



TM

BUSINESS PLAN

Copyright © 2003 by Fresh Idea

All brands, logos and slogans are Copyright © 2003 by Fresh Idea. All Rights Reserved.

FOR INFORMATION ONLY

This memorandum is a business plan. It is not an offering or a solicitation for the sale of any securities of any company. All terms herein are subject to modification.

CONFIDENTIALITY NOTICE

The information contained herein includes non-public, confidential and proprietary information. It is meant solely for your use pursuant to the terms of the Non-Disclosure/Confidentiality Agreement accompanying this presentation and may not be disclosed to unauthorized persons.

CONTACT INFORMATION

[deleted]

NON-DISCLOSURE/CONFIDENTIALITY AGREEMENT

This Agreement is entered into and is effective as of _____, 2003 by and between Fresh Idea d/b/a TV Fresh and the entity named below, referred to herein as "Recipient."

Definition of Confidential Information: Each party agrees that all information and materials disclosed by TV Fresh and Recipient regarding a proposed business deal between the parties, including the terms and conditions of this Agreement and the existence of the discussion between the parties, will be considered and referred to collectively in this Agreement as "Confidential Information." Confidential Information does not include information that is now or subsequently becomes generally available to the public through no fault or breach on the part of either party; either party can demonstrate to have had rightfully in its possession prior to disclosure to the receiving party; is independently developed by either party without the use of any Confidential Information; or either party rightfully obtains from a third party who has the right to transfer or disclose it.

Nondisclosure and Nonuse of Confidential Information: The parties shall not disclose, publish, or otherwise disseminate Confidential Information to anyone other than those of its employees and trusted subcontractors with a need to know, and each party shall take reasonable precautions to prevent any unauthorized use, disclosure, publication, or dissemination of Confidential Information. The parties accept the Confidential Information for the sole purpose of evaluation in connection with either party's business discussions with each other. Each party shall not use Confidential Information otherwise for its own or any third party's benefit without the prior written approval of an authorized representative of the disclosing party in each instance. The foregoing restrictions on Confidential Information shall not apply to Confidential Information that is required to be disclosed in connection with any suit, action or dispute related to the Confidential Information, or otherwise required to be disclosed as a matter of law.

Miscellaneous: All Confidential Information remains the property of the disclosing party and no license or other right to Confidential Information is granted or implied hereby. All Confidential Information is provided "as is" and without any warranty, whether express or implied, as to its accuracy or completeness. Each party hereby acknowledges that unauthorized disclosure or use of Confidential Information could cause irreparable harm and significant injury to the disclosing party that may be difficult to ascertain. Accordingly, each party agrees that the disclosing party will have the right to seek and obtain immediate injunctive relief to enforce obligations under this Agreement, in addition to any other rights and remedies each party may have.

Entire Agreement and Governing Law: This Agreement constitutes the entire agreement with respect to the Confidential Information disclosed herein and supersedes all prior or contemporaneous oral or written agreements concerning such Confidential Information. This Agreement may not be amended except by the written agreement signed by authorized representatives of both parties. This Agreement will be governed by and construed in accordance with the laws of the State of California, excluding that body of California law concerning conflicts of law.

Understood and Agreed to by the duly authorized representative of the parties:

Recipient: _____

By: _____

By: _____

Title: _____

Title: _____

Company: _____

Company: _____

Name: _____

Name: _____

Date: _____

Date: _____

TABLE OF CONTENTS

THE VISION	6
THE MISSION	6
EXECUTIVE SUMMARY	9
BUSINESS DESCRIPTION.....	14
What It Is	14
How It Works.....	15
BUSINESS MODEL.....	16
Structure.....	16
Benefits	17
THE TELEVISION MARKETPLACE	18
Evolution of Television Viewing Patterns.....	18
Broadcast -- The Limited Choice Model	18
Cable Television -- Greater Choice	18
Digital Cable – Viewer Empowerment.....	19
The Current Marketplace	19
TV Fresh in the Television Marketplace	21
TELEVISION ADVERTISING MARKETPLACE	23
Evolution of Television Advertising	23
Current Advertising Marketplace.....	24
TV Fresh in the Advertising Marketplace	26
NEXT GENERATION PLATFORMS	29
Digital Video Recorders (DVRs).....	29
Broadband.....	29
Personal Digital Assistants (PDAs).....	30
Cellular Phones	30
Interactive Television (iTV)	30
VOD/SVOD MARKET DEMAND AND COMPETITION	31
OPERATIONS PLAN.....	34
Next Steps: Capital Required and Use of Proceeds	34
Goals and Time Line	34
Cash Flow	35
Valuation.....	35
Exit Strategies	35
Management Team	36
APPENDIX.....	38
Glossary	38
Management Team Resumes and Bios.....	40
President and Chief Executive Officer –	40
Chief Operating Officer –	41
Chief Technical Officer –	42
Chief Information Officer –	43
Video Production –	44
Video Production –	45
Chief Financial Officer –	45
Business Affairs –	45

Affiliate Sales –	45
Affiliate Sales –	46
Programming –	46
Business Development –	46
Start Up Financial Projections	47
Ten Year Financial Projections	49
Assumptions	49
Capital Expenses	50
Personnel	51
Expenses	57
Cable and DBS Subscribers	63
Subscriber-Fee Revenues	64
Subscriber-Fee Graph (Launch Support)	65
Advertising Revenue for Mini-Channels Owned by Third Parties	66
Advertising Revenue Assumptions	68
Advertising Revenues for Mini-Channels Owned by <i>TV Fresh</i>	70
Profit and Loss	71
Cash Flow	72
Balance Sheet	73
Valuations	74
Capitalization Structure	75
Trade Articles	76
VOD’S New Interactive Gateway	76
Video On Demand Will Be Hot	78
TV Viewing On Demand Poised To Take Off	79
Trade Views	81
Cable Should Get Back To What Cable Does Best	82
Niche Nets Siphon From Broadcasters	83
Next Stop: On-Demand Ads	85
Will DVR Really Kill the 30 Second Ad?	87
Six Will Rule DVR Market	89
EchoStar Tops 1M Mark for Sales of ‘VCRs’ on Steroids’	90
Dialogue With Bill Gates	91
PDA Content Just A Kiosk Away	92
Breaking New Ground	94
ITV In 2003	96
OpenTV Plans Merger With Fellow ITV Firms	97
ITV Leaders Stake Out Different Turf	98
NBC Taking TV’s Future by the Reins with On-Demand Content and Delivery	99
Cube – OnDemand Vol. 1	102
VOD Venture Going To Extremes	105
Mag Rack Targets Micro Niche	106
NBC To Buy Bravo For \$1.25 Billion	108
Viacom Acquires BET Holdings	109
Viacom Agrees to Acquire AOL time Warner’s 50% Interest in Comedy Central	111

THE VISION

To become the premiere provider of compelling specialty content that educates, entertains and informs our culture and the international community in a meaningful way.

THE MISSION

Initial Distribution Platform

Cable/DBS and Internet

TV Fresh will offer a wide variety of compelling niche programming to Cable/DBS subscribers within an economic model that is considered affordable by the viewer and financially rewards the Cable/DBS operator and the program producer. Simultaneously, *TV Fresh* will develop proprietary web sites to complement its niche mini-channels and extend its reach.

Expansion of Distribution Platforms

New 24/7 Channels

The most successful mini-channels will have the opportunity to evolve into new 24/7 channels, dramatically increasing *TV Fresh's* revenues as well as *TV Fresh's* market position as the premier content supplier to our Cable/DBS partners.

Direct Response Advertising Sales

Through its application of SVOD technology and internet websites, *TV Fresh* is, at its core, a powerful direct response advertiser and sales agent of specialized programming. The programming offered on these mini-channels opens the viewer to a vast array of products and services catering to his/her unique interests. *TV Fresh* is uniquely positioned to become the QVC of niche programming.

Retail Outlets

As the *TV Fresh* brand grows in recognition and its library expands, *TV Fresh* will have the opportunity to extend the distribution of its programming (repurposed as DVDs and other new media) to retail outlets, dramatically increasing revenues as well as the value and reach of the *TV Fresh* family of products and services.

Next Generation Technology

Through its technological expertise and extensive library of short-form content, **TV Fresh** anticipates that it will dominate distribution of special interest programming to next-generation platforms (content over cell phones, PDAs, etc.).

Television Syndication

TV Fresh will repurpose its content and distribute it to the television syndication market.

Expansion of Business Activities

Media Sales

In servicing its many mini-channels, **TV Fresh** will have the opportunity to develop its own powerful media buying agency thereby creating a substantial profit center.

Direct Response Fulfillment

TV Fresh will have the opportunity to create its own fulfillment operation to service direct response sales for its many mini-channels.

Production and Studio Facilities

TV Fresh will develop its own production/studio facility. It will be able to lease its production services to its various mini-channel producers, re-purpose programs for other media and retail distribution, and cost-effectively produce a variety of programming.

Data Bank of Targeted Demographics

As **TV Fresh** develops its various services, it will acquire a tremendous wealth of proprietary data in relation to targeted markets: consumers' viewing habits, demographics, psychographics, effectiveness of various types of advertising, sales, etc. As its data grows, **TV Fresh** will emerge as a leader in the targeted advertising/sales industry with its bank of invaluable data.

Licensable Intellectual Property

Through its pioneering and cost-effective use of the new technologies of VOD/SVOD and proprietary websites for its mini-channels, **TV Fresh** is in the position of developing the first bona-fide economically feasible models of media convergence. As an industry leader in this exciting new arena, **TV Fresh** will develop intellectual property that can be licensed to third-parties.

Expansion to International Markets

Many, if not most, of the above businesses can be expanded into the international marketplace as the value of the *TV Fresh* brand grows.

EXECUTIVE SUMMARY

What It Is

TV Fresh is a television channel that will exhibit, initially, 15 special interest mini-channels on a digital cable subscription video-on-demand (SVOD) platform that allows viewers to watch programs entirely at their convenience, as many times as they wish, for one low monthly fee.

The 15 mini-channels are targeted to special interest groups where there is a quantifiable demand for programming that hasn't been satisfied ... *a programming need waiting to be filled*. It is expected that additional mini-channels will be added as the number of subscribers to *TV Fresh* grows.

How It Works

Choosing programs to watch on *TV Fresh* is similar to choosing movies on television in a hotel room ... without the expensive fees.

1. A television viewer clicks on the channel where *TV Fresh* resides and gets a menu of the different mini-channels.
2. The viewer clicks on the mini-channel s/he wants to watch and gets a menu of the different programs that are available.
3. The viewer then clicks on the program s/he wants to watch.

Structure

Rather than undertaking the formidable task of producing 150 hours of distinctive and high-quality programming each month, *TV Fresh* has chosen a unique and cost-effective business model: assembling and managing a *group of content providers*.

Under this model, *TV Fresh* administers the channels including affiliate sales, trade marketing, advertising sales, technical distribution and back-office support. For these services, *TV Fresh* receives subscriber fees from its cable affiliates as well as an "agency fee" for selling advertising on behalf of the various channels.

A content provider may supply a specific show on a mini-channel programmed by *TV Fresh*, or, it may supply programming for an entire mini-channel, as outlined below.

Approximately two-thirds (i.e., ten) of the initial 15 mini-channels will be programmed by *TV Fresh* using appropriate high-quality content supplied by various independent production entities. The content providers allow *TV Fresh* to air their programs for free in exchange for free on-air exposure and advertising.

The remaining mini-channels will be programmed, in their entirety, by third-party companies. Under this scenario, the third-party retains most of the advertising revenues.

The criteria for inclusion as a content provider are demonstrated expertise and passion in the subject area, knowledge of the target audience, proven high quality production skills, and the ability to produce cost-effectively.

Benefits

The *TV Fresh* model substantially lowers the “entry fee” and risk of launching a new television channel.

Specifically, a mini-channel can be launched on *TV Fresh* with only 120 hours of content per year (10 hours per month). Moreover, since *TV Fresh* provides the channel’s administrative services, the producer doesn’t have to divert resources from its core competency of production.

TV Fresh is able to launch a channel without incurring the onerous costs of acquiring and/or producing 1800 hours of annual programming. With its group of content providers in place, *TV Fresh* is able to focus on its core competencies of launching, operating and growing the channel.

Advertising

Inherent in the special interest mini-channels envisioned by *TV Fresh* is an exciting advertising opportunity: *viewers perceive advertising as a benefit when it targets their interests*. The on-demand platform gives the viewer the immediate satisfaction of being able to locate and watch advertising in the same way s/he locates and watches other programming.

Next Generation Platforms

Technology is continually being developed that gives consumers increased access to information and entertainment. The end result will be unfettered access virtually anytime/anywhere. These “next generation platforms” often “converge” or combine traditional and non-traditional applications (e.g., cellular phones with games, computers with music and video, television with internet access, etc.). *TV Fresh* is designed to seamlessly extend onto these platforms.

Competition

Several companies (described in the body of the business plan) are attempting to package and sell programming for video-on-demand and subscription video-on-demand. *TV Fresh* has been unable to find another company that offers the benefits of its unique and cost-efficient business model: management of a group of content providers.

Capital Required and Use of Proceeds

Three rounds of financing (startup, initial operations, and operations-to-breakeven) are contemplated.

Including contingency, the startup round of financing is projected at a total of \$1,091,640 (divided into two tranches) over a one-year period. The primary goal of the startup round is to prove the concept through obtaining commitments from content providers, obtaining distribution commitments from cable and/or satellite operators, and obtaining commitments for subsequent operations financing.

Initial operations financing is \$10 million for the first year of business. Operations-to-breakeven financing is \$10 million and will sustain operations from the second year until positive cash flow, which is projected in year four.

Cash Flow

Positive cash flow of approximately \$1.4 million is projected in year four of operations and increases to approximately \$18 million in year five.

Valuation

Based on a conservative value of \$10 per subscriber, valuation in year five of operations is projected at approximately \$235 million, with a projected Return on Investment (ROI) of 67% per annum.

Recent acquisitions of cable channels support implied values of \$18 to \$47 per subscriber.

Based on a Price/Earnings multiple of 20:1, valuation in year five of operations is projected at approximately \$354 million.

Exit Strategies

As a potential exit strategy for the investors, the company may choose to pursue an initial public offering or a merger with an existing public entity.

Successful cable channels have traditionally been attractive properties for large media conglomerates such as Viacom, Time Warner, Disney and many others. The *TV Fresh* model of low costs and exciting targeted content will provide strong opportunity for an attractive sale.

Through its association with its various content providers, *TV Fresh* is uniquely suited to develop supportive enterprises that could be developed into fully fledged businesses as merited (see “The Mission” above). Examples of these endeavors may include:

- distribution of programs to other media such as home video/DVD;
- development of “full-time” channels;
- creation of production and post-production facilities and services;
- creation of an agency for cost-efficient media purchasing; and
- development of an agency for direct response commercial production and fulfillment.

In addition, *TV Fresh* envisions the opportunity to expand its programming and other services internationally (see “The Mission” above).

Management Team

TV Fresh has contingent employment commitments from an impressive group of industry professionals, including the following.

President – [deleted] has over 16 years experience in senior management in the cable television industry.

Chief Operating Officer – [deleted] has over 27 years of senior management experience in the broadcast, cable television, media, cellular and telecommunications industries. As the principal and founder of Seattle-based Digital Media Ventures, he provides senior level consulting services, which include strategic development, business planning and financial analysis.

Chief Technical Officer – [deleted], is the inventor of five television-related patents applications for Media One; Senior Application Analyst in first-generation interactive TV platforms at Zing Systems.

Chief Technical Officer – [deleted], former Principal Research Scientist at Sonic Blue; former Distinguished Member, Technical Staff and Interim Director, Broadband Innovation Group, AT&T Broadband Labs; 15 patent applications in television and internet applications.

Video Production – [deleted], Co-Producer of *Instinct* (starring Anthony Hopkins and Cuba Gooding, Jr.), Director of Photography (Academy Award Winning documentary *A Story of Healing*), Independent Filmmaker (*Finding Love Again*).

Video Production – [deleted], producer of world-class videos.

Chief Financial Officer – [deleted], former Senior Vice President of Finance and Administration, Colorado Gaming and Entertainment, Inc.

Business Affairs – [deleted], JD, MBA, CPA; CEO of [deleted] Capital, a nation-wide specialty lending company.

Affiliate Sales – [deleted], former Senior Vice President of Network Sales, Turner Broadcasting.

Affiliate Sales – [deleted], former Vice President of Programming Distribution and Strategy, AT&T Broadband.

Programming – Undisclosed. “Undisclosed” currently heads the content department for a nationally-known entertainment company specializing in DVDs. Previously, he developed interactive television programming and launched multiple channels of interactive television.

Business Development – [deleted] holds a BA in philosophy and political science from the University of Colorado, where she was a scholarship athlete with an American record in track and field. She spent seventeen years preparing cases for trial as a litigation paralegal, intentionally cultivating work in fields as diverse as civil rights, environmental, criminal, death penalty, commercial, insurance defense, personal injury, and real estate law as well as medical, legal and accounting malpractice.

BUSINESS DESCRIPTION

What It Is

TV Fresh is a television channel that will exhibit, initially, 15 special interest mini-channels on a digital cable subscription video-on-demand (SVOD) platform that allows viewers to watch programs entirely at their convenience, as many times as they wish, for one low monthly fee.

**Dependable Destinations
for
Popular
Underserved
Special Interest Programming
*24 Hours Every Day!***

The *TV Fresh* mini-channels are targeted to special interest groups where there is a quantifiable demand for programming that hasn't been satisfied – in other words, where there is a programming *need waiting to be filled*. For example, “psychic phenomena and miracles” is a category of special interest programming that is popular and has an avid audience that is arguably underserved. The success of such shows as *Crossing Over with John Edwards* and *Touched by an Angel* attests to the subject matter's popularity. Yet, there is no place where a viewer can find this type of show on a regular basis: this popular special interest programming is underserved ... *a need waiting to be filled*.

Some other popular underserved special interests may include:
fashion and beauty; ecology and environment;
weight loss; motivation and achievement;
men's lifestyle; international music; parenting.

The mandate of *TV Fresh* is to identify popular underserved special interest programming, and create a dependable destination where viewers can find it 24 hours every day.

Each *TV Fresh* mini-channel initially offers ten hours of new programming each month. The programs are short-form, lively and encourage return viewing. In that the mini-channels cater to special-interests, the programming is new, fresh and different from the typical television viewing experience that attempts to appeal to broader-based audiences. We call this type of programming *fresh brewed content*.

TV Fresh appeals to *new media* consumers who have become increasingly accustomed to controlling and personalizing their media experience. They appreciate the choice and freedom of experience afforded by DVDs, the internet, music and videostreaming, cable and satellite television, cell phones, Game Boys and PlayStations, MP3 players, personal organizers and other new technologies. They are affluent, active, and seek lively short-form programming that targets their interests.

How It Works

Choosing programs to watch on ***TV Fresh*** is similar to choosing movies on television in a hotel room ... without the expensive fees.

1. A television viewer clicks on the channel where ***TV Fresh*** resides and gets a menu of the different mini-channels.
2. The viewer clicks on the mini-channel s/he wants to watch and gets a menu of the different programs that are available.
3. The viewer then clicks on the program s/he wants to watch.

TV Fresh is designed to be packaged as part of a cable television operator's new digital offerings to incent subscribership as well as retain current subscribers.

(See Appendix: "VOD's New Interactive Gateway," "Video On Demand Will Be Hot," "TV Viewing On Demand Poised To Take Off," and "Trade Views.")

BUSINESS MODEL

Structure

Rather than undertaking the formidable task of creating and sustaining an infrastructure capable of producing 150 hours of distinctive and high-quality programming each month, **TV Fresh** has chosen a unique and cost-effective business model: assembling and managing a *group of content providers*, who will be the producers of their own content.

Under this model, **TV Fresh** administers the enterprise, including overall brand management (i.e., establishing and promoting a strong identity among cable operators and consumers as a unique and valuable television network), affiliate sales, trade marketing, advertising sales, technical distribution and back-office support. For these services, **TV Fresh** receives subscriber fees from its cable affiliates as well as an “agency fee” for selling advertising on behalf of the various channels.

A content providers may supply a specific show on a mini-channel programmed by **TV Fresh**, or, it may supply programming for an entire mini-channel. The two models are outlined below.

Model 1: Channels Programmed by **TV Fresh**

Approximately two-thirds (i.e., ten) of the initial 15 mini-channels will be programmed by **TV Fresh** using appropriate high-quality content supplied by various independent production entities. The content providers allow **TV Fresh** to air their programs for free in exchange for free on-air exposure and advertising of their products.

As these channels grow, **TV Fresh** has the opportunity to receive substantial ad revenues from companies that don't provide programs but pay to advertise their products.

TV Fresh has identified many producers of high quality special-interest programming who have substantial libraries of relatively unseen content and are willing to license it under the above *quid pro quo* model.

Model 2: Channels Programmed by Third-Party Companies

The remaining mini-channels will be programmed, in their entirety, by third-party companies. Under this scenario, the third-party retains most of the advertising revenues.

TV Fresh has identified many potential content providers who are capable of programming an entire mini-channel. These companies generally come from one of the two following areas:

- a) production entities that would like to launch a television channel but have been prohibited due to the high cost of entry; and
- b) foreign 24/7 television channels that would like to have a presence in the United States but have been prohibited due to the high cost of entry.

Under both scenarios, criteria for inclusion as a content provider include:

- a) demonstrated expertise and passion in the subject area,
- b) prior knowledge of the target audience,
- c) proven high-quality production skills, and
- c) the ability to produce cost-efficiently.

Benefits

Producing and/or acquiring hundreds of hours of quality differentiated programming, coupled with high administrative costs (affiliate sales, marketing, technical distribution, etc.) and low subscriber fees, has made launching a *traditional 24/7* linear channel in the United States no longer economically viable for any but the largest conglomerates.

The *TV Fresh* model substantially lowers the “entry fee” and risk of launching a new television channel. The model of business administrator (*TV Fresh*) in partnership with content producer (*group of content providers*) allows each party to:

- a) focus on its core competencies,
- b) complement each other’s strengths and weaknesses,
- c) reduce capital requirements and risk, and
- d) mutually benefit each other and the entity as a whole.

Specifically, a mini-channel can be launched on *TV Fresh* with only 120 hours of content per year (10 hours per month). Previously, launching a traditional 24/7 television channel involved the daunting logistical and financial burden of producing and/or acquiring 700+ hours of programming per year.

Moreover, under the traditional scenario, the production entity would have been forced to divert resources from its core competency of production to new areas of responsibility demanding immediate attention: affiliate sales, marketing, technical distribution, and the many other business necessities of launching and operating a channel.

Whether it is one show or an entire channel, the production entity is able to “own the space” for its special interest programming on the *TV Fresh* channel. It can then use it as a springboard to launch on other media (e.g., internet, wireless phones, etc.) as well as to increase the hours of programming or even incubate to a full-time television channel.

TV Fresh, on the other hand, is able to launch a channel with more hours of annual programming (1800 as opposed to 700 – 1200 on a traditional channel) from a group of highly-skilled and passionate programmers, without incurring the onerous costs of acquiring and/or producing content. Moreover, with its group of content providers in place, *TV Fresh* is able to focus on its core competencies of launching, operating and growing the business (on the SVOD and other platforms) and doesn’t have to divert its attention to the time-consuming details necessary in developing, producing and acquiring high-quality special interest programming.

THE TELEVISION MARKETPLACE

Evolution of Television Viewing Patterns

The evolution of television viewing patterns can be seen as a steadily accelerating movement towards the consumer achieving complete control over his/her television viewing experience.

Broadcast -- The Limited Choice Model

The traditional television broadcasting model is derived from the radio broadcasting model developed in the 1920s. Shows were broadcast live; repeats were rare. The technology wasn't developed to the point where a show could be efficiently recorded and re-broadcast.

Audiences became accustomed to finding favorite shows at pre-determined regularly-scheduled time slots, and the concept of "programming" was born: a "professional" determines the best time for a particular show. Programs were broadcast on the hour or half-hour and thereby shoe-horned into strict time constraints.

Television production equipment was bulky and expensive. Therefore, out of economic necessity, television broadcasting had to reach the broadest possible audience.

Cable Television -- Greater Choice

By the early 1970s, small cable systems were springing up throughout the country and gaining popularity by providing better reception as well as distributing new channels.

Early pay channels such as HBO programmed motion pictures and special events. Programming was no longer altered to fit within artificial time constraints. To stretch the budget, movies were repeated – over and over. Initially a bad word, repeats did give audiences greater choice over when they could watch a movie, and pay channels began to represent frequent repeats as a subscriber benefit.

Cable companies allowed smaller channels to gain distribution without a huge investment in a national broadcasting infrastructure. In addition, the introduction of less cumbersome and relatively inexpensive video equipment made production economically feasible for a smaller distribution base. And so, niche programming became viable. These new "basic cable" channels targeted relatively large demographic groups such as women, teenagers, African Americans and children as well as wider-appeal special interests such as news, weather, classic movies, art and culture, science and nature, and sports. Moreover, as

with the pay networks, frequent repeats of shows was a key component of the program scheduling model.

Another noteworthy milestone was the willingness of viewers to pay a low to moderate monthly subscription fee which gave them unprecedented viewing choices.

At about the same time, movie theatres began their transformation from single-screens to multiplexes in which a greater variety of movies played at many different times -- again providing greater choice to consumers.

With the explosion of home video in the '80s, consumers became accustomed to being able to choose from a vast amount of programs they could watch at their convenience.

Digital Cable – Viewer Empowerment

In the '90s, over 60% of the country's television *viewers* had become television *subscribers* who were willing to pay for their television viewing experience.

With so much of television as a paid experience, the former "pay" channels (HBO, Showtime, etc.) began to call themselves "premium" channels, emphasizing their relative value (and additional cost) in relationship to the rest of the television universe. To further increase their value, these channels grabbed channel space made possible by digital compression, appropriated the term "multiplex" from movie theaters, and repeated their core programming in thematic and other various ways over the additional channels -- giving their subscribers more choice for the same (or slightly higher) monthly subscription fee. This multiplexing model was subsequently imitated by the larger basic channels such as Discovery.

Finally, in the '90s, consumers were able to access the internet at any time to search among a seemingly limitless supply of special interest content at a low (dial-up) to moderate (broadband) monthly fee.

Digital technology and the accompanying ability to compress signals heralded the famous "500 channel" universe. The former bandwidth of one channel could now provide signals for six to 12 channels.

The Current Marketplace

Cable television operators have been hard hit by a combination of factors.

1. Upgrade costs and increased debt
The transition to digital technology has been costly with upgrading of headends (the local control centers of cable television systems), running new cable lines to the home, and the acquisition of relatively expensive

- digital set-top boxes to interface with subscribers' televisions. As a consequence, cable operators have substantially increased their debt load.
2. Stock valuation
The market has been bad for nearly everyone; cable operators are also suffering from low valuations.
 3. Satellite competition
The two major consumer satellite services, DirecTV and DISH Network (aka EchoStar), have been competing aggressively against cable.
 4. Programming costs
Popular channels such as ESPN have been raising their fees substantially while subscribers are resisting increased costs.
 5. Mature business
The traditional cable service of providing basic and premium television has matured. A "saturation" point appears to have been reached in the number of traditional channels for which a subscriber is willing to pay.
 6. Digital Churn
Churn is the number of subscribers that turn off the service in a given period of time. Subscribers to the new digital tiers are churning at an average rate of more than 60% per year (*Cable World*, July 15, 2002, "The True Cost of Churn" page 34). It is essential that operators find more effective means to attract *and retain* digital subscribers.
 7. New Revenue Streams
As a consequence of the above, cable operators are developing new revenue streams such as "on-demand" television, telephone services, high speed internet access, and the ability to order products displayed on television with a click of the remote control.

The new technology of Video-on-Demand (VOD) has been widely embraced by cable operators as the next "killer application." It has proved to be popular with viewers and allows cable to offer an application that, technologically, satellite operators (DBS) can't easily replicate.

VOD is a major evolution of the older Pay-per-View (PPV) model in which the viewer pays to watch a program during a designated time-slot. With the exceptions of the lodging industry (which caters to a largely captive audience) and event programming that is special enough to warrant a one-time viewing fee, revenues from PPV were disappointing. For a comparable amount of money, subscribers could rent a VHS movie at their neighborhood store and have the convenience of watching entirely at their convenience, including pausing, rewinding, fast-forwarding and repeated viewing.

Through the technologies of computer servers, localized storage of content (caching) and digital compression, VOD offers:

- 1) a vast number of programs,
- 2) flexibility to watch the programs at anytime whatsoever, and
- 3) VCR-like functionality including the ability to pause, rewind and fast-forward a program.

The remaining stumbling block has been the subscribers' reluctance to pay a one-time viewing fee for programming unless it is very special or unique.

The good news in the industry is that Subscription-Video-on-Demand (SVOD), which allows viewers to watch programs entirely at their convenience for one low monthly fee, is generating real excitement among television viewers. This model has all the advantages of VOD with the added advantage of having access to a large number of programs for one low-to-moderate monthly subscription fee. Rather than being hit in the pocketbook each time a program is viewed, subscribers clearly appreciate the predictability of the moderate monthly subscription fee. A comparable dynamic is seen in the internet model which has had huge success in generating monthly subscription fees for access to a vast amount of content and relatively little success in persuading subscribers to pay for access to specific web sites.

The premium ("pay") channels (HBO, Showtime and Starz/Encore) have been launching SVOD channels of their programming to great success.

Interestingly enough, DVD rentals are heading towards a monthly fee model as well. Retailers such as Wal-Mart and Blockbuster are currently developing plans to imitate Netflix, a company that has created a popular subscription service renting DVDs by mail.

TV Fresh in the Television Marketplace

Just as broadcasting technology made broad-appeal networks possible and cable systems made wider-appeal special interest programming possible, today's digital technology makes more narrowly targeted special interest channels possible (Appendix: "Cable Should Get Back To What Cable Does Best").

By their very nature, narrowly targeted channels will have smaller audiences that can't economically support a traditional 24/7 linear model; however, three major recent developments now make these channels economically viable.

- 1) The introduction of professional-quality digital production and post-production equipment at near-consumer price levels has made the production of narrowly targeted programs economically feasible.
- 2) Digital compression allows six to 12 channels to be carried in the same "pipeline" or cable that formerly supported only one channel, dramatically creating "shelf space" for new channels.
- 3) Computer server technologies make the "on-demand" element feasible.

TV Fresh is uniquely positioned to capitalize on these developments. Its exciting new programming on a popular SVOD platform will provide solutions to two of the vexing problems faced by cable operators today:

- 1) attracting and retaining subscribers to the digital tier, and
- 2) developing new revenue streams (e.g., consumer purchases directly from television by using the remote control, proprietary programming on the company's internet service, etc.). (See "***TV Fresh*** in the Advertising Marketplace" and "Next Generation Platforms" below).

The much heralded "500 channel universe" will not be 500 channels in the traditional sense; it will be closer to 500 *choices* from a mixture of traditional 24/7 linear channels, VOD special events and movies, and special interest mini-channels such as those provided by ***TV Fresh***.

TELEVISION ADVERTISING MARKETPLACE

Evolution of Television Advertising

Early television eagerly courted advertisers. Advertising agencies were given free time to try out television, and programs were often produced by the advertisers themselves. The show and its sponsor were essentially one and the same, bearing such titles as *Kraft Television Theatre*, *Texaco Star Theatre*, *The Colgate Comedy Hour*, *General Electric Theater*, *Philco/Goodyear TV Playhouse*, *Ford Theatre* and so on. Separate commercial spots didn't exist; the show's host would plug the advertiser's product during the show, and the advertiser's name was always prominently displayed.

Advances in technology soon enabled television stations to project films for simultaneous television broadcast. This process, known as telecine, enabled television stations to broadcast sophisticated commercials produced on film instead of relying on live studio pitches for a sponsor's product. Film commercials, with their own unique look and feel, were now decidedly distinct from the sponsored show. Consequently, the strong identification between advertiser and show began to erode.

As the television networks grew and the technology developed, increased competition resulted in pressure to create better and more sophisticated looking shows. This increase in production values caused program budgets to soar, and it became financially impractical for one advertiser to underwrite all of the costs of a show or series.

The networks and their affiliated stations began to sell spot time, initially in lengths of one minute (and more), to several different advertisers. Television programs were, for the most part, no longer associated with single advertisers.

With the rollout of cable television, a whole new television advertising market was created. The relatively few pay or "premium" services (HBO, etc.) were advertising-free and sold their services to cable operators for several dollars per subscriber on an ala carte basis.

Channels such as MTV and CNN, however, were sold to operators for pennies, nickels or dimes per subscriber and sold together as a package for ten dollars or more. These channels supplemented their modest subscriber fees by selling advertising. They became known as "basic" cable channels, and the package became known as the "basic tier."

As part of the distribution agreement, cable operators quickly took a percentage of the basic channels' available ad time. Ad sales through the local cable system gave smaller (local and regional) businesses the opportunity to advertise on television and became a lucrative revenue stream for the operators.

Current Advertising Marketplace

Today, the television advertising industry is at a real crossroads for two major reasons.

1) Fragmentation of the viewing audience

Traditional broadly targeted advertising has become increasingly difficult because the viewing audience has become more and more fragmented by the number of television viewing options.

For example:

Once there were three major networks; now there are six.

HBO, Showtime and Starz/Encore each has ten or more channels designed to give subscribers increased viewing options (e.g., HBO, HBO2, HBO Family, etc.).

There are literally hundreds of basic (advertiser-supported) cable channels (e.g., CNN, ESPN, USA, Discovery, etc.).

There are dozens of Pay-Per-View choices that feature recent motion pictures and special events such as concerts, boxing and wrestling.

Moreover, cutting dramatically into traditional television viewing time are the recent in-home entertainment options such as video and computer games, DVDs, and internet browsing/emailing.

As a result, fewer network shows effectively reach a broad audience, and the price for reaching a wide audience has risen astronomically. To remain affordable, the length of commercial advertising spots has gone down from one minute to a standard of 30 seconds (and often less). The pressure to sell something in a shorter amount of time has increased.

With sufficient advertising dollars, it has always been relatively easy to reach a broad audience on television but difficult to reach highly defined groups of viewers. Today, the equation is reversing itself. Viewing fragmentation is making the broad audience more elusive to target while simultaneously making the identification of specific demo/psychographics and special-interest groups highly achievable (Appendix: "Niche Nets Siphon From Broadcasters").

2) Digital Video Recorders (DVRs)

Recently, Digital Video Recorders (DVRs), also known as Personal Video Recorders (PVRs), have been introduced into the consumer marketplace. Two better known brands are TiVo and Replay. These devices pose a serious challenge to traditional advertising models: they feature a *skip* function that allows users to simply *push a button to skip commercials*.

DVR sales remain low because it is relatively difficult to fully explain their benefits succinctly to consumers. However, consumers who have bought the units are singing their praises as exciting new way to watch television. (A powerful feature is the ability to “pause” and “rewind” live shows and then resume viewing without having missed anything.)

DVRs are composed of a hard-drive (as in a computer) that records television shows. They are simple to set up. All the viewer has to do is go to the Interactive Programming Guide (IPG) provided by his/her cable or DBS channel and click on the show s/he wants to record. Moreover, a viewer can watch a show while simultaneously recording a different show. The confusing and time-consuming business of setting up start/stop times (and locating the right channel) on a VHS recorder is a thing of the past.

To playback a recorded show, all the viewer has to do is look at the menu of shows that have been recorded and click on the show s/he wants to view. DVRs are commonly able to record 30 hours of programming, and the amount is increasing. There is no more need to fast-forward, rewind or search for a program hidden somewhere in a two-hour tape.

The advertising industry’s response to the DVR *skip* function has been to look back to the original television model of program sponsorships and product placement, that is, to make their products an integral part of the show rather than a separate message that can be skipped (see Appendix: “Will DVR Really Kill the 30 Second Ad?”).

TV Fresh in the Advertising Marketplace

Inherent in the special interest mini-channels envisioned by *TV Fresh* is an exciting advertising opportunity:

viewers perceive advertising as a benefit when it targets their interests.

The *TV Fresh* model is designed to seize the advantage as the television viewing audience continues to fragment into smaller groups, as described above. Such highly targeted advertising has long been the *holy grail* of the advertising industry.

In regards to advertisers' concerns regarding the DVR skip-function, the *TV Fresh* model promotes advertising as a valuable (rather than irrelevant or annoying) programming component.

SVOD is, inherently, an interactive platform. As such, valuable data becomes available when viewers *click* on the mini-channels, programs and advertisements they want to watch. Additionally, sponsors will have the capability to customize their ads to particular viewers (Appendix: "Next Stop: On-Demand Ads").

The *TV Fresh* SVOD platform is designed to support a variety of flexible advertising models that can be tailored to the specific needs of its mini-channels and their programs. These models include:

1. Traditional
Spots are interspersed throughout the programs as in traditional television.
2. Front-loaded and/or back-loaded
The program is run "commercial-free" with all the spots appearing at the beginning and/or end.
3. Sponsorship
The program is sponsored by one advertiser with beginning and end spots and limited (if any) commercial interruptions.
4. Product Placement
Generally used in conjunction with the other models, product placement features a sponsor's products prominently within the program itself.
5. Advertainment
These entertaining spots or programs simultaneously promote the sponsor's product or message.

6. Infomercials
A program dedicated to giving detailed information about a sponsor's product or service; generally includes a "call to action" to encourage viewers to buy by means of an 800 phone number or website. As interactive television (iTV) technologies are deployed, the viewer will soon be able to respond by a click of the remote control.
7. Menus
The exciting menu-driven feature of SVOD (described above) gives viewers the opportunity to find ads that appeal to their interests and to view (and re-view) the ads at their convenience. To facilitate this process, ads will be placed in a variety of menus arranged by advertiser, subject, product, etc. -- a virtual "yellow pages" of advertising spots appropriate to the particular mini-channel.

The *TV Fresh* SVOD model also supports exciting variety in the types of advertising spots.

1. Traditional
These are the 30 second (or less) spots typically seen on television today.
2. Long-Form
These may vary from 60 seconds to 30 minutes and can take the form of traditional advertising, infomercials or advertainment.
3. Preview Spots
A 30 second (or shorter) spot to "preview" the content of long-form advertising. SVOD permits the viewers to "click-through" at any time with their remote control to watch the long-form spot or gain additional information.
4. Direct Response and Per Inquiry
The viewer is encouraged to respond to the ad (via phone, internet or iTV technology) to purchase merchandise/services or to get additional information.
5. Interactive
Interactive Television (iTV) technology is being developed and deployed that will allow the viewer to spontaneously "interact" with the television using his/her remote control to access information downloaded to cable box from the cable operator.

Initial "smart" cable boxes were too expensive to deploy. In the past year, however, software companies have developed numerous exciting interactive applications that can be incorporated in the current generation of cable boxes already deployed in millions of homes.

With billing and shipping information previously stored, this near-effortless technology allows the viewer to respond spontaneously to his/her desires. The viewer can download additional information, purchase products and/or services, take fun quizzes, play trivia games, and enter contests.

This technology will also allow the sponsors to gain valuable insights about their target audience and the effectiveness of their advertising, and, eventually, to “personalize” ads for specific subscribers.

6. **Banner Ads**
As described above, the viewer encounters several menus when choosing a mini-channel and then choosing a program. These menus will include banner ads that the viewer can “click-through” with his/her remote control to get additional information.
7. **Companion web sites**
Ads will offer the viewer the ability to spontaneously access the sponsor’s web site on the television set through clicking with the remote control.
8. **Classifieds**
The mini-channels can offer its viewers the opportunity to advertise in an interactive classified section.
9. **National, regional, local**
In addition to national spots, a percentage of spots will be allocated to the local cable channels to sell advertising time on a regional and local basis. Highly targeted programming will broaden the cable operators’ prospective clients to include many who previously didn’t have a compelling reason to advertise on television.
10. **Cross promotion**
Advertisers can test their products and ads among distinct demographics by advertising on various mini-channels. They can also build a strategically-defined patchwork of target groups from the various mini-channels.
11. **Road Block**
Larger advertisers wishing to reach a broader audience may choose to advertise on most or all of the mini-channels.

NEXT GENERATION PLATFORMS

Technology is continually being developed that gives consumers increased access to information and entertainment. The end result will be unfettered access virtually anytime/anywhere. These “next generation platforms” often “converge” or combine traditional and non-traditional applications (e.g., cellular phones with games, computers with music and video, television with internet access, etc.).

After years of false-starts, consumer-friendly next-generation and convergent platforms are being rolled out. *TV Fresh* is designed to seamlessly extend onto these platforms, reinforce its brand and generate significant incremental revenue streams.

Digital Video Recorders (DVRs)

As described above in “Current Advertising Marketplace,” Digital Video Recorders (DVRs) give viewers the option to effortlessly record shows while watching something else. DBS (satellite) operators are now providing subscribers with DVRs integrated into their set-top boxes (see Appendix: “Six Will Rule DVR Market”). EchoStar (DISH Network) has sold over one million DVRs (see Appendix: “EchoStar tops 1M Mark for Sales of ‘VCRs on Steroids’”). The Yankee Group has research that indicates DVRs will be in 20% of television households within the next four years (see Appendix: “Will DVR Really Kill the 30 Second Ad?”).

Although *TV Fresh* is primarily designed to attract and retain subscribers to digital cable, DVRs give *TV Fresh* similar functionality on satellite. Simply stated, with DVRs, satellite subscribers can access *TV Fresh* in much the same manner as cable subscribers.

Broadband

The introduction of MS Windows Media 9 promises a dramatic shift in the consumer’s entertainment experience on the internet and other platforms (e.g., television over phone lines). It has been enthusiastically embraced for its natural user interface, excellent sound and video quality, and easier and quicker access. Videos start playing instantly when the user clicks the play button. Content providers have been impressed with the security offered through Windows Media Digital Rights Management (Appendix: “Dialogue With Bill Gates”).

Because of this, *TV Fresh* can offer its programming as part of a cable company’s proprietary internet package to subscribers.

Personal Digital Assistants (PDAs)

Personal Digital Assistants (PDAs), the handheld mini-computer combination of organizer and address book (Palm, BlackBerry, etc.) are becoming more powerful and wireless. Users will be able to subscribe to content of their choice that can be accessed through broadband and wireless (Appendix: “PDA Content Just A Kiosk Away”) technologies.

Cellular Phones

Wireless (cellular) telephones are beginning to add screens through which the subscriber can access the internet, play games, and view photographs sent from cameras attached to other phones. Users will be able to subscribe to content of their choice that they can download through the phone (Appendix: “Breaking New Ground”).

Interactive Television (iTV)

As described above in “*TV Fresh* in the Advertising Marketplace,” interactive television (iTV) will enable consumers to download additional information, purchase products and/or services, take quizzes, participate in polls, play games and enter contests.

John Malone’s Liberty Media (through Liberty Broadband Interactive Television) has taken an active roll in buying and consolidating the major iTV technology companies. In so doing, Malone is establishing the common industry standards which will enable iTV to finally reach critical mass (Appendix: “ITV In 2003” “OpenTV Plans Merger With Fellow ITV Firms” and “iTV Leaders Stake Out Different Turf”).

VOD/SVOD MARKET DEMAND AND COMPETITION

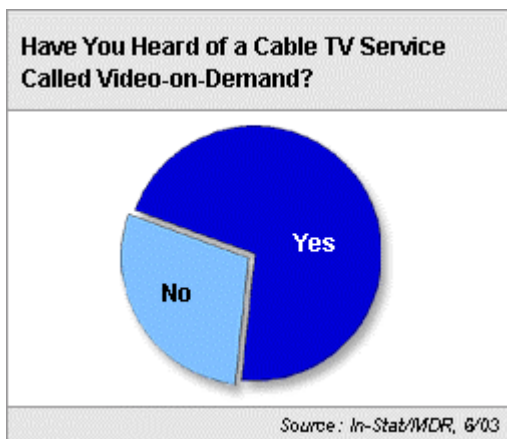
The latest research from Jupitermedia Corporation indicates that Subscription Video On Demand (SVOD) will increase profits and attract customers to new digital video services. The Video On Demand (VOD) market is predicted to grow from \$293 million in 2003 to 1.4 billion in 2007. Over the same time period, SVOD is projected to grow from \$56 million to \$800 million. Together, that's a growth rate of 58% annually.

Cable companies have invested heavily in their two-way networks over the last several years. These networks together with hosted video servers allow customers to select from a variety of program options and select what they want for instant viewing. The idea of Video on Demand has been the Holy Grail for the cable industry for over a decade. In just the last few years it has come within the realm of economic feasibility. According to In-Stat/MDR, the cost-per-stream for video servers is now under \$400. This is right on the threshold of making VOD a viable business.

For operators, now, the challenge is to find the best ways to monetize this newly enabled technology in as many ways as possible. John J. Sie, Founder, Chairman and CEO of Starz Encore Group recently addressed the Cable Television and Marketing Association (CTAM) on this topic. He positioned cable's two-way infrastructure as the key differentiator between cable and DBS services from providers such as EchoStar and DirecTV. He then chastised the industry for failing to raise the discussions of what to do with this infrastructure to a strategic level. Sie said, "The initial driver is premium SVOD, which should follow with basic SVOD services from familiar consumer franchises such as The Discovery Channel, MTV, ESPN and, finally, *narrow-casted high-interest, narrow audience SVOD services.*"

Sie continued, "Historically, the subscription business model has generated six times the revenue of pay-per-view services for cable operators and I expect that ratio to continue in the on-demand environment made possible by new, two-way, server-based VOD technology. VOD technology is too valuable to relegate just to pay-per-view. It should be deployed with a subscription pricing model for premium and basic networks to usher in a new era of cable-on-demand."

From a pull perspective, VOD is also gaining ground. A survey by In-Stat/MDR conducted in June of 2003 indicated that "almost 4 million cable TV subscribers were regularly using the service to watch movies, packaged premium programming, and even "free" shows and events." Additionally, 70% of surveyed households were familiar with VOD. Worldwide, VOD subscribers are expected to grow from 5 million at the end of 2003 to nearly 14 million in 2007.



DBS providers, of course, are not sitting idly by. Although they don't have the 2-way broadband infrastructure of cable TV, they are augmenting their technology base by aggressively deploying digital video recorder set-top boxes. With a hard-drive available, content can be pre-loaded to set-tops for what appears to customers to be an on-demand experience.

With cable companies fighting to stem the tide of defections to DBS providers and DBS providers trying to maintain momentum and compensate for infrastructure deficiencies, SVOD is likely to be an ongoing battlefield. For the cable companies and DBS companies, the outcome of the battle is still unsure. For customers, and providers of VOD and SVOD technologies and content, this will be a vital growth market for at least the next several years as part of a long-term shift in the TV viewing experience.

Many companies are attempting to package and sell programming for video-on-demand and subscription video-on-demand (see Appendix: "nCube – OnDemand Vol. 1").

Some internet companies (e.g., Chaos Media, Vast Video, Federal Hill, iFilms, Atom Films, etc.) formerly acted as "content aggregators," that is, they licensed a great deal of inexpensive short-form video to stream on the internet. With the failure of most internet-only business models, many of these companies are attempting to use their short-form video libraries to provide special interest television programming.

iNDEMAND, a consortium of cable operators that offers recent motion pictures and special events on pay-per-view, is expanding into video-on-demand with the same fare as well as repackaged programming from television broadcast networks and the larger basic cable networks such as ESPN.

TVN, iNDEMAND's closest competitor, is attempting to package special interest programming (Appendix: "VOD Venture Going To Extremes").

Cable companies such as Cox, Comcast and Time-Warner are testing various subscription video-on-demand and video-on-demand models.

The premium (“pay”) movie channels (HBO, Showtime and Starz) have been rolling out subscription video-on-demand channels to great success.

News Corp. Chairman Rupert Murdoch and NBC Chairman Bob Wright envision their companies becoming major players in VOD (Appendix: “NBC Taking TV’s Future by the Reins with On-Demand Content, Delivery”).

The closest competitor to the *TV Fresh* model is MagRack which is owned by Cablevision, a New England-based cable operator (Appendix: “Mag Rack Targets Micro Niche”). MagRack offers a suite of 24 special interest channels on subscription video-on-demand. Originally designed to support its proprietary digital service, MagRack is being offered to other cable systems at a relatively steep price of 40¢ - 50¢ per subscriber.

TV Fresh has been unable to find another company that has the benefits of its unique business model: management of a group of content providers. *TV Fresh* offers a true competitive edge in its cost-efficient operation offering excellent and compelling programming (see “Business Model” above).

OPERATIONS PLAN

Next Steps: Capital Required and Use of Proceeds

Goals and Time Line

Three rounds of financing (startup, initial operations, and operations-to-breakeven) are contemplated.

Start Up Financing (Two Traunches)

Including contingency, the startup round financing is projected at \$1,091,640 in two traunches (see Appendix: “Start Up Financial Projections”).

The first traunch is \$222,200 over four months. The goal of the first traunch is to obtain a sufficient amount of commitments from content providers to assure the success of *TV Fresh* in meeting its programming model.

The second traunch is \$869,440 over eight months. The goals of the second traunch are to:

- 1) obtain distribution commitment(s) from one or more of the top nine national Multisystem Cable Operators (MSOs) and/or Direct Broadcast Satellite (DBS) operators;
- 2) obtain commitment for initial operations financing of \$9 million;
- 3) secure employment agreements for the CEO and other senior management positions; and
- 4) continue to obtain commitments from content providers for inclusion of their programming on the *TV Fresh* platform.

Initial Operations Financing

Once the above benchmarks have been achieved, *TV Fresh* intends to secure a second round of financing, projected at \$10 million for its first year of operations.

Operations-to-Breakeven Financing

Upon evidence of satisfactory subscriber growth and business operations, *TV Fresh* intends to secure a third round of financing, projected at \$10 million, to sustain operations until positive cash flow is achieved in year four (see below, “Cash Flow, Valuation and Exit Strategies”).

Cash Flow

Positive cash flow of approximately \$1.4 million is projected in year four of operations and increases to approximately \$18 million in year five. (See Appendix: “Ten Year Financial Projections: Cash Flow.”)

Valuation

Based on a conservative value of \$10 per subscriber, valuation in year five of operations is projected at approximately \$235 million with a projected Return on Investment (ROI) of 67% per annum. (See Appendix: “Ten Year Financial Projections: Valuations.”)

Recent acquisitions of cable channels support implied values of \$18 to \$47 per subscriber:

On April 22, 2003, Viacom announced that it was acquiring AOL’s 50% interest in the basic cable channel Comedy Central for \$1.225 billion. With Comedy Central’s 82 million U.S. households, the implied value was approximately \$30 per subscriber (see Appendix: “Viacom Agrees to Acquire AOL Time Warner’s 50% Interest in Comedy Central”).

On November 4, 2002, NBC announced that it was acquiring the Bravo cable channel for \$1.25 billion in cash and stock. With Bravo’s 68 million households, the implied value was approximately \$18 per subscriber (see Appendix: “NBC To Buy Bravo For \$1.25 Billion”).

In November 2000, Viacom bought BET Holdings in a stock deal valued at \$3 billion. With BET’s 62.4 million households, the implied value was approximately \$47.50 per subscriber (see Appendix: “Viacom Acquires BET Holdings”).

Based on a Price/Earnings multiple of 20:1, valuation in year five of operations is projected at approximately \$354 million. (See Appendix: “Ten Year Financial Projections: Valuations.”)

Exit Strategies

As a potential exit strategy for the investors, the company may choose to pursue an initial public offering or a merger with an existing public entity.

Successful cable channels have traditionally been attractive properties for large media conglomerates such as Viacom, Time Warner, Disney and many others. The *TV Fresh*

model of low costs and exciting targeted content will provide strong opportunity for an attractive sale.

Through its association with its various content providers, *TV Fresh* is uniquely suited to develop supportive enterprises that could be developed into fully fledged businesses as merited (see “The Mission” above). Examples of these endeavors may include:

1. distribution of programs to other media such as home video/DVD;
2. development of “full-time” channels;
3. creation of production and post-production facilities and services;
4. creation of an agency for cost-efficient media purchasing; and
5. development of an agency for direct response commercial production and fulfillment.

In addition, *TV Fresh* envisions the opportunity to expand its programming and other services internationally (see “The Mission” above).

Management Team

TV Fresh has contingent employment commitments from an impressive group of industry professionals.

For the purposes of this sample business plan, proposed members of the management team have been deleted for confidentiality reasons.

President and CEO –

Chief Operating Officer –

Chief Technical Officer –

Chief Technical Officer –

Physical Production –

Physical Production –

Chief Financial Officer –

Business Affairs –

Affiliate Sales –

Affiliate Sales –

Programming –

Business Development –

APPENDIX

Glossary

24/7	24 hours a day, seven days a week.
analog	transmission standard that uses variable frequencies and amplitudes of electrical impulses (as opposed to “digital”).
basic cable	the basic program services distributed by a cable system for a basic monthly fee.
broadband	transmission medium that can carry multiple channels of voice, data and video simultaneously.
churn	number of cable subscribers that turn off the service in a given period of time.
DBS	Direct Broadcast Satellite; television programming that is received directly from a satellite by means of a small satellite dish; see DirecTV and DISH Network
digital	transmission standard that encodes information using a binary system made up of zeroes and ones (as opposed to “analog”).
digital compression	compressed format that allows many channels to be carried in the same capacity normally required for one signal.
DirecTV	DBS company that provides television programming to consumers (competes with DISH Network).
DISH Network	DBS company that provides television programming to consumers (also known as EchoStar; competes with DirecTV).
DVR	Digital Video Recorder; a device that records television programs onto a hard-drive; current brands include TiVo and Replay;also known as Personal Video Recorder (PVR).
EchoStar	see DISH Network.
headend	control center of a cable television system.
interactive TV	see iTV.
GameBoy	brand of portable computer game player.
iTV	interactive Television; technology that allows a television viewer to “interact” with the television via remote control; applications include ability to purchase products, participate in polls, view additional information such as sports statistics, play games, etc.
linear	television signal received and viewed at the same time it is broadcast.
MP3	digital audio files
MSO	Multiple (cable) Systems Operator; company that operates multiple cable systems.
next generation	the next technologies to be deployed for delivering content, e.g., cellular phones with vision capabilities.
Pay-Per-View	See PPV.

PDA	Personal Data Assistant; handheld computer devices that act as sophisticated address books, calculators and calendars and may provide other functions.
Platform	Indicates type of content delivery, e.g., “cable platform.”
PPV	Pay Per View; pay television programming for which cable or DBS subscribers pay a separate fee for each program viewed.
pay television	see premium television.
Play Station	brand of computer game player viewed on a television set.
premium television	channels that are available to cable or DBS subscribers for a charge in addition to the basic fee; also known as pay television.
PVR	Personal Video Recorder; see DVR.
Replay	See DVR.
server	computer that provides and controls programming for subscribers.
Set Top Box	electronic device that may be used in a cable or DBS subscriber’s house to enable television services.
spot	commercial advertisement, generally 30 seconds in length.
Subscription VOD	See SVOD.
SVOD	Subscription Video-on-Demand; unlimited VOD for a small monthly subscription fee.
TiVo	See DVR.
Video-on-Demand	See VOD
videostreaming	transfer of video images from a remote computer or server to a local computer or computer-like device.
VOD	Video-on-Demand; allows subscriber to select at any time programs they wish to view from a large selection of titles and categories stored on a remote server; service may also provide VCR functionality (stop, pause, etc.).

Management Team Resumes and Bios

For the purposes of this sample business plan, proposed members of the management team have been deleted for confidentiality reasons.

President and Chief Executive Officer –

BACKGROUND SUMMARY

PROFESSIONAL EXPERIENCE

ACHIEVEMENTS

EDUCATION

AFFILIATIONS

Chief Operating Officer –

PROFESSIONAL PROFILE SUMMARY

PROFESSIONAL EXPERIENCE

EDUCATION

AFFILIATIONS

COMMUNITY SERVICE

Chief Technical Officer –

BACKGROUND SUMMARY

PROFESSIONAL EXPERIENCE

EDUCATION

ACHIEVEMENTS

PUBLICATIONS

Chief Information Officer –

PROFESSIONAL PROFILE SUMMARY

PROFESSIONAL EXPERIENCE

EDUCATION

HONORS

Video Production –

BACKGROUND SUMMARY

DOCUMENTARY PRODUCTION CREDITS

FEATURE LENGTH FILM PRODUCTION CREDITS

MUSIC VIDEOS/LONG FORMS PRODUCTION CREDITS

INDUSTRY AWARDS

Video Production –

Chief Financial Officer –

Business Affairs –

Affiliate Sales –

Affiliate Sales –

Programming –

Business Development –