

*University Parent, Inc.*

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# *University Parent, Inc.*

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# University Parent, Inc.

## Executive Summary

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### **University Parent, Inc.**

University Parent (UPI) produces institution-specific guides and comprehensive websites for parents of college students. Revenues are generated through the sale of advertising in the local guides and on the websites.

### **Today, there are 32 million parents of college students**

According to surveys and interviews conducted by UPI, parents do not receive the information they need from colleges. They want to know where to have a nice dinner in their student's college town, where to stay, and fun activities to do while visiting. They also want to know how to parent their college student and need to understand the issues their child is facing such as managing money, avoiding credit card debt, and balancing school, a part-time job, and extra-curricular activities.

### **UPI can help**

UPI will produce three free guides per year for each college that will be distributed during summer orientation and August move-in, Fall Parent's Weekend, and in the Spring to prospective parents through the Admissions Office and Campus Tour Office. At the University of Colorado, over 25,000 prospective parents tour the campus. The magazines will be distributed through the university, hotels, and restaurants. The magazine content will include: restaurant reviews, a lodging directory, a shopping guide, calendar of events, graduation requirement information, map of the city, and a Q&A section.

### **Proven track record**

The first issue of the *Parent's Guide to Boulder* was published in October 2003 and immediately profited from advertising sales. The second edition will be published June 2004, and due to advance advertising sales, will also be profitable. Demand for these first guides have proved that advertisers are committed to purchasing space in the guide and that parents are interested in reading the guide.

### **Experienced, enthusiastic management team**

Sarah Schupp is the founder, CEO, and Chairman of the UPI Board of Directors. She published the initial *Parent's Guide to Boulder* in 2003. A graduate of the University of Colorado with degrees in Business Administration and English Literature, Sarah is capable of expanding the vision of UPI to Colorado and Texas. In Year 3, UPI plans to hire a CEO with national rollout experience.

Other UPI employees include VP Marketing Michelle Dorenkamp, CFO Kara Grinnell, and CTO Ryan Roth. In addition to an excellent management team,

# University Parent, Inc.

UPI is in the process of developing a board of twelve directors that bring experience in advertising, magazine writing, start-ups, and venture capital.

## **Plan for expansion**

Because of the initial success of the *Parent's Guide to Boulder*, UPI is currently expanding its marketing base to Colorado State University and the University of Denver. A regional office in Boulder will handle advertising sales for the three guides. UPI plans to broaden its base beginning in Year 2, with a goal of being in 44 schools by Year 5.

## **The offering**

UPI is offering 35% of the company for \$410,000. This will provide investors with a 60% rate of return, translating to \$4.3 million in Year 5 when UPI plans to sell to Hearst Publishing or Conde Nast Publishing. UPI breaks-even in Year 2, generating revenues of \$1.8 million. In Year 5, UPI will have revenues of \$12 million and a net profit of \$4.1 million.

## **Company Overview**

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With two successful publications for the University of Colorado and established relationships with over 35 advertisers, UPI is positioned for nation-wide expansion. In October of 2004, UPI plans to produce a total of 9 publications and 3 websites for the University of Colorado, the University of Denver, and Colorado State University. We project UPI will produce 132 publications and high-traffic websites for 44 colleges and universities by Year 5. This will result in net revenues of \$12.3 million, net profits of \$4.1 million, and a valuation of \$70 million. Also in Year 5, UPI plans to market the company to suitable buyers such as Hearst Publishing or Conde Nast Publishing.

# University Parent, Inc.

## Product/Service Description

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### Introduction

You arrive on campus to drop off your freshman student. This is always one of the hardest times of the year for you. Leaving your child miles from home, millions of questions are running through your head. How do they register for classes? How many credits will they need to graduate? What issues will they face being away from home? As you are signing in for orientation, you receive a magazine that specifically answers these questions. Not only does it answer campus life questions, it also offers restaurant reviews, lodging suggestions, and a detailed map of the city. The magazine directs you to a website where you can talk to other parents who have your same concerns. Suddenly you have a sense of relief. Now you have a source of information at your fingertips.

As a Boulder business, you have always wondered how you can directly advertise to CU parents who visit often and spend thousands of dollars while visiting. One day a packet arrives at your business with the first *Parent's Guide to Boulder* from the 2003 Parent's Weekend and a rate card. You are excited that there is now a reasonably priced and direct way to contact CU parents and inform them of your business. You know that purchasing advertising will be well worth every dollar. (Boulder, Colorado served as UPI's test market).

### Description

University Parent produces a comprehensive local guide as well as a website for parents of college students. Through its compilation of articles, pictures, maps, current events, and advertisements, it provides a convenient, thorough source of information for CU parents.

### Parent

Guide Feature	Benefit
Distribution through the university, hotels, and restaurants	Convenience
Provides useful information about their student's environment and community	Comfort, Sense of Security
Makes navigating Boulder easier and allows for advance planning	Saves Time
Free! Gives information and coupons for good values in: lodging, eating, shopping, and having a good time	Saves Money

# University Parent, Inc.

## Advertiser

Guide Feature	Benefit
Targets specific niche	Targeted ROI
Mid-ranged priced advertising	Saves Money
Effective distribution channels	Reaches Target Market, Generates Revenue

## Market Comparison

Unlike other publications in college towns, UPI offers its readers focused, relevant information that is unavailable through local newspapers and magazines. It also offers advertisers a targeted, identifiable market.

## Stage of Development

UPI produced its first guide in Boulder for Parent's Weekend '03. The profitability of the first guide demonstrated UPI's ability to sell advertising and to produce a useful product. UPI is currently marketing and creating articles for its Summer '04 publication. Our CTO, Ryan Roth, launched the Guide to Boulder's website in April of '04, <http://www.guidetoboulder.com>. Advertising sales for the website are scheduled to begin in May '04.

## Client Base

UPI currently has over 35 clients for the *Parent's Guide to Boulder*. These advertisers include: Wells Fargo, Walnut Realty, McGuckin Hardware, the CU Book Store, the CU Foundation, Greenbriar Inn, Boulder Broker Inn, Boulder Outlook Hotel & Suites, Boulder Express Shuttle, and many more. Of the initial advertisers in the Fall '03 guide, 100% of advertisers solicited purchased advertising for the Summer '04 guide.

### Potential Readership Base

#### *Demographic*

- 32 million U.S. parents of college students, growing at an annual rate of 6%
- We expect 20% of each college's parent population to read our magazines

#### *Family Income*

- Most families sending children to college have a combined household income ranging from \$80,000 to \$150,000

#### *Cost of Education*

- A college education is likely the biggest investment they will make in their student
- A college education costs anywhere from \$30,000 to \$200,000
- Parents typically provide for their children while in college, paying for expenses such as transportation (car, bike), car insurance, textbooks, clothing, computers and software, food, rent, etc.

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- These expenses average between \$800 - \$1,500 per month.

## **Potential Advertisers**

- Independent marketing firms that handle national accounts
- Local business owners and/or Marketing Managers representing hotels, restaurants, retail stores, travel agencies that must make buying decisions based on distribution and cost.

## **Industry and Marketplace Analysis**

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The publication industry has over 17,000 magazines that gross \$24 billion dollars in revenue each year. Historically, this industry has grown at a rate of seven percent, and is expected to grow six percent in the future. There is little demand for new titles with the exception of demand for specialty, niche magazines that enable advertisers to reach a well-defined market. Our primary, unexplored niche consists of parents of college students. According to surveys, virtually all CU parents (95%) are uninformed about campus activities, news, and pertinent issues. Currently no other publications are addressing these needs and concerns of CU parents.

In recent years, there has been an increase in online magazines and online versions of print magazines. Major threats in the periodical industry include other advertising mediums such as television, radio, and print. The most competition for publications is in print advertising, which ranges from daily newspapers to monthly magazines. Another threat to the publication industry is the rising cost of paper, which is driving down profits. Some of the internal market changes revolve around a concern over rising paper costs because of deforestation.

Leading advertisers in the magazine industry include: automobile manufacturers, consumer goods companies, entertainment conglomerates, and tobacco firms. Some of the internal market changes revolve around a concern over rising paper costs because of deforestation.

Leading advertisers in the magazine industry include: automobile manufacturers, consumer goods companies, entertainment conglomerates, and tobacco firms. The publication industry is affected by changed in economic conditions since revenue is advertising-dependant.

# University Parent, Inc.

## Marketing Strategy

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### Introduction

UPI's target readership market will include students, parents of present and future students, university faculty and staff, and high school counselors. Aggressive distribution will insure that all sectors of our target market will receive our free guide as well as website information. Our target market for advertising is businesses that want to make parents of college students aware of their products and/or services. We provide these businesses an opportunity to reach a specific, identifiable market at a reasonable cost.

### Target Market Advertising Strategy

We will position ourselves as the only publication offering information specifically for parents of CU students and as the only publication offering businesses the opportunity to advertise to these parents.

In Boulder, the primary advertising media are the *Colorado Daily*, *Daily Camera*, *The Onion*, and *Boulder Magazine*. UPI's targeted, niche market strategy offers businesses a superior, more cost effective media product at a lower cost than these publications. UPI will produce a quarterly mailing to businesses in Boulder that offer a product/service that CU parents may be interested in purchasing. The mailing will be directed to the businesses' owner and will include a previous *Parent's Guide to Boulder*, a cover letter specifying why advertising with UPI is effective, testimonials from current advertisers, and a rate card.

As UPI moves into additional markets, this strategy will be replicated and customized as needed.

### Pricing Strategy

University Parent will generate revenue from two sources: print advertising in our guides and online advertising on our website.

#### Print advertising prices (per guide):

Size	Full Color
Eighth Page	\$250
Quarter Page	\$400
Half Page	\$600
Full Page	\$800
Back Cover, Inside Cover, Back Inside	\$1000



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## Website advertising prices (per month):

Size	Full Color
2" x 1"	\$400
2" x 2"	\$500
Banner, 1"x 7"	\$700
Pop Up	\$1000
Ad in email newsletter	\$500

Businesses can purchase yearlong magazine and website advertising at a 10% discount. The website advertising prices are likely to change based on our website's traffic. The higher the traffic, the higher the price we can charge.

## Distribution Strategy

UPI will distribute guides to parents through the university admissions office, parent relations office, and campus tour office. The guide will also be distributed in hotels, restaurants, businesses, and through the Chamber of Commerce. There will be an option on the website to download the guide or have it mailed for a small fee (postage).

## Advertising, Sales & Promotion Strategy

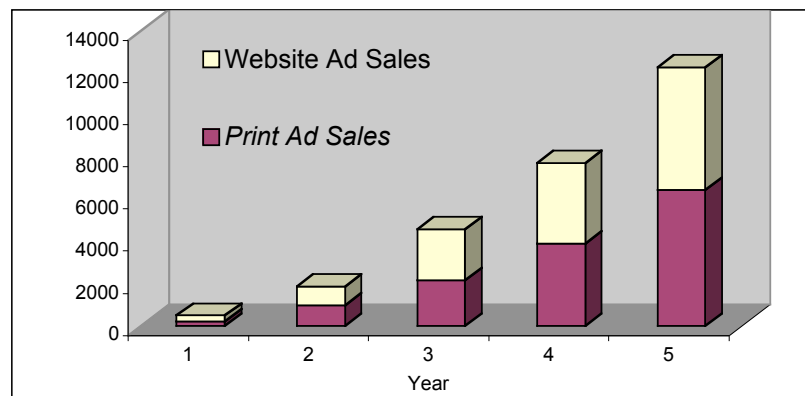
UPI will be promoted to advertisers through local networking at Boulder Chamber of Commerce events, press releases in local papers, direct mailings, and referral incentives for current clients. In addition, the website will serve as an effective tool to inform both businesses and parents of our services.

## Marketing & Sales Forecasts

UPI's revenue is generated through print and website advertising sales. We project revenues from print advertising at 54% and website advertising sales at 46% of total revenues.

Advertising revenues are calculated by using the print advertising rates multiplied by expected sales for three guides. UPI projects sales of 25 print advertisements per issue at an average cost of \$1,000 and 72 website sales per year per institution at an average cost of \$750.

Revenue (In thousands \$)



# University Parent, Inc.

## Revenue Projections

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Product A - Magazine</b>					
Number of Schools	3	9	22	32	44
Total Issues/Year	9	36	66	96	132
Magazines Printed/Year	90,000	360,000	660,000	960,000	1,320,000
Printing Cost/Per Magazine	0.25	0.23	0.21	0.19	0.17
Number of Units/Ad	225	900	1,800	2,925	4,425
Avg. Price/Ad Page	\$1,000	\$1,100	\$1,210	\$1,331	\$1,464
Print Adv Total	\$225,000	\$990,000	\$2,178,000	\$3,893,175	\$6,478,643
<b>Product B - Website</b>					
Advertisements Sold/Yr	360	1,080	2,640	3,840	5,280
Price per unit	\$750	\$825	\$908	\$998	\$1,098
Web Adv Total	\$270,000	\$891,000	\$2,395,800	\$3,833,280	\$5,797,836
<b>Net Revenue</b>	<b>\$495,000</b>	<b>\$1,881,000</b>	<b>\$4,573,800</b>	<b>\$7,726,455</b>	<b>\$12,276,479</b>

## Operations Plan

### Operations Strategy

Our strategy is to establish a reputation with readers and advertisers that UPI consistently delivers well received, well-designed, informative magazines and websites. We will develop this reputation by providing products that are professionally designed, error-free and exceed the expectations of both our readers and our advertisers. We will measure our success through in-person as well as on-line surveys of our customers.

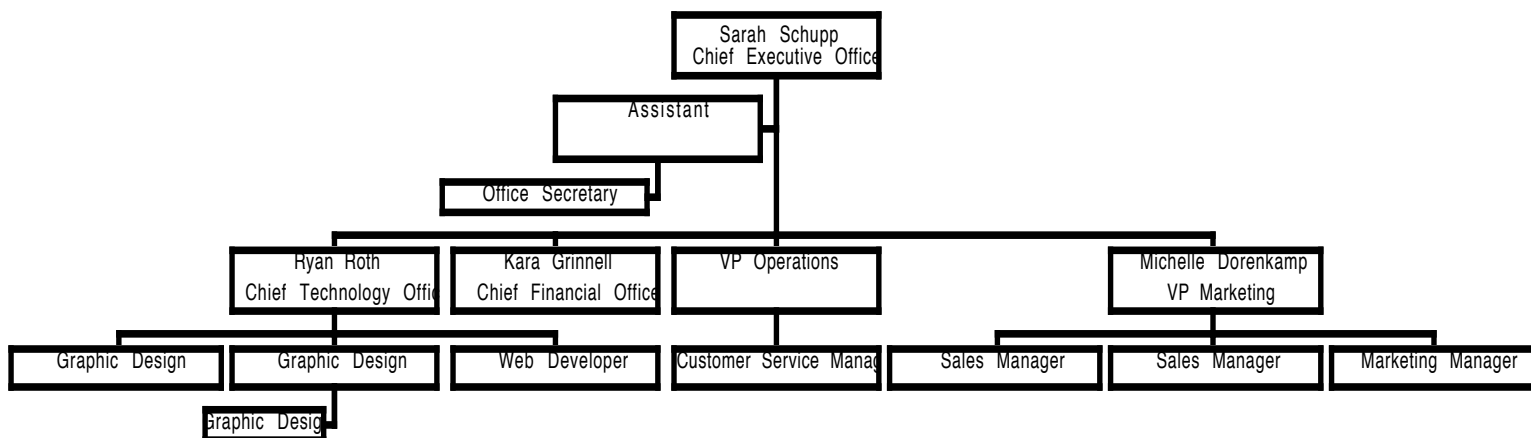
Our goal is to have highly satisfied customers – our parent readers and our advertisers. To that end, UPI will provide training for all employees that stresses the necessity of exceeding the expectations of our customers in ways such as delivering advertising proofs early or following-up with a parent's question promptly and thoroughly.

### Scope of Operations

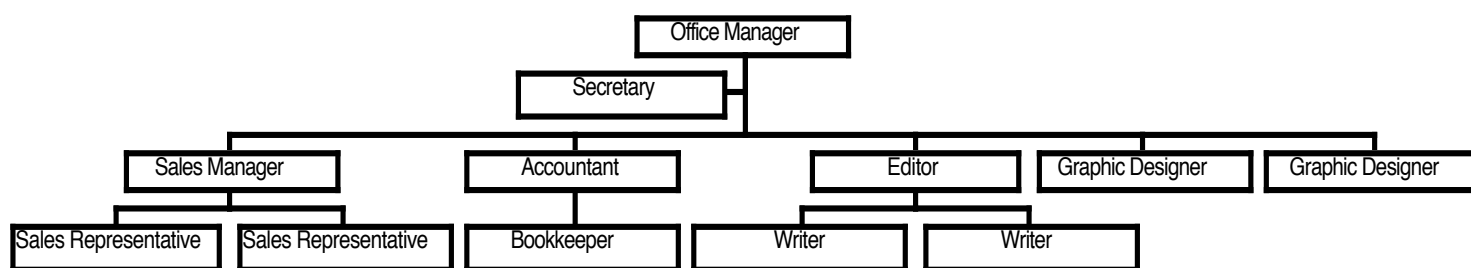
At UPI headquarters, there will be 15 full-time employees. In Year 1, this office will handle advertising sales for the CU, DU, and CSU guides, as well as negotiate next year's Texas expansion.

# University Parent, Inc.

## Headquarters Office Personnel Boulder, Colorado



## Regional Office Personnel Locations: Dallas, Atlanta, Boston, Kansas City



### Ongoing Operations

UPI headquarters will coordinate with the regional offices to produce a website and three magazines annually for each college. Issues will be published every summer, fall, and spring. The website will be updated as needed, daily if necessary. Advertising sales as well as contact with parents and university faculty and staff will be continuous throughout the year

### Operating Expenses

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Total Operating Expenses	\$854,967	\$1,547,676	\$2,588,328	\$3,611,938	\$5,083,166
% of Revenue	172.7%	82.3%	56.6%	46.7%	41.4%

## Development Plan

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### Development Strategy

The first priority for UPI is to establish a strong brand and reputation within each new market. UPI will publish a guide approximately every four months. Our relationship with advertisers will become much stronger with each issue as they realize the value from advertising in our magazine. After three issues (one year), we believe our relationships with advertisers will significantly increase revenues. In year two, returning clients will purchase more advertisements and clients who watched their competitors gain revenue from advertising with us. For the second issue of the *Parent's Guide to Boulder*, advertising sales doubled and every client who purchased an advertisement in the Fall guide purchased an advertisement in the Summer guide.

During the publication cycle for each issue, the first order of business is to brainstorm new ideas and themes. Once the themes are decided, we make those themes available to the advertisers. We then give advertisers a three-month window to purchase advertising space. Contact is made with potential advertiser through "cold-selling," a variant of cold calling.

The "cold-selling" begins with a mass mailing, which is followed up with an email. One week after the emailing, our staff follows up with a telephone call. The next seven weeks in the ad purchasing "window" are reserved for meetings with potential advertisers. Through our past experience, we have found that such meetings are vital for closing most deals.

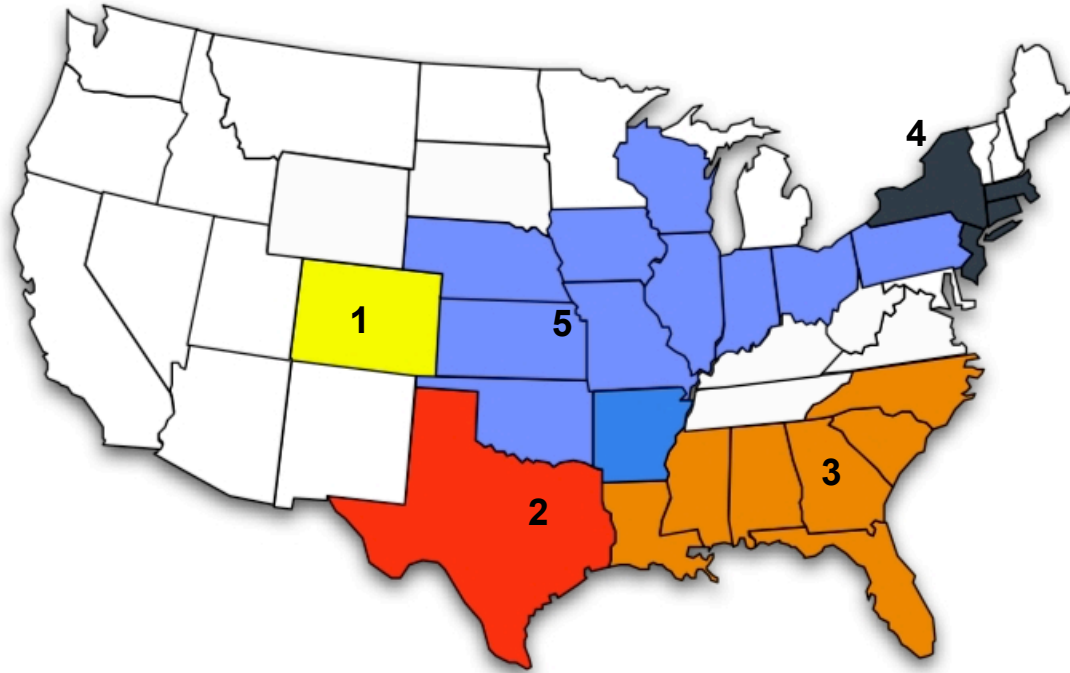
The artwork acceptance window is open from the moment an advertising contract is signed until the artwork acceptance deadline, one week after the close of advertising sales. The first payment for the advertisement is due on the last day of advertisement sales. The second payment is due one week before we send the magazine to the printer.

While ad sales are in full swing, the design of the magazine is developed. Concurrently, article research and story writing for the magazine are performed. Immediately after the design and story writing are finalized, we finalize the layout and update the website; both of these occur over a two week period.

As soon as the layout is finished, the final copy is sent to the printer. Within 5 days, the printer overnights a digital proof for UPI's approval. Once approved, printing takes approximately one week. Once the copies are received, the magazine is ready for distribution. Distribution takes place over a two-week period. Most magazines are mailed directly from the printer to the distribution point. These distribution points include: the university, hotels, restaurants, and other local businesses.

# University Parent, Inc.

## Roll-Out Plan



### Year 1: Colorado

**3 Schools:** CU, University of Denver, and Colorado State University



### Year 2: Colorado and Texas

**9 Schools:** \*New Regional Office opens in **Dallas**: Southern Methodist University, University of Texas at Austin, A&M, Trinity University, Baylor University, Rice University

### Year 3: Colorado, Texas, South

**22 Schools:** \*New Regional Office opens in **Atlanta**: University of Georgia, University of the South, University of North Carolina, University of South Carolina, Duke University, University of Florida, Rollins College, University of Virginia, University of Richmond, University of Louisiana, Louisiana State University

# *University Parent, Inc.*

**Year 4: Colorado, Texas, South, Northeast**

**32 Schools:** \*New Regional Office opens in **Boston**: Harvard, MIT, Tufts, Boston University, Boston College, Princeton, New York University, Columbia University, Barnard College, Villanova University, University of Connecticut

**Year 5: Colorado, Texas, South, Northeast, Midwest**

**44 Schools:** \*New Regional Office opens in **Kansas City**: University of Kansas, Kansas State University, University of Oklahoma, Oklahoma State University, University of Missouri, Missouri State University, University of Ohio, Ohio State University, Purdue University, University of Michigan, University of Wisconsin, University of Illinois

**Year 6: *Continued Expansion:*** Northeast, Midwest, West

# *University Parent, Inc.*

## **Management**

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### ***Sarah Schupp, Chief Executive Officer***

Sarah founded *The Parent's Guide to Boulder* in June of 2003. A graduate of the University of Colorado with degrees in Business Administration and English Literature, Sarah is capable of expanding the vision of UPI across the U.S. In addition, she has developed relationships with the University of Colorado through her 2004 position as the Senior Class President and member of the President's Leadership Class.

### ***Ryan Roth, Chief Technology Officer***

Ryan comes to UPI with an extensive background in high-level web technology and information system deployment strategies. As team leader of numerous successful system development projects, Ryan is a valuable addition to UPI as Chief Technology Officer. He joined our team in early 2004 to provide in-depth, focused research on technology issues and solutions to provide University Parent with customized solutions unmatched by any other magazine publisher today. Ryan graduated from the Leeds School of Business at the University of Colorado with a B.S. in Business Administration and an emphasis in Information Systems.

### ***Kara Grinnell, Chief Financial Officer***

Kara is equipped with the financial knowledge needed to accomplish all the tasks included in the job of Chief Financial Officer. With a degree in Finance from the University of Colorado, Kara has the appropriate background to help UPI meet its financial goals. Kara has first hand field experience with financial measurements and is prepared to help UPI become a \$100 million venture.

### ***Michelle Dorenkamp, VP Marketing***

Michelle will graduate with a Bachelor of Science Degree in Business from the University of Colorado in May 2004. For the past three summers, she has worked in marketing and advertising for a Real Estate company. She has successfully worked with companies doing a direct mail campaign similar to the one that will be used to attract advertisers for the local guides.

## **Business Risks**

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### **Another company will copy our idea.**

Because of a magazine's low start-up costs, it is likely that people will copy our concept. However, we can mitigate this risk by negotiating with national advertisers for annual contracts and with universities for distribution rights. Another way we can mitigate this risk is through strategic growth. By identifying the best regions for expansion, we will capture a new region each year. We are targeting geographically central locations with a high concentration of colleges and universities.

### **Universities will not cooperate to help us distribute the guide.**

When selling advertisements to businesses, our greatest strength is that universities allow us to distribute the guide on campus. This distribution point makes advertisers believe their ROI will be greater because parents pay close attention to materials given to them by the university. However, our guide is an effective public relations tool for universities to give to parents and by maintaining appropriate content, we eliminate this obstacle.

### **Businesses will not buy advertising.**

Our revenue projections are based on selling 25 or more print advertisements per issue and 10 web ads per month per location. If businesses do not believe that our magazine will serve as an effective marketing tool, they will not purchase advertising. We must prove to advertisers that parents do and will read our magazine and will make buying decisions based on our information.

### **Each university has a different environment with different demographics.**

Because we are producing guides with location-specific information, we must insure that the information we publish is accurate and appropriate for the area. If we miss the target demographic or culture of the area, parents will not read the guide and advertisers will not purchase advertising. To make sure we understand the area, representatives from our regional office will be familiar with every location in their region and will have student interns at each school that will help UPI understand the area and its parent population. In addition, we will use our website to collect marketing data. Weblogs, an online parent chat room, will allow us to track parents comments and their geographic location, which will enable us to understand the issues at each university.



# University Parent, Inc.

## Financial Plan

### Financial Summary

Revenue for UPI is derived from magazine and website advertising sales. UPI plans to sell advertising to both national and local advertisers. As more people read our magazine and visit our website, the prices we can charge advertisers will increase.

The following table summarizes five years of pro forma financial statements. Assumptions for the financial statements are located in Section G of the Appendix.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Operating Revenue</b>	<b>\$495,000</b>	<b>\$1,881,000</b>	<b>\$4,573,800</b>	<b>\$7,726,455</b>	<b>\$12,276,479</b>
<b>Operating Expenses</b>					
Salaries, Wages, & Benefits	\$323,000	\$692,230	\$1,152,524	\$1,526,238	\$1,907,539
Depreciation	\$6,667	\$20,000	\$40,000	\$60,000	\$80,000
Rent & Utilities	\$40,000	\$85,600	\$131,592	\$180,803	\$233,460
<b>Total Operating Expenses</b>	<b>\$854,967</b>	<b>\$1,547,676</b>	<b>\$2,588,328</b>	<b>\$3,611,938</b>	<b>\$5,083,166</b>
Income Taxes	\$0	\$0	-\$550,989	-\$1,542,198	-\$2,749,048
<b>Net Income (Loss)</b>	<b>(\$401,329)</b>	<b>\$197,583</b>	<b>\$1,227,012</b>	<b>\$2,313,297</b>	<b>\$4,123,572</b>

# *University Parent, Inc.*

## Balance Sheet Years 0 – 5 (\$)

	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	530,000	117,763	281,640	1,616,578	4,006,443	8,252,410
Accounts Receivable		0	0	0	0	0
Inventories		0	0	0	0	0
Other Current Assets		113	3,947	50,228	63,484	75,729
Total Current Assets	530,000	117,875	285,588	1,666,806	4,069,927	8,328,139
<b>PROPERTY &amp; EQUIPMENT</b>	0	16,533	50,133	81,733	109,333	136,133
<b>TOTAL ASSETS</b>	<b>530,000</b>	<b>134,409</b>	<b>335,721</b>	<b>1,748,539</b>	<b>4,179,261</b>	<b>8,464,272</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short Term Debt	0	0	0	0	0	0
Accounts Payable & Accrued Expen		5,625	9,281	191,445	306,567	464,840
Other Current Liab		113	186	3,829	6,131	9,297
Current portion of long term debt	0	0	0	0	0	0
Total Current Liabilities	0	5,738	9,467	195,274	312,698	474,137
<b>LONG TERM DEBT (less current portion)</b>	0	0	0	0	0	0
<b>STOCKHOLDERS' EQUITY</b>						
Common Stock	410,000	410,000	410,000	410,000	410,000	410,000
Preferred Stock	0	0	0	0	0	0
Retained Earnings		(401,329)	(203,746)	1,023,266	3,336,563	7,460,135
Total Equity	530,000	8,671	206,254	1,433,266	3,746,563	7,870,135
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>530,000</b>	<b>14,409</b>	<b>215,721</b>	<b>1,628,539</b>	<b>4,059,261</b>	<b>8,344,272</b>

# *University Parent, Inc.*

## **Offering**

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### **Investment Requirements**

UPI initially requires \$500,000 in seed funding for the first year of operations. This amount will fund the expansion to the University of Denver and Colorado State University as well as funding new employee salaries and the opening of a Colorado regional office in Boulder. Investors will own 35% of the venture.

### **Valuation**

Using the venture capital method, in Year 5, assuming net earnings of \$4.1 million, and an industry P/E ratio of 17.3, UPI will have a market value of \$70 million.

### **Financing**

UPI seeks \$500,000 in seed funding in Year 0. This round will provide the investor with a 35% stake in the venture at a 60% annual rate of return.

### **Exit Strategy**

In Year 5, UPI will be marketed to Hearst Publishing and Conde Nast Publishing. These are logical acquirers because both companies own over 30 niche magazines.

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## **Appendices**

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Kara Grinnell, CFO	
Ryan Roth, CTO	
Michelle Dorenkamp, VP Marketing	

# *University Parent, Inc.*

## Appendix A, Income Statement, Years 1 – 5 (\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>NET REVENUES</b>	495,000	1,881,000	4,573,800	7,726,455	12,276,479
<b>COST OF REVENUE</b>	26,362	90,741	152,471	204,023	255,692
% of Revenues	5.3%	4.8%	3.3%	2.6%	2.1%
<b>GROSS PROFIT</b>	468,638	1,790,259	4,421,329	7,522,432	12,020,787
% of Revenues	94.7%	95.2%	96.7%	97.4%	97.9%
<b>OPERATING EXPENSES</b>					
Sales & Marketing	240,750	364,610	674,953	1,023,764	1,734,098
Research & Development	219,800	291,186	360,569	434,809	514,245
General and Administration	394,417	891,880	1,552,806	2,153,364	2,834,823
Total Operating Expenses	854,967	1,547,676	2,588,328	3,611,938	5,083,166
% of Revenues	173%	82%	57%	47%	41%
<b>EARNINGS FROM OPERATIONS</b>	(386,329)	242,583	1,833,001	3,910,495	6,937,620
<b>EXTRAORDINARY INCOME / (EXPENSE)</b>	(15,000)	(45,000)	(55,000)	(55,000)	(65,000)
<b>EARNINGS BEFORE INTEREST &amp; TAXES</b>	(401,329)	197,583	1,778,001	3,855,495	6,872,620
<b>INTEREST INCOME / (EXPENSE)</b>	0	0	0	0	0
<b>NET EARNINGS BEFORE TAXES</b>	(401,329)	197,583	1,778,001	3,855,495	6,872,620
<b>TAXES</b>	0	0	(550,989)	(1,542,198)	(2,749,048)
<b>NET EARNINGS</b>	(401,329)	197,583	1,227,012	2,313,297	4,123,572
% of Revenues	-81.1%	10.5%	26.8%	29.9%	33.6%

# *University Parent, Inc.*

## Appendix B, Balance Sheet, Years 0 – 5 (\$)

	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	530,000	117,763	281,640	1,616,578	4,006,443	8,252,410
Accounts Receivable		0	0	0	0	0
Inventories		0	0	0	0	0
Other Current Assets		113	3,947	50,228	63,484	75,729
Total Current Assets	530,000	117,875	285,588	1,666,806	4,069,927	8,328,139
<b>PROPERTY &amp; EQUIPMENT</b>	0	16,533	50,133	81,733	109,333	136,133
<b>TOTAL ASSETS</b>	530,000	134,409	335,721	1,748,539	4,179,261	8,464,272
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short Term Debt	0	0	0	0	0	0
Accounts Payable & Accrued Expen		5,625	9,281	191,445	306,567	464,840
Other Current Liab		113	186	3,829	6,131	9,297
Current portion of long term debt	0	0	0	0	0	0
Total Current Liabilities	0	5,738	9,467	195,274	312,698	474,137
<b>LONG TERM DEBT (less current portion)</b>	0	0	0	0	0	0
<b>STOCKHOLDERS' EQUITY</b>						
CommonStock	410,000	410,000	410,000	410,000	410,000	410,000
Preferred Stock	0	0	0	0	0	0
Retained Earnings		(401,329)	(203,746)	1,023,266	3,336,563	7,460,135
Total Equity	530,000	8,671	206,254	1,433,266	3,746,563	7,870,135
<b>TOTAL LIABILITIES &amp; EQUITY</b>	530,000	14,409	215,721	1,628,539	4,059,261	8,344,272

# *University Parent, Inc.*

## Appendix C, Cash Flow Statement, Years 1 – 5 (\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>OPERATING ACTIVITIES</b>					
Net Earnings	(401,329)	197,583	1,227,012	2,313,297	4,123,572
Depreciation	7,467	24,400	48,400	72,400	97,200
Working Capital Changes					
(Inc.)/Dec. Accts. Rec.	0	0	0	0	0
(Inc.)/Dec. Inventories	0	0	0	0	0
(Inc.)/Dec. Other CA	(113)	(3,835)	(46,281)	(13,256)	(12,245)
(Inc.)/Dec. Accts Pay					
Expenses	5,625	3,656	182,163	115,122	158,274
(Inc.)/Dec. Other CL	113	73	3,643	2,302	3,165
Net Cash Provided/(Used) Operating Activities	(388,237)	221,878	1,414,937	2,489,865	4,369,967
<b>INVESTING ACTIVITIES</b>					
Property & Equipment	(24,000)	(58,000)	(80,000)	(100,000)	(124,000)
Other					
Net Cash Used in Investing	(24,000)	(58,000)	(80,000)	(100,000)	(124,000)
<b>FINANCING ACTIVITIES</b>					
(Inc.)/Dec. Short Term Debt	0	0	0	0	0
(Inc.)/Dec. Curr. Portion LTD	0	0	0	0	0
(Inc.)/Dec. Long Term Debt	0	0	0	0	0
(Inc.)/Dec. Common Stock	0	0	0	0	0
(Inc.)/Dec. Preferred Stock	0	0	0	0	0
Dividends Declared	0	0	0	0	0
Net Cash Provided / (Used) by Financing	0	0	0	0	0
<b>INCREASE/(DECREASE) IN CASH</b>	(412,237)	163,878	1,334,937	2,389,865	4,245,967
<b>CASH AT BEGINNING OF YEAR</b>	530,000	117,763	281,640	1,616,578	4,006,443
<b>CASH AT END OF YEAR</b>	530,000	117,763	281,640	1,616,578	4,006,443
		8,252,410			

# *University Parent, Inc.*

## **Appendix D, Monthly and Quarterly Cash Flow Statements, Years 1 – 5 (\$)**



# University Parent, Inc.

## Appendix E, Break-Even Analysis, Years 1 – 5 (\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Revenue</b>	495,000	1,881,000	4,573,800	7,726,455	12,276,479
<b>Cost of Revenue</b>					
Variable	24,562	85,341	141,671	186,023	228,692
Fixed	1,800	5,400	10,800	18,000	27,000
Total	26,362	90,741	152,471	204,023	255,692
<b>Operating Expenses</b>					
Variable	49,500	188,100	457,380	772,646	1,227,648
Fixed	805,467	1,359,576	2,130,948	2,839,292	3,855,519
Total	854,967	1,547,676	2,588,328	3,611,938	5,083,166
<b>Total Costs &amp; Expenses</b>					
Variable	74,062	273,441	599,051	958,668	1,456,340
Fixed	807,267	1,364,976	2,141,748	2,857,292	3,882,519
Total	881,329	1,638,417	2,740,799	3,815,960	5,338,858
<b>Variable Costs/Revenue Ratio</b>	0.15	0.15	0.13	0.12	0.12
<b>Break-Even Point Revenues</b>	949,301	1,597,154	2,464,540	3,262,032	4,405,087

## Appendix F, Capital Expenditure Detail

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Net Revenues</b>	495,000	1,881,000	4,573,800	7,726,455	12,276,479
<b>Capital Expenditures</b>					
Computers, Software & Office Equipment	20,000	40,000	60,000	80,000	100,000
Plant & Equipment	0	0	0	0	0
Other	4,000	18,000	20,000	20,000	24,000
<i>Total Capital Expenditures</i>	24,000	58,000	80,000	100,000	124,000

# University Parent, Inc.

## Appendix G, Financial Assumptions

### General Assumptions

First Month of Operations	June 2004
Estimated Inflation	2.5%
Corporate Tax Rate	38%

### Annual Projections

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Product A - Magazine</b>					
Number of Schools	3	9	22	32	44
Total Issues/Year	9	36	66	96	132
Number of Units/Ad	225	900	1,800	2,925	4,425
Avg. Price/Ad Page	\$1,000	\$1,100	\$1,210	\$1,331	\$1,464
Print Advertising Sales	\$225,000	\$990,000	\$2,178,000	\$3,893,175	\$6,478,643
<b>Product B - Website</b>					
Advertisements Sold/Year	360	1,080	2,640	3,840	5,280
Price per unit	\$750	\$825	\$908	\$998	\$1,098
Web Advertising Sales	\$270,000	\$891,000	\$2,395,800	\$3,833,280	\$5,797,836

### Printing Costs

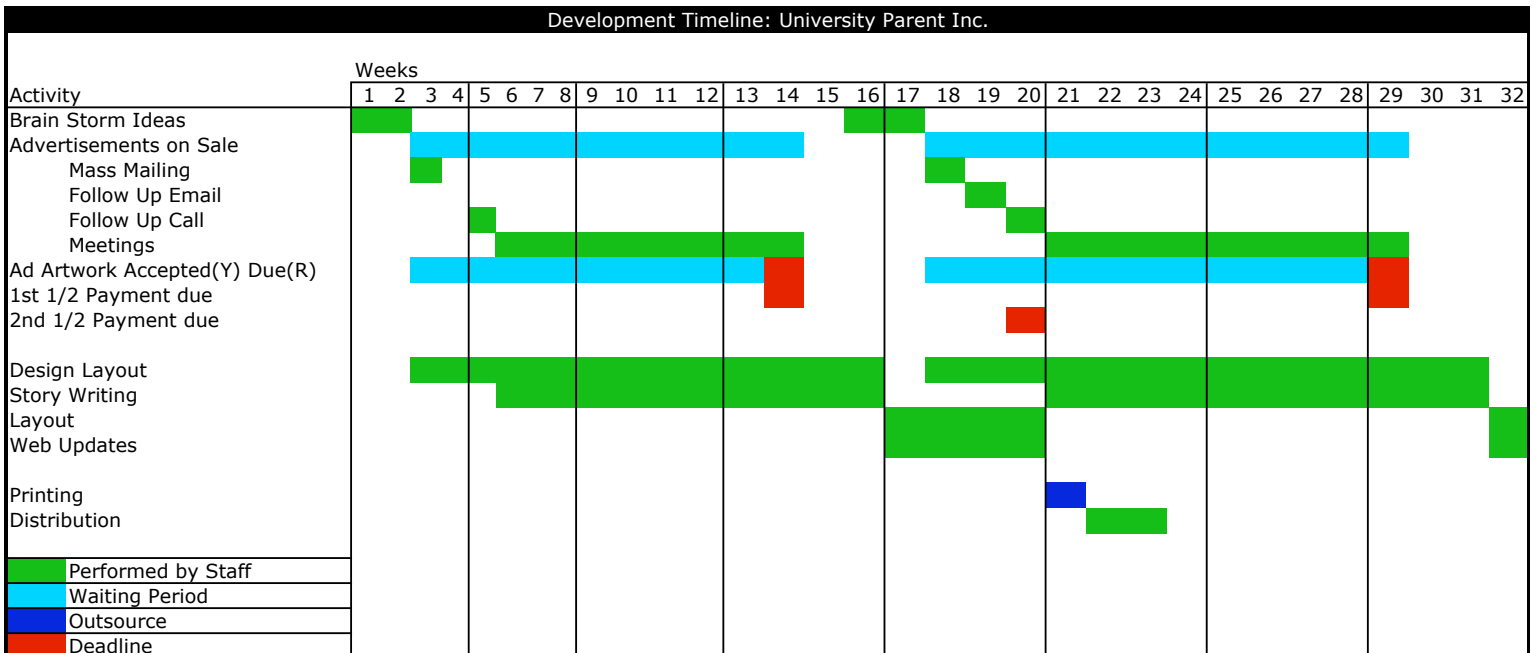
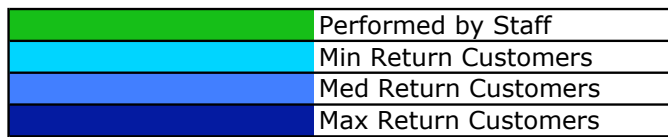
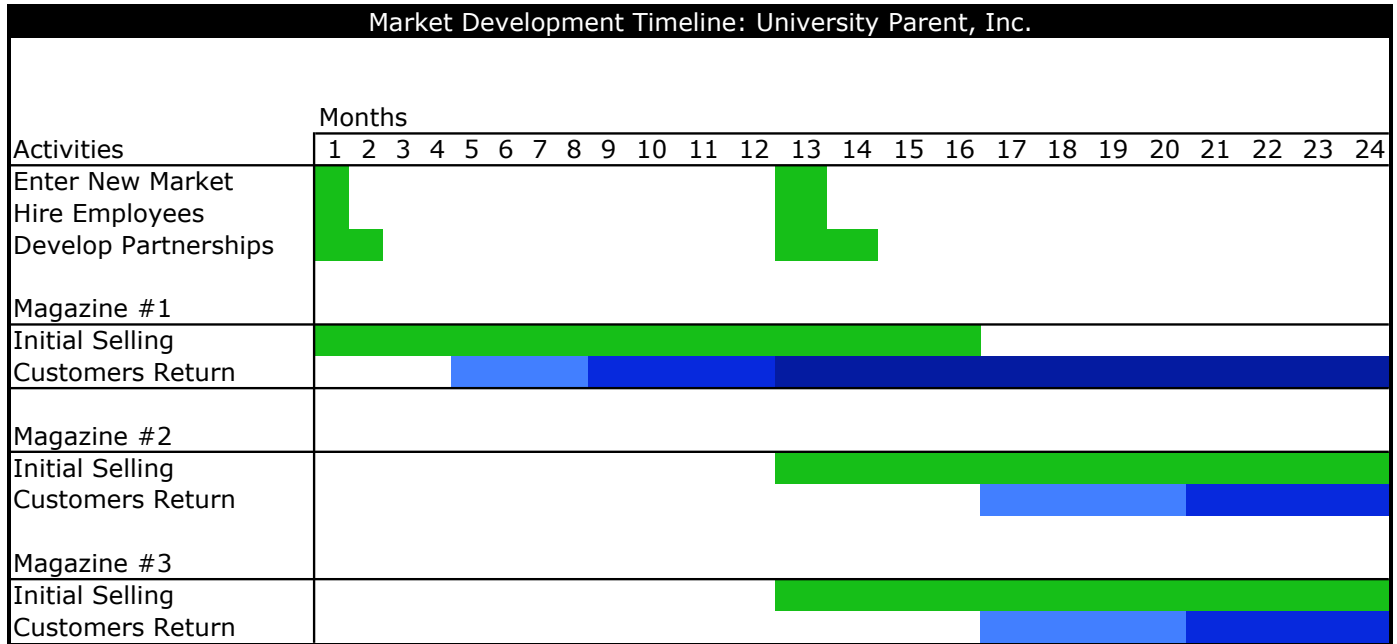
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Magazines Printed/Year	90,000	360,000	660,000	960,000	1,320,000
Printing Cost/Per Magazine	0.25	0.23	0.21	0.19	0.17
Total Costs	22,500	82,800	138,600	182,400	224,400

### Funding

Total Shares Outstanding	2,000,000
Preferred Shares (Investors)	700,000 (35%)
Common Shares (Founders/Employees)	130,000 (65%)
Expected Investor IRR	60%
Total Funding Required	\$500,000
Founders Contribution	\$30,000

# University Parent, Inc.

## Appendix H, Development Timeline, Year 1



## **Appendix I, Customer Survey Results**

40 Parents were interviewed about the UPI concept.

- Parents currently purchase:
  - ✓ Newsweek, Time, Weekly Standard, Economist, Forbes, Money, Sports Illustrated, AAE Journal, Martha Stewart Living, Real Simple, Family Circle, People, Young Riders, Redbook, Budget Traveler, Business Week, Kiplingers, Smithsonian, Business World, Outside, New Yorker, More, Good Housekeeping, In Style, Cosmopolitan, Allure, Fast Company, Inc, Prevention, Readers Digest, Sunset, Tennis, Golf, Consumer Reports, Veranda, Scientific American
- Currently purchase magazines:
  - ✓ Subscription, Airport, Grocery Store
- 90% percent of parents surveyed would purchase the magazine
- Parents want information about:
  - ✓ Grades, Scholarships, Travel Opportunities, Housing Expenses, Activities in college town, Time Management, Social Life, Programs, Internships, Job Placements, Curriculum, Student Safety, Speakers, Career Guidance, Graduation Requirements, Student Groups, Transportation
- Currently receive information:
  - ✓ From the student, from the college, media
- Would like to purchase UP:
  - ✓ Subscription
- Would be willing to pay:
  - ✓ \$1 - \$5
- 60% of parents would like a website
- 70% of parents would like to receive a monthly newsletter