

# SurfCast.com



## Business Plan 1999-2000

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## ***Foreword***

## Table of Contents

Foreword	2
	2
<b>1. Executive Summary</b>	5
<i>a. Introduction</i>	5
<i>b. SurfCast Business Model</i>	6
<i>c. SurfCast Financial Summary</i>	7
<i>d. SurfCast, The Company</i>	8
<b>2. The Proposal</b>	9
<b>3. The Opportunity</b>	10
<i>a. For Consumers</i>	10
<i>c. For SurfCast</i>	10
<b>4. The Team</b>	11
<i>a. Senior Management</i>	11
<i>b. Technical Expertise</i>	11
<b>5. Technology Explained</b>	13
<b>6. SurfCast's Business Plan</b>	14
<i>a. SurfCast's Products and Services</i>	14
<i>b. SurfCast Business Models</i>	15
<i>c. SurfCast Revenues</i>	17
<i>d. Business Development Strategy</i>	17
<i>e. Marketing Strategy</i>	18
<i>f. Corporate Development Strategy</i>	18
<b>7. SurfCast Assumptions and Financial Projections Highlights</b>	21
<i>Assumptions: The Economic Model</i>	21
<b>8. SurfCast Financial Strategy</b>	26
<i>a. Investment Proposal and Financing Terms</i>	26
<i>b. Use of Proceeds and Investment Strategy</i>	26
<i>c. Financial Strategy</i>	26
<b>9. Conclusion</b>	27

<b>APPENDIX</b>	<b>29</b>
<b>10. SurfCast Detailed Assumptions and Financial Projections</b>	<b>29</b>
<i>Assumptions</i>	29
<b>11. SurfCast, The Company</b>	<b>32</b>
<i>Senior Management</i>	32
<i>Possible Additional Management</i>	33
<i>Board of Directors</i>	34
<i>Advisory Board</i>	34
<i>Legal Structure</i>	35
<i>Executive Compensation</i>	35
<i>Shareholder List Post Financing</i>	35
<b>12. Risk Factors and Challenges for Management</b>	<b>36</b>
<i>Content</i>	36
<i>Rapid Technology Change</i>	36
<i>Uncertainty of Financial Projections</i>	36
<i>No Operating History</i>	36
<i>Competition</i>	37
<i>Unproven Acceptance of the Company's Products</i>	37
<i>Management of Growth</i>	37
<i>Dependence on Key Personnel</i>	38
<i>Requirements for Additional Capital</i>	38
<b>13. Competition</b>	<b>42</b>
<i>Competing Companies</i>	42
<i>Competing Technologies</i>	42
<b>14. SurfCast Budget 1997 - 2001</b>	<b>46</b>

## **1. Executive Summary**

### **a. Introduction**

SurfCast is a newly formed company (based in London), created for the sole purpose of developing, implementing, operating and marketing

SurfCast's customers

SurfCast's chief competitive advantage is

b. SurfCast Business Model

SurfCast will be a highly profitable company by focusing on creating and providing

The long term goal of SurfCast is to be the world's leading provider of

c. SurfCast Financial Summary

SurfCast will generate revenues primarily in three ways:

Our assumptions are based on

**SurfCast Operating Costs**

Year 1	Year 2	Year 3	Year 4	Year 5

**SurfCast Revenues**

The goal for SurfCast is to reach a level of business which will provide us with revenue streams in the base case (assuming

Year 1	Year 2	Year 3	Year 4	Year 5

Assuming base case estimates and

Year 1	Year 2	Year 3	Year 4	Year 5

**SurfCast Earnings Before Interest, Tax, Depreciation and Amortisation**

In the base case (assuming only

Year 1	Year 2	Year 3	Year 4	Year 5

Assuming base case estimates

Year 1	Year 2	Year 3	Year 4	Year 5

d. SurfCast, The Company

- We have assembled an unusually well-qualified and relevant group of people for this enterprise. SurfCast's partners have expertise in: broadcast technology; hardware design; software programming; start-ups; venture capital financing; corporate business development; investment banking; financial operations; retail operations; and within the entertainment and media industries--from content development (music A&R, interactive entertainment software, television programming) to marketing, distribution and merchandising.
- *Our management have experience working at IBM, Compaq, Time Warner, Viacom, NetHold, EMI Records, Polygram, Virgin Retail, Silicon Graphics, Bay Networks, GT Interactive, Deutsche Morgan Grenfell, Morgan Stanley, Drexel Burnham, Lehman Brothers, Credit Suisse First Boston, Young & Rubicam, and Price Waterhouse. Several of the partners have successful experience as entrepreneurs building companies.*



## **2. The Proposal**

SurfCast propose that financial partners invest at least [REDACTED] via a capital increase in SurfCast in exchange for an equity shareholding and board representation. It would be opportune for the company's operating plan to complete the current round of financing by September 1999. The proposed financing will fund the first twelve months of operations. The company plans a second round of financing in approximately 9 to 12 months from completion of the first round.

The use of proceeds of the financing will be:

- to create, implement and market
- to develop server application software.
- to hire experienced management to execute the operating plan.
-

### 3. *The Opportunity*

### 4. *The Team*

#### a. Senior Management

We have assembled an unusually well-qualified and relevant group of people for this enterprise. SurfCast partners have expertise in:

- broadcast technology;
- hardware design;
- software programming;
- start-ups;
- venture capital finance;
- corporate business development;
- investment banking;
- financial operations;
- retail operations;
- and within the entertainment and media industries, from content development (music A&R, interactive entertainment software, television programming) to marketing, distribution and merchandising.

SurfCast's team is led by Ovid Santoro, Klaus Lagermann, The management team will expand as the company develops and engages in additional business. We have identified a potential chief operating officer, a chief financial officer, as well as a the head of merchandising. We will recruit project managers, service and support managers, and marketing teams. (See appendix for bios. CVs and references supplied upon request).

#### b. Technical Expertise

The technology partners for SurfCast are Cebra Technology of Copenhagen, Denmark, and Media Sourcery of Houston, Texas. Cebra was founded by the team of engineers who originally created the pioneering **Reuters 1000 Financial Service** (launched in 1993 on CNN International) and the CNN Text technology. Cebra's main business is the development and support of data broadcast products, hardware, software and solutions directed at reception on PCs.

Cebra's engineering team developed the entire teletext system, both manual editorial systems, time-based scheduling and automatically generated information services for Turner's **CNN Text**. Also, the current Broadcasters **TNT** and **Cartoon Network ToonText** and **MovieText** run on equipment and software supplied by Cebra. Cebra is the technology provider to **Sky Broadcasting's Reuters project**.

Cebra did the core development work (waveform decode and low-level drivers) on **Brooktree's** Bt848 family of video capture processors, also known as the Intercast chip.

Cebra Technology has several years of practical experience in supporting teletext and data broadcast operations and in providing complete turnkey solutions to customers. Cebra also develops larger-scale teletext systems running on relational database

systems, such as Sybase or Oracle or any ODBC compliant database. This development is sponsored by the Danish telecom company **TeleDanmark**.

*Our team is technically proficient in every aspect of the broadcast spectrum. Our expertise is in both analog and digital satellite systems such as DBS/DVB.*

- *Content Authoring Tools;*
- *Content Packaging;*
- *Editorial Systems;*
- *Content Feeding/Insertion;*
- *Head-end Insertion Equipment;*
- *Transmission Preparation Tools/Transmission Management;*
- *Sequencing/Scheduling Software;*
- *Tuning/Control Software;*
- *Subscriber Management Systems/Encryption/Conditional Access Software;*
- *Application Software; and*
- *End-user Presentation/Workstation Software.*

## **5. *Technology Explained***

For more detailed explanation of the technology see the appendix.

## 6. SurfCast's Business Plan

**“SurfCast Channel” (Pointcast-type):** *The “SurfCast Channel” will enable users to receive (on their PC) a personalised real-time broadcast of news which could be tailored to TNT/Cartoon Network's brand and demographic--games, movies, general entertainment information. This same engine could be implemented for CNN with an invisible 24 hour stream of actual news video clips, graphics/photos, financial information--in real-time with CNN news programmes.*

*The SurfCast Channel goes well beyond Pointcast because it is constant real-time delivery of multiple streams of content (television and Web)--and the dynamic real-time linking of that content with any Windows application--with no On-Line or telephone costs.*

### b. SurfCast Business Models

#### **The Proposed Business Model with Broadcasters**

#### **The Business Model with Content Owners**

### c. SurfCast Revenues

SurfCast will generate revenues primarily in three ways: **Advertising; Subscription; Merchandising/Product Distribution.**

#### **Advertising:**

#### **Subscription:**

#### **Merchandising and Direct Distribution:**

### d. Business Development Strategy

### e. Marketing Strategy

*SurfCast intend to hire a senior marketing team with extensive experience in advertising and consumer products to aggressively market our client services (such as subscription services, a games channel and merchandising).*

### f. Corporate Development Strategy

### **i. Phase One Development**

We assume the first twelve months are our first phase of development. Our primary objectives during this phase are:

#### Product Development

- 

#### Business Development (Commercial Arrangements & Strategic Alliances)

#### Sales and Marketing

- 

#### Corporate Development

- Hire management and staff, particularly recruit crack marketing team.
- Establish infrastructure (office, etc.).

#### Financial Development

- 

### **ii. Phase Two Development**

The primary objective of the second phase of development is to establish SurfCast as the industry leader in

#### Product Development

- 

#### Business Development

- 

#### Sales and Marketing

- *We will spend an increasing amount on advertising, and continue to recruit top marketing people as and when appropriate.*

#### Corporate Development

- Hire additional management and staff to execute new projects.
- Expand resources.

#### Financial Development

- Once we have completed phase two of our development, we will begin discussions with investment bankers to float the company on NASDAQ.

## 7. SurfCast Assumptions and Financial Projections Highlights

SurfCast will show a feasible progression from modest levels of business to becoming a major force in the Internet industry within only a few years. More detailed assumptions are attached in the appendix.

### Assumptions: The Economic Model

Our projections assume that SurfCast receives a capital increase of at least [REDACTED] during 1999. The entire capital increase will be invested over the subsequent 12 months. It is assumed that SurfCast invests an additional amount of at least [REDACTED] in year two and three from a second round of financing.

#### i. Advertising

We believe that we will generate minor revenue in the first year, as we plan to give the service away to

Summary for advertising revenue:

Year 1	Year 2	Year 3	Year 4	Year 5
[REDACTED]				

#### ii. Subscription

We have assumed we

Year 1	Year 2	Year 3	Year 4	Year 5
[REDACTED]				

Year 1	Year 2	Year 3	Year 4	Year 5
[REDACTED]				

#### iii. Direct Distribution

Year 1	Year 2	Year 3	Year 4	Year 5
[REDACTED]				

Summary for Direct Distribution revenue

Year 1	Year 2	Year 3	Year 4	Year 5
[REDACTED]				

#### iv. Merchandising

Summary for merchandising revenue:

Year 1	Year 2	Year 3	Year 4	Year 5

#### v. Consultancy

Summary for consultancy revenue:

Year 1	Year 2	Year 3	Year 4	Year 5

#### vi. Costs

SurfCast's cost structure is anticipated to expand significantly and rapidly. It is assumed that the SurfCast headcount post-investment is as many as 29 in phase one, and 54 to 80 during phase two. The major operating cost of SurfCast's is personnel and management salaries.

The cost structure assumes large capital expenditure following the capital increase. An office will be rented, as well as equipment such as computers. Business development and marketing costs such as travel and advertising will be significant.

#### **Total Capital Expenditure and Operating Cost Breakdown (First Twelve Months):**

	: Minimum guarantee to major pan-European broadcaster.
	: Minimum guarantee to second major pan-European broadcaster.
	: Intercast license fee for Europe.
	: Acquire authoring tools from Intel.
	: Acquire Cebra.
	: Complete development of games channel application/interface.
	: Games channel and music download channel business development.
	: Marketing games and music download channel.
	: Business development cost for merchandising business.
	: Business development cost for advertising business.
	: Establish fulfillment and distribution.
	: Premises & rates.
	: Administrative.
	: Equipment.
	: Management and staff total overheads.
	<b>Total Capital Expenditure and Operating Cost for First Twelve Months</b>

We have assumed the **Total Annual Operating Costs** to be:

Year 1	Year 2	Year 3	Year 4	Year 5



### **vii. SurfCast Revenues**

The goal for SurfCast is to reach a level of business which will provide us with revenue streams in the base case

Year 1	Year 2	Year 3	Year 4	Year 5

Year 1	Year 2	Year 3	Year 4	Year 5

### **viii. SurfCast Earnings Before Interest, Tax, Depreciation and Amortisation**

In the base case:

Year 1	Year 2	Year 3	Year 4	Year 5

Year 1	Year 2	Year 3	Year 4	Year 5

## **8. SurfCast Financial Strategy**

### **a. Investment Proposal and Financing Terms**

SurfCast proposes that investors acquire up to a \_\_\_\_ % shareholding in SurfCast for [REDACTED] We plan to complete the current round of financing by September 1999.

### **b. Use of Proceeds and Investment Strategy**

The use of proceeds of the financing will be:

- to create, implement and market
- 

### **c. Financial Strategy**

Within twelve months of closing our initial financing (after we have completed stage one development) we expect to undertake a second round financing of at least [REDACTED]

The company will likely apply for an initial public offering within three years on a U.S. stock exchange such as NASDAQ to raise additional finance for further expansion and provide an exit route for shareholders. A trade buyer acquiring the company may also be a viable option for the shareholders to realise their investment and to position the company for the subsequent stage of its growth.

## **9. Conclusion**

## **Appendix**

### ***10. SurfCast Detailed Assumptions and Financial Projections***

*Assumptions*

**Advertising**

**Subscription**

**Direct Distribution**

**Merchandising**

**Consultancy**

## 11. SurfCast, The Company

### Senior Management

**Klaus Lagermann:** *is a founder and member of the office of president and co-chief technology officer responsible for all technology development, project management and resource deployment. Klaus spent several years at IBM as a connectivity systems engineer. He worked in the Danish investment banking industry designing software systems, including the foreign exchange tracking software currently in the Danish Central Bank. He designed the Reuters 1000 product as well as all the teletext and Internet hardware and software currently installed at CNN International and Turner's Cartoon Network and TNT channels. Reuters 1000 was designed five years ago, and was one of the first Internet applications in the market. R1000 is still one of the only subscription Internet products and services. Klaus is the founder and managing director of Cebra Technology A/S.*

**Ovid Santoro:** *is a founder, member of the office of president and director with responsibility for strategic planning and corporate business development. Ovid is currently an appointed representative for Deutsche Morgan Grenfell with responsibility for Private Equity in Europe. He is part of DMG Technology Group, the foremost technology investment banking effort in the world. Ovid has been a strategic consultant in the areas of entertainment/media, technology and venture capital to companies such as Intel Corporation; Warner Interactive Entertainment; Gilde Ventures; Cebra Technology; and McKinsey & Co. He had been an investment banker with CS First Boston, Lehman Bros. and Drexel Burnham, both in the United States and Europe, where he was responsible for the private equity and mezzanine finance businesses. Ovid graduated from Columbia University with a degree in Literature-Writing. He started several businesses including a New York City FM radio station and a weekly music television programme on Manhattan Cable Television. Ovid was the European Editor for the Red Herring magazine, and remains Contributing Editor for Dow Jones' European Business News "Media Report" television programme.*

### Possible Additional Management

**Project Management, Service and Support:** SurfCast intends to employ a highly competent project management staff, as well as service and support personnel for our client products and services.

### Board of Directors

The board will consist of senior management shareholders Ovid Santoro, Klaus Lagermann,...

The board will invite new shareholders to participate on the board in proportion to their shareholding. Members of the advisory board may be asked to join the main board.

### Advisory Board

**James Tanner:** is Managing Director and Chief Executive Officer of Morgan Stanley International Asset Management. Jim is the original seed funder and Chairman of CATS Software, a successful NASDAQ company based in California. Jim is an active Board Member of the Royal Court Theatre in London.

#### Legal Structure

The company is established as a limited company in

#### Executive Compensation

The company will enter into stock option plans with the management team and will also enter the managers into the company bonus plan. The general outline is that that the management should be offered stock options every year equal in value to a percentage of the company profits after taxes (to be negotiated).

#### Shareholder List Post Financing

<b>Name</b>	<b>Share</b>
Ovid Santoro	x%
Klaus Lagermann	x%
	x%
Dan Thompson	x%
Other Management & Employees	x%
James Tanner	x%
New Investor(s)	x%

## **12. Risk Factors and Challenges for Management**

### **Rapid Technology Change**

SurfCast is active in one of the most competitive and quick-changing industries. Very strong powers are active in guiding the industry in certain directions. Even if the management team of SurfCast is aware of current technology and competition, there is no guarantee that this will always be the case in the future.

Even though we will be an InterCast licensee, it the intention of SurfCast to support available and commercially viable Internet receivers of major OEM card vendors, enabling the use of SurfCast software components and subscription control mechanisms on many vendors equipment.

We believe the technological change is not a major risk factor. We are in the position to use whatever is the best technology to leverage a broadcaster's infrastructure. We will implement whatever is the appropriate technology.

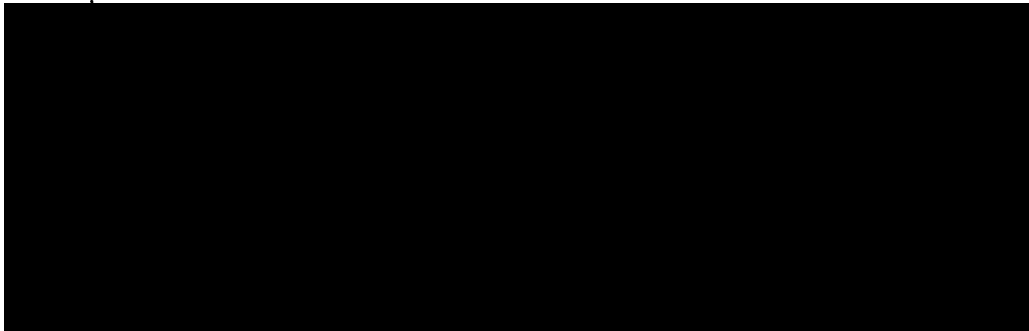
### **Uncertainty of Financial Projections**


Throughout the business plan, SurfCast has made certain estimates and projections as to events that may occur in the future. These estimates and projections, as well as other forward-looking statements contained herein, are based upon certain assumptions about the Company's business and the markets it serves. Although the Company believes that its assumptions are reasonable, many of these assumptions are beyond the company's control, and unanticipated events and circumstances may render the Company's assumptions false. Therefore, actual results achieved during periods covered by the company's projections may differ substantially.

### **No Operating History**

The Company was founded in early 1997. The Company has no relevant operating history upon which an evaluation of the Company and its current prospects can be based. The Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. There can be no assurances that the Company will be successful in meeting these challenges and addressing such risks.

### **Competition**





### Unproven Acceptance of the Company's Products

The market for the Company's products and services is unproven, and has only recently begun to develop, is rapidly evolving and is characterised by an increasing number of market entrants that have introduced or developed or are in the process of introducing or developing products and services for Interneting.

### Management of Growth

The rapid execution necessary for the Company to exploit the market for its products requires an effective planning and management process. The Company's expected rapid growth will place a significant strain on the Company's managerial, operational and financial resources. To manage its growth the Company must implement and improve its operational and financial systems and expand, train and manage its employee base. The Company will be required to manage multiple relationships with a growing number of business partners and third parties. There can be no assurances that the Company's systems, procedures, and controls will be adequate to support the Company's operations or that the Company's management will be able to achieve the rapid execution necessary to exploit the market for the Company's products, services and technologies. If the Company is unable to manage growth effectively, the Company's business, results of operations and financial condition will be adversely affected.

### Dependence on Key Personnel

The Company's performance is substantially dependent on the performance of its executive officers and key employees, many of whom have worked together only for a short period of time. Particularly in light of the Company's relatively early stage of development, the Company is dependent on attracting, retaining and motivating highly qualified personnel, especially its management. The Company is currently searching to fill certain key executive positions. There can be no assurance that the Company will be able to attract and retain the necessary technical, marketing and managerial personnel in the future. The loss of services of its executive officers, other key employees or the inability to attract and retain the necessary technical, marketing and managerial personnel could have a material adverse effect on the Company's business, results of operations or financial condition.

### Requirements for Additional Capital

The Company anticipates that the proceeds of the current offering will be sufficient to meet the Company's needs through the third quarter 1998. However, the Company will need to raise additional funds if its estimates of revenues, working capital and/or capital expenditure requirements are to be realised. The Company will require substantial additional funds to contribute to fund the Company's product development, marketing, sales and customer support capabilities. There can be no

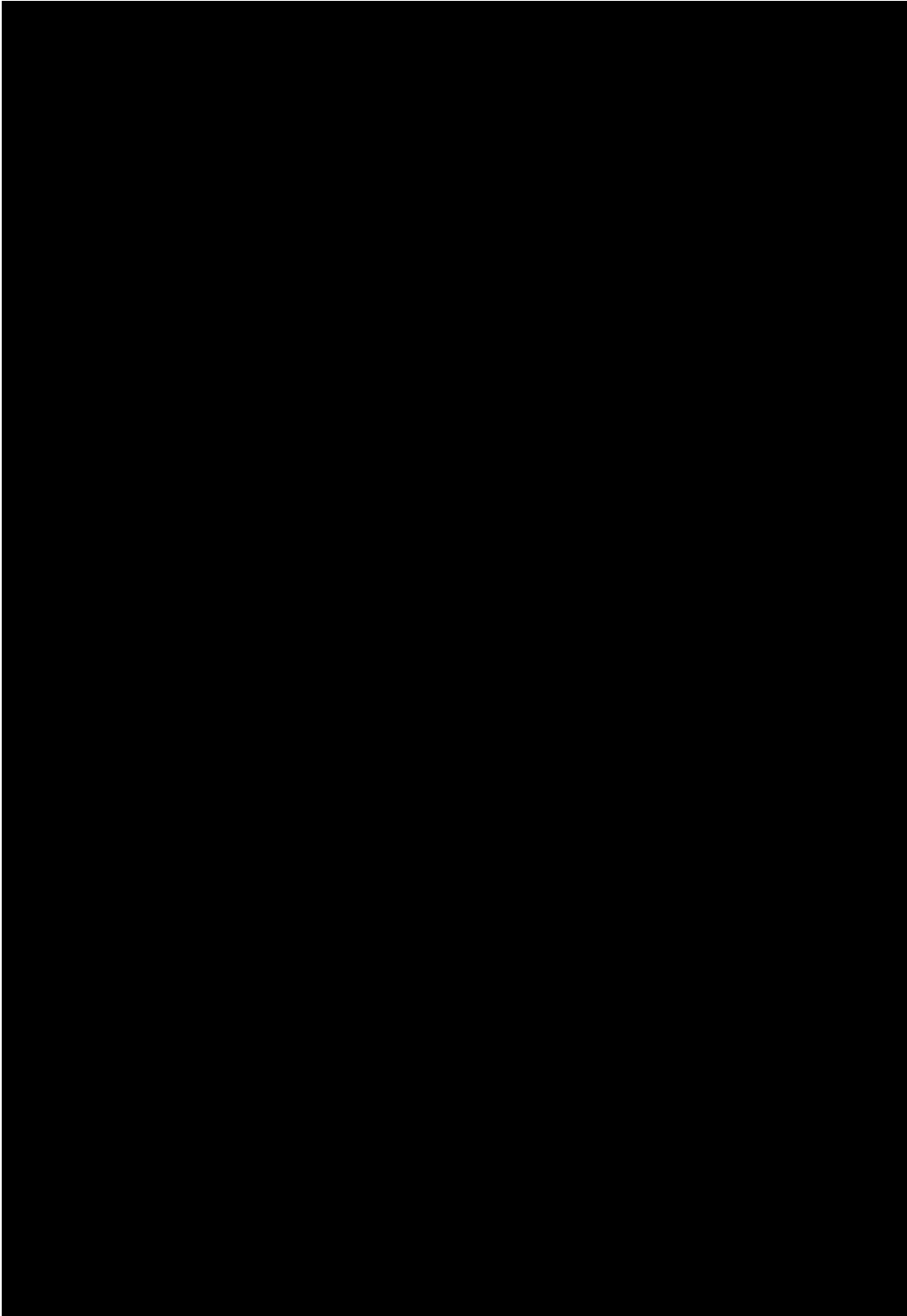


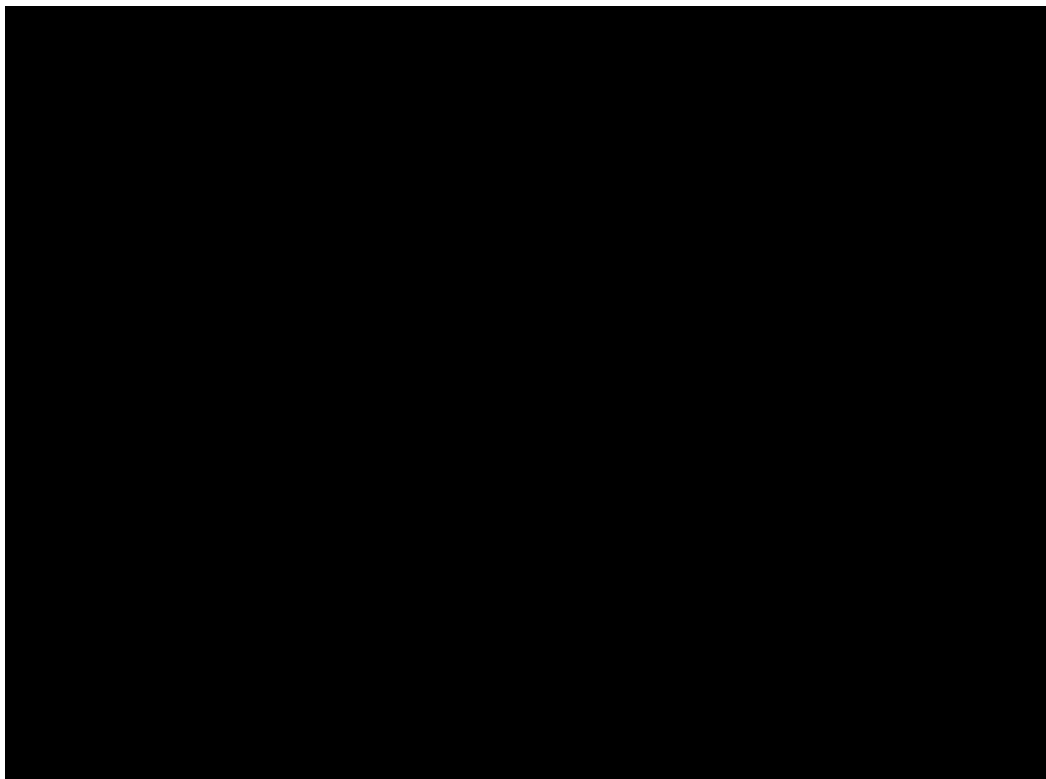
assurance that any such funds will be available at the time or the times needed, or available on terms acceptable to the Company. If adequate funds are not available the Company may not be able to take advantage of opportunities, to develop new products, to market its products and services, or otherwise respond to competitive pressures.



## **15. Competition**

Competing Companies





1

2

3

4



**17. SurfCast Budget 1997 - 2001**



