native of ABC, ABC.

The Company will be headquartered in ABC, ABC. The Company will utilize freelancers (independent contractors) and full-time service employees. If it is an independent contractor or freelancer, the Company will take a portion of sales; salaries employees will simply be compensated according to their hourly wages.

XYZ’s target market consists of American consumers who own a mobile phone or tablet. The Company will target this large demographic via an aggressive marketing campaign that includes Internet marketing (SEM, SEO, PPC, article marketing, video advertising, affiliate marketing), print advertising, public relations, and various special promotions.

### 2.3. CAPITAL REQUIREMENTS

The Company seeks to raise seed equity financing of \$300,000, which will mainly be used for iOS application development, website development, marketing materials, and working capital to support marketing and operations.

Upon completing the application and website, the Company will seek a Series A venture capital equity financing round of \$4,000,000, of which approximately \$500,000 will be used to develop the Android and Windows versions of the app, and v2.0 of the iOS app and \$3,500,000 will be available for working capital to support marketing and operations with a focus on greater ABC.

The Company plans to raise a Series B venture capital equity financing round of approximately \$20 million in financing in approximately month 19, which will be used for national expansion efforts. The Company might raise Series C financing.

## 2.4 REVENUE MODEL

XYZ will charge coupon advertisers based upon a percentage of sales each time the coupon promotion code is redeemed, which should be approximately 5%.

XYZ will charge featured deal advertisers based upon a CPM, which should be relatively high (approximately \$15 CPM) due to the **REMOVED INFO** element of the advertising, which should result in a very high conversion rate.

Also, the Company will enable retail advertisers to place featured banner ads on a sponsorship or featured advertising basis with a significantly higher CPM.

Given the changing nature of the coupon and affiliate industry, XYZ will continue to develop its revenue model and search for alternative ways to earn revenue.

## 2.5. GROWTH STRATEGY

XYZ has carefully planned its growth strategy as follows:

### **Ramp-up Phase:**

- Raise seed financing
- Identify and hire an experienced CEO and CTO
- Identify an office for the headquarters in the NYC metro area
- Initiate and complete development of an interactive and user-friendly consumer website
- Initiate and complete development of the mobile app for iOS
- Begin the recruiting process to hire sales, marketing, and operational staff

### **Phase 1 (1-18 months):**

- Raise Series A financing
- Engage a branding consulting firm to develop the marketing materials.
- Initiate and complete development of the mobile app for Android, and Windows mobile operating systems
- Continue to develop and test the iOS app and website
- Launch an aggressive marketing campaign throughout the metro NYC metro area, targeting all retailers in the area, which should be mostly small to medium players
- Continue to hire staff to meet growth needs

**Phase 2 (Month 19-36):**

- Raise Series B financing
- Expand marketing efforts geographically to major cities throughout the U.S.
- Substantially increase marketing efforts on local and national levels

**Phase 3 (Month 37 - 60)**

- Potentially raise Series C financing
- Expand marketing efforts geographically to encompass all cities and towns throughout North America
- Expand the scale and scope of marketing in an effort to continue to spread brand awareness throughout the U.S
- Develop and release newer versions of the application
- Improve the quality of operations in an effort to maximize output, while minimize expenses

### 3. WEBSITE & APPLICATION

#### 3.1. WEBSITE & APPLICATION DESCRIPTION & FEATURES

XYZ will develop v1.0 of its mobile coupon and featured deal website and mobile application which will include the following features:

- **REMOVED INFO** that populates results according to XYZ and XYZ organized by “XYZ” and “XYZ” and with 5 listings per page, distance from the user, and position on a map (similar to XYZ and XYZ)
- **REMOVED INFO** such as restaurant, clothing, grocery, mass merchandise, entertainment, and travel enabling the user immediate access to search according to these specific categories.
- **Dual login**, which enables vendors to independently register and list special offers by simply logging in and creating a placement advertisement
- **Daily alert notification** option that alerts the user of new deals from specified vendors
- **Integration with social media** sites and applications including XYZ, XYZ, and XYZ.
- **Bookmarking**, which enables users to “clip” special deals
- **Share**, which enables users can share special deal with friends

The following images are mockups of what the app will look like:



### 3.2. PRICING STRATEGY

Users will be able to access deals and coupons for free and the Company will earn revenue from vendors posting deals or coupons.

The Company will initially charge vendors \$15 CPM for featured deals and 2.5% of advertising for coupons.

XYZ will initially charge \$20 CPM for featured banner ads or a negotiated rate on a sponsorship basis.

## 4. THE MARKET

### 4.1. TARGET MARKET ANALYSIS

#### 4.1.1 COUPON USERS

XYZ's initial target market consists of American consumers who own a mobile phone or tablet. The following statistics demonstrate the demographic nature and usage of coupons and mobile coupons in the U.S.:

- 68 percent of adults in the United States in 2015 owned a smartphone, up from 35 percent four years ago (Pew Research Center)
- 45 percent of Americans in 2015 own some form of tablet, up from three percent in 2010 (Pew Research Center)
- 85% of Americans use coupons (CreditCards.com)
- 55% of US internet users will redeem a digital coupon or code at least once per year (eMarketer)
- 127.5 million Americans will use digital coupons in 2016, a growth rate of 5.2% (eMarketer)
- US adults who redeem digital coupons will be up 7.6% in 2015 to 121.3 million (eMarketer)
- 74% of U.S. adult online shoppers with annual household incomes of \$75,000 or more use online coupons, compared with 59% of those under \$35,000 (PromotionalCodes.com)
- 57% of US online users have printed a coupon from a website (Shop.org)
- 96% of Americans plan to use their mobile device to find better retail bargains (Shopular)
- In 2015, 40.5% of US companies with more than a hundred employees will use mobile coupons for marketing purposes (eMarketer)
- By 2017, 48% of US companies with 100 employees or more will distribute mobile coupons (eMarketer)
- 54% of North American shoppers are open to using mobile coupons in the future (Nielsen)
- 26% of North American shoppers are already using mobile coupons (Nielsen)
- 53% of the tablet consumer base will use a tablet for coupon redemption, compared to 40% of the US smartphone audience who will do so via smartphone (eMarketer)

- 59.2 million adult smartphone users in the US used their phones to redeem a mobile coupon for online or offline shopping in 2014 (eMarketer)
- 44.5% of US companies will use mobile coupons for marketing this year (eMarketer)
- 70% of US adult digital coupon users redeemed a coupon or code on a mobile device in 2014 (eMarketer)
- About 25 million Americans use coupon apps each month (NPD)
- 33% US adults agrees completely or somewhat with the statement “I rely on mobile coupons while food shopping” (GfK)

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#### 4.1.2. BUSINESSES

XYZ will be targeting businesses as the promotions providers, which will include small, medium, and large businesses that have retail stores.

Total sales from the more than 3.6 million retail establishments in the United States reached about \$2.6 trillion in 2015, and retailers supported more than 42 million jobs in the U.S. According to the National Retail Federation, retail industry sales for 2016 are expected to increase 3.1 percent from 2015.<sup>1</sup>

The following chart demonstrates the growing rate that companies are using mobile coupons as a promotional form of marketing:




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<sup>1</sup> “The Retail Services Industry in the U.S.”; SelectUSA; 2016

<sup>2</sup> “Interesting Digital Coupon Marketing Statistics”; Business2Community; February 28, 2016

## 4.2. U.S. COUPON MARKET ANALYSIS

### 4.2.1. FIGURES

The following figures illustrate the large size of the Consumer Packaged Goods (CPG) and overall coupon and digital coupon market:

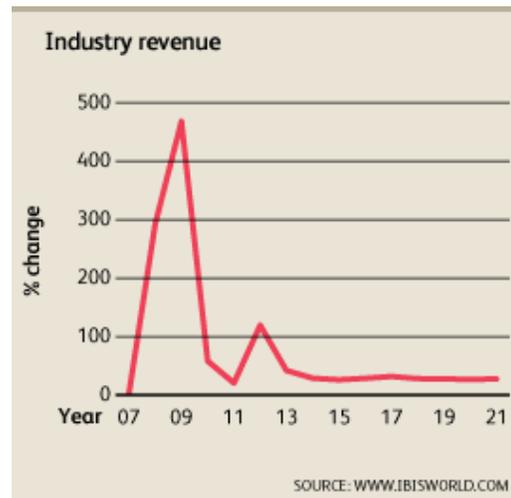
Overview	Values
Total value of distributed CPG coupons in the U.S.	\$470bn
Share of CPG coupons for non-food products	66.8%
Total savings from redeemed CPG coupons	\$3.6bn
U.S. consumers using coupons to save on household expenses	66%
Digital & Mobile Coupons	Values
Projected number of U.S. smartphone mobile coupon users by 2015	74.1m
Projected number of digital coupon users in the U.S. by 2016	126.9m
Percentage of adult internet users in the U.S. who use digital coupons	55%
Consumer Behavior	Values
Share of respondents who use any type of coupon when shopping	93%
People living in households that used coupons for groceries	181.37m

## 4.3. U.S. MOBILE APP MARKET ANALYSIS<sup>3</sup>

### 4.3.1. FIGURES

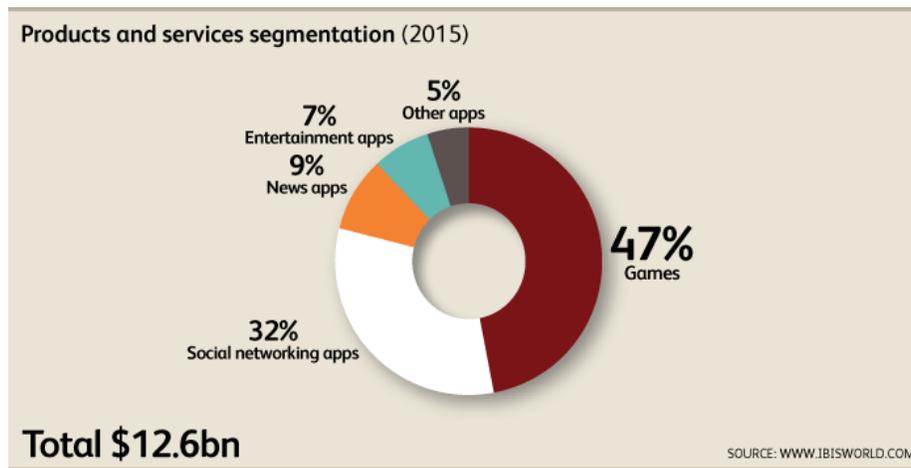
The smartphone's instant popularity and high adoption rate stimulated developers to quickly introduce fans of this new device to its full capabilities and superior functionality, offering gaming, entertainment, productivity, lifestyle and social apps. The percentage of services conducted online, often on smartphones, has been increasing constantly along with demand from e-commerce and online auctions. Over the five years to 2015, revenue is consequently expected to increase at an estimated annualized rate of 43.3% to \$12.6 billion.

Developers are expected to increasingly rely on the development of native apps that are integrated with smartphone operating systems and accessed through icons on the device's home screen; consequently, they will rely less on the development of web apps. Big data and predictive analytics are also expected to enable developers to create predictive apps. With the increase in private information stored on smartphones, developers will likely struggle with mobile app security. As developers attempt to differentiate apps in the flooded app market, opportunities for mobile app marketing are also on the horizon. Due to the decreasing average app price, industry revenue is projected to climb at a slower annualized rate of 28.3% to \$43.9 billion over the five years to 2020.



Over the next five years, consumers are expected to continue migrating away from pay-to-download apps, forcing developers to embrace the freemium business model that relies on monetizing free downloads after the fact via in-app purchases. As an increasing number of mobile applications are offered for free, the average app price is expected to fall, pressuring profit margins. In 2020, free downloads are expected to account for about 95.5% of total mobile app store downloads. According to Gartner, an information technology research and advisory firm, in-app purchases are expected to increase and account for about 48.2% of total mobile app store revenue in 2017 (latest forecast), up from the 17.0% share in 2013, as monetization becomes more difficult with an estimated 94.5% of downloads being free in 2017. Revenue from advertising is also expected to increase significantly.

<sup>3</sup> "Smartphone App Developers in the U.S."; IBISWorld; October 2015



Over the past five years, lifestyle and social apps have remained steady as a portion of revenue. Apps in this segment include online shopping apps such as Amazon and eBay, retail coupons from companies such as Groupon, real estate browsers and dating services. Over the five years to 2015, consumers have spent more time using mobile apps to shop and have increasingly browsed social media through smartphone applications. As a result, the amount of time spent on these apps by individuals is high; however, these apps are typically created by the company and updated periodically to ensure usability to maximize advertising revenue. Therefore, there is little room for other app developers to create apps that can directly compete with major social networks, and instead, developers look to create apps that are compatible with them.

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#### 4.3.2. TRENDS

Over the next five years, developers are expected to rely more heavily on the development of native apps and less on the development of web apps. Native apps are integrated with smartphone operating systems, enabling them to interact with hardware in a process similar to that of computer systems. They are accessed through icons on the device's home screen and take advantage of their host's features and capabilities, such as the camera, GPS, compass and list of contacts. These apps may also incorporate app-defined gestures. Mobile web apps are run by a browser and are typically written in HTML5. The technology enables developers to create apps that are able to function across multiple platforms, and the independence allows companies to circumvent royalty fees.

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### 4.3.3. INDUSTRY ANALYSIS

The Smartphone App Developer industry is highly fragmented. There are a large number of very small developers creating products for this market. The top four players account for about 19.3% of industry revenue. Many smartphone apps start with one developer or a very small group of developers. These developers can publish their app to a platform such as the Apple App Store. Once published to any platform, the developer is added to the industry, increasing fragmentation. However, over the past five years, the industry has experienced an increasing number of mergers and acquisitions. Large established gaming companies, such as EA Games, will buyout successful app makers. Nevertheless, the industry is expected to remain fragmented, and industry establishments are expected to continue to increase.

The industry exhibits a high level of competition. The number of smartphone app developers has grown exponentially over the past few years due to low barriers to entry and solid demand for a seemingly endless array of possible app creations. As a result, competition between industry operators for market share remains extremely high. No company controls a commanding share of the market at the moment, yet some industry consolidation is on the horizon. The time, effort and capital involved in app creation should encourage companies to merge or acquire smaller brands.

### 4.4. GLOBAL MOBILE APP MARKET ANALYSIS<sup>4</sup>

By 2020, the app economy could double in size to \$101 billion, according to market researcher App Annie. The growth will be driven by increasing usage of apps and by greater smartphone adoption around the globe. The report from App Annie is aimed at giving brands, agencies, investors, and app developers predictive insights into global opportunities for the next five years. One interesting fact: Games generated 85 percent of the app market revenue in 2015, or \$34.8 billion globally. That is expected to grow to \$41.5 billion in 2016 and \$74.6 billion in 2020. But other categories will grow even faster than games. In contrast to a few years back, when games or media companies dominated apps, app publishers now come from every industry. They hail from banking, retail, airlines, ridesharing services, and government agencies. Supported by venture capital and hedge funds, the app industry is generating a lot of market value and actual revenue.

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<sup>4</sup> “The App Economy Could Double to \$101 Billion by 2020; VentureBeat; February 10, 2016

**Mobile App Forecast – Annual Gross Revenue**  
By Region, in Billions



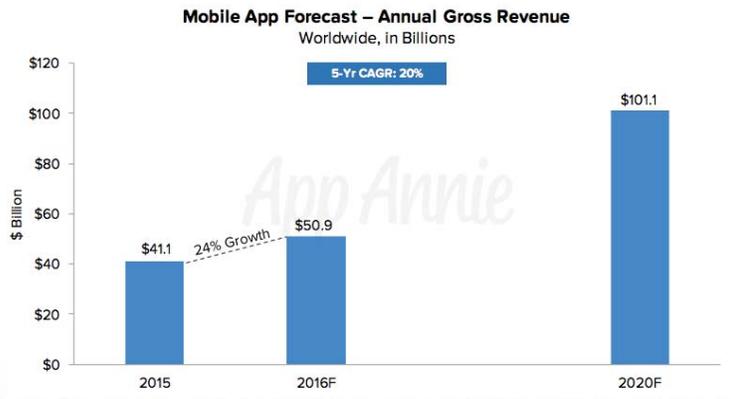
Danielle Levitas, senior vice president of research at App Annie, said in a statement that the report leveraged more than 10,000 sources to uncover a variety of insights. (App Annie tracks more than a million apps.) In 2016, the global mobile app market is projected to expand 24 percent to reach \$51 billion in gross revenue (the amount consumers spend on mobile apps via stores) across all app stores. By 2020, gross revenue across all app stores will exceed \$101 billion, globally.

While large markets, including the United States, Japan, and China, remain central to overall app revenue growth, App Annie sees tremendous opportunity in fast-growing markets such as India, Indonesia, Mexico, and Argentina. China is expected to surpass the U.S. in total revenue from app stores by the first half of 2016. It passed the U.S. in downloads in early 2015.

App revenue and usage isn't necessarily being affected by regional recessions, with very strong growth seen in countries like Argentina and Brazil in 2015. Brazil will grow app revenue 40 percent this year, despite an economic slowdown. This is reminiscent of the strength of the smartphone and app market during the 2008–2010 period in mature markets like the U.S., App Annie said.

Globally, total time spent in apps grew by 63 percent on Android phones from 2014 to 2015. App usage will get a boost on newer platforms such as wearables, TVs, virtual and augmented reality (VR and AR), home Internet of Things (IoT), and automotive.

Overall downloads in app stores are expected to grow 33 percent to 147.3 billion in 2016 and reach 284.3 billion in 2020. Global app store downloads will likely grow from 111.2 billion in 2015 to 284.3 billion in 2020.



## 4.5. PROFILE OF DIRECT COMPETITORS

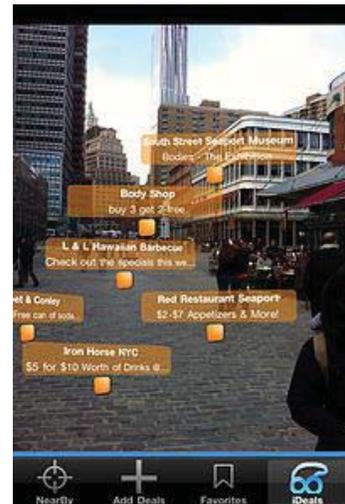
Given the size of the mobile marketing industry, there are many players, apps, and delivery systems to reach consumers. The following section describes a handful of the most successful mobile marketing apps, especially ones that utilize geo-location in their offering.

### 4.5.1. 8COUPONS



8coupons is a ABC based coupon aggregator founded in 2007. The company’s initial funding was from a family investment of \$30,000 from the founder’s mother’s fried chicken restaurant. In

2010, within 3 years of organic growth, 8coupons had reached over one million unique visitors per month. Users can search for deals, receive mobile alerts, or use the app’s augmented reality view. 8coupons generates deals from affiliate relationships, sponsored posts, and user submissions. 8Coupons enables users to search for coupons organized by Nearby, New, Popular, Pay, Shop, Travel, and Do It Now. 8Coupons simply aggregates coupons from Groupon, Yelp, Living Social, and ValPak. In addition, they have a Shopping Page, which enables users to only find offers from Amazon.



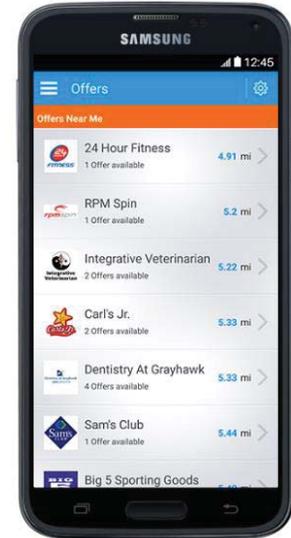
<sup>5</sup>“Statistics & facts about coupon market trends in the U.S.”; Statista; 2016

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#### 4.5.2. YOWZA



Yowza is a mobile application that enables users to scan locations for retail stores that offer coupons or sales. Users redeem coupons by having the cashier scan product bar codes on their phones. Yowza was founded by Greg Gunberg, from the TV show Heros 2011. Yowza enables the user to scan an area and find coupons within a specific area and features the exact distance of each location from the user. A major differentiator with Yowza and other apps is that it charges merchants a monthly fee for the ability to publish deals, coupons, or sales. To date, the company has received a \$1.5M rounds of funding in January 2012 and was launched with an undisclosed amount in an initial round of funding from the founder. On January 1, 2014, Yowza was purchased by Spindle, Inc. Yowza is only available on Android as of now; it has been indicated that Yowza will become available on the iPhone.



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#### 4.5.3. COUPONS.COM

Coupons.com is a web site founded in 1998, operated by Quotient Technology, Inc. and is headquartered in Mountain View, CA. Steven Boal is the founder and CEO. Coupons.com offers digital coupons, including online



printable, social, mobile and loyalty card promotions. Sunday newspapers have traditionally been the dominant distribution method for coupons; in 2009 it was estimated by Coupons.com that approximately half of the redeemed coupons in the United States originated from weekly supplements in Sunday papers. In June 2011, after receiving approximately \$200 million of new investment, its value was estimated at a billion dollars. Coupons.com enables users to clip printable coupons, as well as online coupons that the user can download to their loyalty card. In October 2011, Greylock Partners announced an investment of up to \$30 million in a secondary market purchase of company shares. In June 2012, Bay Area News Group named Coupons.com to its list of Top Workplaces 2012.

Coupons.com is being tracked as one of the 30 companies in China, Europe, and the United States valued at \$1 billion or more by venture-capital firms. Coupons.com went public with \$100 million IPO in January 2014 with NYSE trading under COUP. In 2015, Coupons.com changed its corporate name to Quotient Technology Inc (NYSE: QUOT), but continues to operate its website as Coupons.com.

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#### 4.5.4. FLIPP

Flipp was founded in November 2013 and is headquartered in Toronto, Canada. Flipp is a free app that delivers weekly ads to users and has just launched a new shopping list feature that enables the user to add items to their weekly shopping list and find local deals. Flipp also features coupons, along with deals. Flipp has a feature that enables US users to clip coupons and redeem them for rewards and savings at checkout.



Flipp offers a digital circular for the retail sector, signing up 800 retailers including Walmart, Kroger, Macy's, Lowe's and Dollar General that reach 50 million shoppers ever week across one billion flyers a year. Shoppers interact with their latest offerings within the Flipp app, which gets them in the door at a cost of about \$3 per person; Tan says TV ads will average out to about \$8 and print circulars cost \$15. It took the Toronto based startup, which Tan cofounded with David Meyers, David Au-Yeung and Matt Cheung, more than four years to build out the relationships with brands as it benefited on word of mouth from predominantly moms to spread awareness among users.

When the founding team at startup Flipp set out to redefine the internet search experience for shopping, they quickly ran into a retail tactic that's still going strong after decades: the circular. Inserted into a newspaper each week or on special occasions, the circular is still one of a retailer's proven ways to communicate new product lines or sales. Flipp ran a study with Nielsen and found that as much as 84% of shoppers surveyed said they still checked a print circular each week. But millennials were looking online.

In April 2016, Flipp raised \$61 million from General Atlantic and joined Insight Venture Partners as investors in Flipp, which a source with knowledge of the funding says values the startup in the \$400 million range.

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#### 4.5.5. RETAILMENOT



Retailmenot is an online coupon company founded in 2006 in Austin Texas. The company has over \$200 million in sales as is known for its paperless credit card linked coupons compatible with several nation-wide retailers. They have digital coupons from 60,000 retailers and brands and contracts with more than 10,000 retailers. Their website had over 625 million visits in 2014. They also offer a mobile app for Android and iOS.

The company raised \$300 million in funding from Austin Ventures, Norwest Venture Partners, Adams Street Partners, Institutional Venture Partners, JP Morgan and Google Ventures.

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#### 4.5.6. SHOPKICK

Founded in 2009 in Redwood City, CA, Shopkick is an iOS and Android app that offers customers rewards when they walk into certain stores. Users are given points called “kicks” when they walk into participating stores and scan product barcodes or QR Codes using a camera, and by making purchases.



When a customer earns a kick, Shopkick receives a payment and if a purchase is made, Shopkick earns revenue share. It is also possible to do in-app purchasing directly with the app. Shopkick has received \$20 million in venture funding and as recently as 2013 earned over \$500M for its partners. In 2012 it was ranked the most widely used shopping by Nielsen. Shopkick has driven over 90 million store visits and 140 million direct product engagements from users scanning its products from among the aisles at stores.

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#### 4.5.7. FREECHARGE (CHEATZ) (INDIA)

FreeCharge was founded in 2010 by Kunal Shah and Sandeep Tandon, and is an e-commerce website, which is headquartered in Mumbai, Maharashtra. It provides online facility to recharge any prepaid mobile phone, postpaid mobile, DTH & Data Cards in India. FreeCharge released Cheatz in February 2015, which is a coupon aggregator app that has been designed by team Freecharge to list down all the offers available on various e-commerce websites, making it easy for the users to sort out their requirements and choose accordingly. With a simple user interface, Cheatz allows users to access a catalogue of coupons for all the websites in one place. The user can scroll through a list of handpicked coupons and select the one that you need. Once selected, the user can click on the apply button and it will redirect you to the concerned app where the coupon is already applied. Once done with the payment, the user receives the cashback/discount, whichever applicable.



In February 2015, FreeCharge raised \$80 million led by Valiant Capital Management and Hong Kong-based hedge fund Tybourne Capital Management. Its existing investors Sequoia Capital, along with Sofina and RuNet also participated in this round of funding. In April 2015, SnapDeal acquired FreeCharge in April 2015 for an estimated \$450 million. Then, in August 2015, SnapDeal raised \$500 million.

#### 4.6. COMPETITIVE ANALYSIS & STRATEGY

Due to its lucrativeness, the mobile promotions industry is extremely competitive. The competitors described are some of the players with an app that is similar to the XYZ's app.

Flipp, Coupons.com, 8Coupons, Yowza, Cheatz, RetailMeNot, and ShopKick are all players that offer a mobile app that enables individuals to save money. Shopular, Krazy Lady Coupons, and the Coupons App are additional coupon apps. Retale is a weekly digital circular app.

8Coupons and Yowza are the only two of these companies that focus on **REMOVED INFO**. Unlike the Company, 8Coupons is an intermediary, whereby it offers coupons from its strategic partners, as opposed to directly distributing coupons on behalf of the companies offering these coupons. Yowza has direct relationships with coupon providers; however, Yowza has raised very little funding, has not raised capital since 2012, and is only available for Android phones.

Coupons.com is a large company and Flip, RetailMeNot, and FreeCharge (Cheatz) are well-funded, growing companies; however, all four of these players do not focus on **REMOVED INFO**, nor do they use mapping features. Flipp is a weekly digital circular that offers ads, deals, and coupons. FreeCharge is based in India and also offers a feature that enables users to compare, which promotions will save them the most money.

ShopKick is more of a loyalty program that offers rewards from participating retailers. It is a well-funded company that has grown significantly from inception, but offers a significantly different application.

Due to the **REMOVED INFO** that the Company will distribute promotions and coupons and the very low level of competition with that specific focus, the Company should be able to garner market share from the leading players within this industry, which include a few relatively large layers. Given the enormous size of this market and competitive strengths of the Company, the Company should be able to build a large and growing user base.

Given the market size and lack of barriers to entry, the Company anticipates new competitors and 'copy cats'. Customer loyalty is crucial to success and in order to build this loyalty, the Company will develop its competitive strategy based on **REMOVED INFO** principles. Another factor to consider is that users will often use multiple coupon apps to find the best deals.

## 5. MARKETING PLAN

### 5.1. MARKETING OVERVIEW & STRATEGY

XYZ will launch an intensive marketing and sales campaign using the following:

- Highly professional marketing materials tactics that will strategically focus on the Company's target market in an effort to promote the Company's online and mobile application that enables users to locate coupons and special retail offers.
- Efforts to garner long-term and highly qualified administrative, sales, and operational staff that will act as representatives for the Company.
- An intensive marketing campaign that includes Internet marketing, print advertising, radio advertising, public relations, outdoor media, and special promotions to complement sales efforts.

### 5.2. BRANDING STRATEGY

XYZ will brand itself via highly developed marketing materials as the premier coupon mobile application that enables users to find coupons and retail deals based on location. The Company will use its logo as a palette and style guide for inspiration boards, design renderings, and production images. The Company will use a tagline (service mark) and comprehensive, consumer-oriented toolkit using consistent language and tone for printed and online media to target the Company's consumers. The Company will continuously update and further develop its website, advertisements for print, and online media and sales materials to include any updated information on its products and/or services. The Company will maintain a graphics library to be used on all touch points.

### 5.3. INTERNET MARKETING

Internet advertising will be an important element of the XYZ's marketing campaign and will include display advertising, search engine optimization (SEO), search engine marketing, social network marketing, PPC advertising, and article marketing in order to promote the Company as the premier online and mobile application for coupons and retail deals. Examples of websites that the Company can advertise on are XYZ, XYZ, XYZ, XYZ, XYZ, XYZ, and XYZ.

The Company will also maintain an organic presence on XYZ, XYZ, and all other online directories and search engines. As the Company continues to grow its capabilities, the Company will more aggressively utilize SEO to ensure that the Company's website and articles will be found upon searches related to audio equipment, voice enhancing equipment, audio technology, etc.

#### 5.4. PRINT ADVERTISING

The Company will utilize print advertising as an important means to specifically target city dwellers as prospective users. This will include local and regional newspapers and magazines that appeal to its demographic. Examples of newspapers in ABC that the Company can advertise in are ABC's XYZ, XYZ, XYZ, XYZ, and XYZ.

#### 5.5. RADIO ADVERTISING

XYZ will utilize radio advertising to market on a local, regional, and national basis. Radio will be a useful means to expand the Company's reach from a scale and scope perspective.

#### 5.6. TELEVISION ADVERTISING

Upon substantial growth, XYZ will consider launching a nationwide or local television advertising scale to increase the scale and scope of advertising. Television advertising will be employed once the Company has already grown significantly and will be utilized as a form of mass marketing once the Company's operations are on a large scale.

#### 5.7. PUBLIC RELATIONS

XYZ will engage the services of a third party public relations company to manage its public relations campaigns and public corporate image on radio, TV, news, and print mediums related to the Company's voice-audio-enhancing software and hardware on a regional, national, and eventually international basis. This will involve publicizing positive mentions of the Company in news articles and broadcasts, by public figures, or websites.

## 6. OPERATIONAL PLAN

### 6.1. OPERATIONAL OVERVIEW

#### 6.1.1. HOURS OF OPERATION

XYZ will conduct business 24 hours per day, 7 days per week. The executive management team and operational staff will primarily work during normal business operations on Monday through Friday, 8:00 AM to 6:00 PM, and will also have information available online 24/7. The Company's executive management team will be available 24/7 for major issues and the Company's administrative and sales staff will assist in daily management and operational activities.

#### 6.1.2. LEGAL STRUCTURE

XYZ will be established as a standard C corporation in the state of ABC in 2016.

#### 6.1.3. OPERATIONAL GROWTH PLAN

XYZ will identify and lease office space for the corporate headquarters in ABC. As the Company experiences growth and customer retention, the Company will expand into larger offices.

As the Company grows, it will continuously hire development, customer service, and administrative staff, as well as additional executive and operational management staffs to more efficiently manage operations by focusing on improved operational efficiencies and supply chain management.

### 6.2. APPLICATION DEVELOPMENT

The Company will use a mix of internal and consultant developers to complete the development of Version 1, as well as future versions of the online and mobile application.

### 6.3. COMPUTER HARDWARE & SOFTWARE

The Company will acquire the necessary computer hardware and software systems to support operations including inventory management systems, payroll administration programs, sales management tools, managerial accounting, and financial analysis and reporting, as well as performance management.

#### 6.4. ACCOUNTING

XYZ will retain the services of top tier legal, accounting, and insurance firms with a national presence to ensure compliance with all federal, state, and local regulations during the course of operation and growth. These firms will be selected on the basis of their reputation and knowledge within e-commerce.

#### 6.5. LEGAL & INSURANCE

The Company will retain the services of a corporate attorney. The corporate attorney will provide legal counsel on matters such as contract administration, employment, and corporate business issues. The Company's intellectual property attorney will handle all legal matters related to the launch and operation of the business.

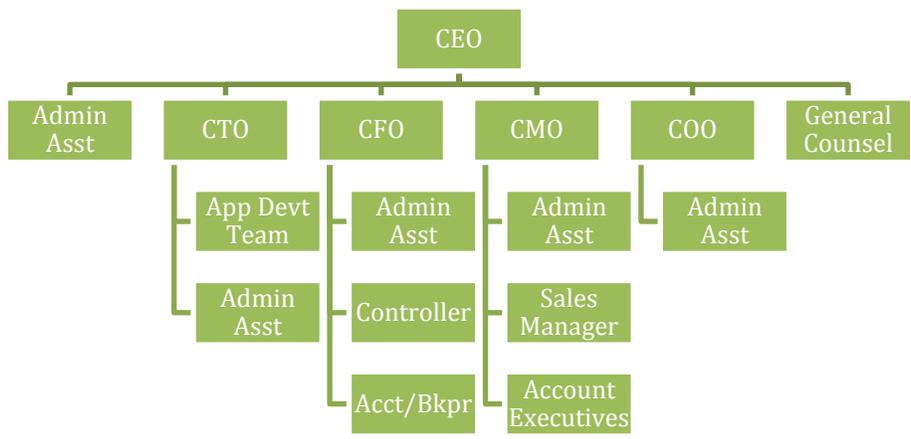
The Company will obtain the required insurance and permits to manage the risks are associated with this type of business operation and assure operations to be within the guidelines of national and international regulations.

#### 6.8. WEB DESIGN

The Company will employ a third-party web and application designer to continuously update and develop the Company's backend software systems and website with new information on the company, its products, as well as notable mentions in industry and trade publications.

## 7. MANAGEMENT & STAFF

### 7.1. ORGANIZATIONAL CHART



### 7.2. EXECUTIVE MANAGEMENT

#### 7.2.1. JOHN DOE, CHIEF OPERATING OFFICER/CHAIRMAN OF THE BOARD

John Doe is the founder of XYZ and will serve as COO and Chairman of the Board. John is a highly talented and experienced entrepreneur and has worked as a manager in several industries including restaurant and real estate. Working in these industries has given him a thorough understanding of how retail industries works.

From 2012 to 2016, he has been Manager of XYZ in ABC, ABC where he managed all aspects of daily operations, trained employees, communicated with customers, and guided employees.

From 2011 to 2016, John has also independently been involved with real estate investment, construction, and remodeling on a project by project basis. In doing\* so, he manages the demolition, plumbing, electrical, structural aspects of renovation and coordinate employees to handle different tasks.

John graduated from XYZ University with an Associate’s Degree in Electronic Media Production and Advertising in 2010. His degree provided exposure to many aspects of business and advertising that will be integral for XYZ’s success.

### 7.3. STAFF

XYZ, will hire and train extremely qualified candidates for executive management, operational management, operational staff, and internal service employees, who will be able to provide exemplary services with substantial experience within the mobile application and/or consumer services industries and market the Company will be operating, which will better guarantee long-term commitment to the hired positions.

## 8. FINANCING STRATEGY

### 8.1. CAPITAL REQUIREMENTS

The Company seeks to raise seed equity financing of \$300,000, which will primarily be used for application development of the iOS app and the website, as well as preliminary marketing materials including the logo, as well as working capital to support executive wages and professional fees.

Table 1 XYZ - Round 1 Capital Requirements	
<b>Capital Expenditures:</b>	
Application development	240,000
Website development	5,000
Marketing materials	5,000
<b>Working Capital</b>	
Wages & salaries	50,000
<b>Total capital requirements</b>	<b>300,000</b>

Upon completing the application and website, the Company will seek a Series A venture capital equity financing round of \$4,000,000, of which approximately \$500,000 will be used to develop the Android and Windows versions of the app, and v2.0 of the iOS app and \$3,500,000 will be available for working capital to support marketing and operations with a focus on greater ABC.

Table 2 XYZ - Round 2 Capital Requirements	
<b>Capital Expenditures:</b>	
Application development	350,000
Office furniture	10,000
Computer hardware & software	10,000
Marketing materials	30,000
<b>Total capital expenditures</b>	<b>400,000</b>
<b>Working Capital:</b>	
Marketing expenses	2,350,000
G&A expenses	1,250,000
<b>Total working capital</b>	<b>3,600,000</b>
<b>Total capital requirements</b>	<b>4,000,000</b>

The Company plans to raise a Series B venture capital equity financing round of approximately \$20 million in financing in approximately month 19, which will be used for national expansion efforts.

Table 3 XYZ - Round 3 Capital Requirements	
<b>Capital Expenditures:</b>	
Application development	350,000
Office furniture	20,000
Computer hardware & software	20,000
Marketing materials	30,000
<b>Total capital expenditures</b>	<b>420,000</b>
<b>Working Capital:</b>	
Marketing expenses	15,000,000
G&A expenses	4,580,000
<b>Total working capital</b>	<b>19,580,000</b>
<b>Total capital requirements</b>	<b>20,000,000</b>

The Company might raise Series C financing.

## 8.2. RISK ANALYSIS

The Company is a start-up company and will be managed by a group of professional and seasoned business owners. The risks associated with this venture are related to future uncertainties online and mobile promotion and coupon industry, and fall within the medium-risk segment of the investment spectrum. Such uncertainties are associated with competition and changing industry patterns, and shifting consumer tastes. Management believes that given the current trends in the economy and the online and mobile promotion and coupon industry, there will be continued demand for the products and services it seeks to deliver to the marketplace. While there can be no guarantees that the Company will be able to effectively manage the business risks associated with the economic cycle, management is very confident that it will be able to effectively increase revenues throughout time.

### 8.3. EXIT STRATEGY

Management will position XYZ to have the opportunity to take advantage of potential exit opportunities that would ensure liquidity for the owners (and investors). The strategy will be to build the business over the next 5 years along a path of sustained profitability, with strong operating margins. It could become an attractive acquisition target to mobile and online coupon companies. The Company could also consider a management buy-out in late stages. The Company will also potentially go public via an Initial Public Offering (IPO).

## 9. FINANCIAL PLAN

### 9.1. REVENUE MODEL

#### 9.1.1. SALES ASSUMPTIONS

	Year 1	Year 2	Year 3	Year 4	Year 5	
# Monthly Unique Users	16.0%	14.0%	14.0%	6.0%	3.0%	monthly growth
# Visits	4	5	6	7	7	visits/mo
# Coupons Visits	75%	75%	75%	75%	75%	of visits
# Featured Deals Visits	50%	50%	50%	50%	50%	of visits
# Coupon Page Views	7	7	8	9	9	page views/visit
# Featured Deal Page Views	7	7	8	9	9	page views/visit
# Featured Deal Impressions	5	5	5	5	5	listings/page
# Coupons Redeemed	15%	16%	17%	18%	19%	Shopper/Buyer Conv %
Coupon Revenues	\$2.50	\$50 average purchase x 5% fee				per Coupon Redeemed
Featured Deal Revenues	\$15.00	\$16.00	\$17.00	\$17.00	\$17.00	CPM per listing
Featured Banner Ad Revenues	\$20.00	\$21.00	\$22.00	\$22.00	\$22.00	CPM per page view
<b>Total Revenues</b>						
<b>Cost of Sales:</b>	<b>Year 1</b>	<b>Year 2-5</b>				
Sales Commission	5.0%	5.0%	of sales			
<b>Cost of Sales - Total</b>						

#### 9.1.2. SALES PROJECTIONS

Table 4 XYZ Sales Forecast (Year-end Totals)					
	Year 1	Year 2	Year 3	Year 4	Year 5
# Monthly Unique Users	154,251	795,444	2,566,934	5,515,940	9,073,026
# Visits	617,003	3,977,222	15,401,602	38,611,577	63,511,185
# Coupons Visits	462,753	2,982,916	11,551,202	28,958,682	47,633,389
# Featured Deals Visits	308,502	1,988,611	7,700,801	19,305,788	31,755,593
# Coupon Page Views	3,239,268	20,880,414	92,409,612	260,628,142	428,700,499
# Featured Deal Page Views	2,159,512	13,920,276	61,606,408	173,752,095	285,800,333
# Featured Deal Impressions	10,797,559	69,601,380	308,032,041	868,760,474	1,429,001,663
# Coupons Redeemed	69,413	477,267	1,963,704	5,212,563	9,050,344
Coupon Revenues	173,532	1,193,167	4,909,261	13,031,407	22,625,860
Featured Deal Revenues	161,963	1,044,021	4,620,481	13,031,407	21,435,025
Featured Banner Ad Revenues	107,976	730,814	3,388,352	9,556,365	15,719,018
<b>Total Revenues</b>	<b>443,471</b>	<b>2,968,002</b>	<b>12,918,094</b>	<b>35,619,179</b>	<b>59,779,903</b>
<b>Cost of Sales:</b>					
Sales Commission	22,174	148,400	645,905	1,780,959	2,988,995
<b>Cost of Sales - Total</b>	<b>22,174</b>	<b>148,400</b>	<b>645,905</b>	<b>1,780,959</b>	<b>2,988,995</b>
<b>Gross Margin</b>	<b>\$421,298</b>	<b>\$2,819,602</b>	<b>\$12,272,189</b>	<b>\$33,838,220</b>	<b>\$56,790,908</b>

## 9.2 EXPENSE ASSUMPTIONS

### 9.2.1 G&A EXPENSES

Table 5 XYZ General & Administrative Expenses					
	Year 1	Year 2	Year 3	Year 4	Year 5
Wages & salaries	\$772,500	\$1,239,150	\$1,737,616	\$1,799,296	\$1,844,278
Payroll expense	\$108,150	\$173,481	\$243,266	\$251,901	\$258,199
Benefits	\$77,250	\$123,915	\$173,762	\$179,930	\$184,428
Insurance	\$8,869	\$59,360	\$258,362	\$712,384	\$1,195,598
Rent	\$72,000	\$86,400	\$105,600	\$105,600	\$105,600
Supplies	\$3,600	\$7,841	\$12,481	\$12,793	\$13,113
Telephone & communications	\$12,000	\$22,294	\$34,671	\$35,537	\$36,426
Utilities/Internet	\$12,000	\$22,294	\$34,671	\$35,537	\$36,426
Travel - Business	\$48,000	\$89,175	\$138,683	\$142,150	\$145,703
Meals & entertainment	\$30,000	\$55,734	\$86,677	\$88,843	\$91,065
Legal fees	\$30,000	\$30,750	\$78,797	\$80,767	\$82,786
Consulting fees	\$30,000	\$30,750	\$78,797	\$80,767	\$82,786
<b>Total general &amp; administrative expenses</b>	<b>\$1,204,369</b>	<b>\$1,941,144</b>	<b>\$2,983,382</b>	<b>\$3,525,505</b>	<b>\$4,076,408</b>

### 9.2.2 MARKETING EXPENSES

Table 6 XYZ Marketing Expenses					
	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing materials	\$24,000	\$104,550	\$239,850	\$311,805	\$374,166
Internet marketing	\$1,080,000	\$4,704,750	\$10,793,250	\$14,031,225	\$16,837,470
Public relations	\$180,000	\$784,125	\$1,798,875	\$2,338,538	\$2,806,245
Print advertising	\$480,000	\$2,091,000	\$4,797,000	\$6,236,100	\$7,483,320
Radio advertising	\$300,000	\$1,306,875	\$2,998,125	\$3,897,563	\$4,677,075
<b>Total marketing &amp; advertising</b>	<b>\$2,064,000</b>	<b>\$8,991,300</b>	<b>\$20,627,100</b>	<b>\$26,815,230</b>	<b>\$32,178,276</b>

### 9.2.3 STAFF HEADCOUNT & SALARIES

Table 7 Adgogeo Staff Headcount (Year-End Totals)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Chief Executive Officer	1.0	1.0	1.0	1.0	1.0
Chief Technology Officer	1.0	1.0	1.0	1.0	1.0
Chief Operating Officer	1.0	1.0	1.0	1.0	1.0
Chief Financial Officer	0.0	1.0	1.0	1.0	1.0
Chief Marketing Officer	0.0	1.0	1.0	1.0	1.0
General Counsel	0.0	1.0	1.0	1.0	1.0
Administrative Assistant	1.0	1.0	3.0	3.0	3.0
Sales Manager	1.0	2.0	2.0	2.0	2.0
Account Executive	2.0	7.0	7.0	7.0	7.0
Controller	1.0	1.0	1.0	1.0	1.0
Accountant/Bookeeper	1.0	2.0	3.0	3.0	3.0
<b>Total Headcount</b>	<b>9.0</b>	<b>17.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>

Table 8 XYZ Staff Salaries					
	Year 1	Year 2	Year 3	Year 4	Year 5
Chief Executive Officer	\$250,000	\$300,000	\$330,000	\$346,500	\$355,163
Chief Technology Officer	\$120,000	\$144,000	\$158,400	\$166,320	\$170,478
Chief Operating Officer	\$90,000	\$102,000	\$105,600	\$110,880	\$113,652
Chief Financial Officer (starts in mo. 19)	\$0	\$48,000	\$105,600	\$110,880	\$113,652
Chief Marketing Officer (starts in mo. 19)	\$0	\$48,000	\$105,600	\$110,880	\$113,652
General Counsel (starts in mo. 19)	\$0	\$48,000	\$105,600	\$110,880	\$113,652
Administrative Assistant	\$35,000	\$38,500	\$39,463	\$40,449	\$41,460
Sales Manager	\$60,000	\$66,000	\$67,650	\$69,341	\$71,075
Account Executive	\$42,000	\$46,200	\$47,355	\$48,539	\$49,752
Controller	\$80,000	\$82,000	\$84,050	\$84,575	\$86,690
Accountant	\$50,000	\$51,250	\$52,531	\$52,860	\$54,181

## 9.3. PRO-FORMA FINANCIAL STATEMENT SUMMARIES

### 9.3.1. PRO-FORMA INCOME STATEMENT

Schedule 1 XYZ Projected Income Statement					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$412,421	\$2,968,002	\$12,918,094	\$35,619,179	\$59,779,903
Gross Margin	\$391,800	\$2,819,602	\$12,272,189	\$33,838,220	\$56,790,908
Marketing expense	2,064,000	3,261,550	20,627,100	26,815,230	32,178,276
General & administrative	1,204,369	1,941,144	2,983,382	3,525,505	4,076,408
<b>Net operating income</b>	<b>(\$2,847,072)</b>	<b>(\$2,383,093)</b>	<b>(\$11,338,292)</b>	<b>\$3,497,485</b>	<b>\$20,536,224</b>
Depreciation	12,286	35,857	59,429	56,810	63,476
Interest earned	124,725	531,447	536,915	345,486	833,466
Interest expense	0	0	0	0	0
Income before taxes	(2,734,633)	(1,887,503)	(10,860,806)	3,786,162	21,306,214
Income taxes	0	0	0	0	4,624,165
<b>Net income</b>	<b>(\$2,734,633)</b>	<b>(\$1,887,503)</b>	<b>(\$10,860,806)</b>	<b>\$3,786,162</b>	<b>\$16,682,049</b>

### 9.3.2. PRO-FORMA STATEMENT OF CASH FLOWS

Schedule 2					
XYZ					
Projected Statements of Cash Flows					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Cash flows from operations</b>					
Net Income:	(\$2,734,633)	(\$1,887,503)	(\$10,860,806)	\$3,786,162	\$16,682,049
Depreciation	12,286	35,857	59,429	56,810	63,476
Increase (decrease) in accrued liabilities	39,732	-13,788	3,982	1,062	775
Increase (decrease) in accrued taxes	0	0	0	0	2,556,418
Increase (decrease) in accounts payable	125,514	-92,919	264,800	94,239	80,672
(Increase) decrease in accounts receivable	(36,780)	(30,465)	(159,703)	(403,250)	(313,279)
<b>Net cash flows from operations</b>	<b>(\$2,593,882)</b>	<b>(\$1,988,818)</b>	<b>(\$10,692,299)</b>	<b>\$3,535,022</b>	<b>\$19,070,110</b>
Cash flows from investing activities:					
Capital expenditures	-60,000	-350,000	0	-100,000	0
Goodwill	0	0	0	0	0
Prepaid expenses	0	0	0	0	0
<b>Net cash flows from investing</b>	<b>(\$60,000)</b>	<b>(\$350,000)</b>	<b>\$0</b>	<b>(\$100,000)</b>	<b>\$0</b>
Cash flows from financing:	0	0	0	0	0
Proceeds from issuance of debt	0	0	0	0	0
Proceeds from sale of stock	4,500,000	20,000,000	0	0	0
Debt service payments	0	0	0	0	0
<b>Net cash flows from financing</b>	<b>4,500,000</b>	<b>20,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash</b>	<b>1,846,118</b>	<b>17,661,182</b>	<b>-10,692,299</b>	<b>3,435,022</b>	<b>19,070,110</b>
<b>Beginning cash balance</b>	<b>-</b>	<b>1,846,118</b>	<b>19,507,300</b>	<b>8,815,001</b>	<b>12,250,023</b>
<b>Ending cash balance</b>	<b>\$1,846,118</b>	<b>\$19,507,300</b>	<b>\$8,815,001</b>	<b>\$12,250,023</b>	<b>\$31,320,133</b>

### 9.3.3. PRO-FORMA BALANCE SHEET

Schedule 3 XYZ Projected Balance Sheet					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>					
<b>Current assets:</b>					
Cash and marketable items	\$1,846,118	\$19,507,300	\$8,815,001	\$12,250,023	\$31,320,133
Prepaid expenses	\$0	\$0	\$0	\$0	\$0
Accounts receivable	\$36,780	\$67,246	\$226,949	\$630,199	\$943,478
<b>Total current assets</b>	<b>\$1,882,899</b>	<b>\$19,574,546</b>	<b>\$9,041,950</b>	<b>\$12,880,222</b>	<b>\$32,263,611</b>
<b>Net non-current assets:</b>					
Office furniture	\$15,000	\$165,000	\$165,000	\$215,000	\$215,000
Computer hardware & software	\$15,000	\$165,000	\$165,000	\$215,000	\$215,000
Marketing materials	\$30,000	\$80,000	\$80,000	\$80,000	\$80,000
Gross operational assets	\$60,000	\$410,000	\$410,000	\$510,000	\$510,000
<b>Accumulated depreciation</b>	<b>\$12,286</b>	<b>\$48,143</b>	<b>\$107,571</b>	<b>\$164,381</b>	<b>\$227,857</b>
<b>Net operational assets</b>	<b>\$47,714</b>	<b>\$361,857</b>	<b>\$302,429</b>	<b>\$345,619</b>	<b>\$282,143</b>
<b>Total assets</b>	<b>1,882,899</b>	<b>19,574,546</b>	<b>9,041,950</b>	<b>12,880,222</b>	<b>32,263,611</b>
<b>Liabilities &amp; Shareholders' Equity</b>					
<b>Current liabilities:</b>					
Accounts payable	125,514	32,595	297,395	391,634	472,305
Accrued liabilities	39,732	25,944	29,926	30,988	31,763
Accrued taxes	-	-	-	-	2,556,418
<b>Total current liabilities</b>	<b>165,246</b>	<b>58,539</b>	<b>327,321</b>	<b>422,622</b>	<b>3,060,485</b>
<b>Total liabilities</b>	<b>\$165,246</b>	<b>\$58,539</b>	<b>\$327,321</b>	<b>\$422,622</b>	<b>\$3,060,485</b>
<b>Shareholders' equity</b>					
Common stock	4,500,000	24,500,000	24,500,000	24,500,000	24,500,000
Retained earnings	(2,734,633)	(4,622,136)	(15,482,942)	(11,696,781)	4,985,268
<b>Total shareholders' equity</b>	<b>1,765,367</b>	<b>19,877,864</b>	<b>9,017,058</b>	<b>12,803,219</b>	<b>29,485,268</b>
<b>Total liabilities and equity</b>	<b>\$1,930,613</b>	<b>\$19,936,403</b>	<b>\$9,344,378</b>	<b>\$13,225,841</b>	<b>\$32,545,753</b>