



Business Plan

July 2005

Chris Furmanski, Ph.D.
chris@cupid.com

CONFIDENTIAL

This document is confidential. Neither the material nor the ideas contained in these pages may be reproduced, used, or disclosed to any person without the written permission of Cupid Technologies and Chris Furmanski. Proceeding to view the subsequent pages means that you are agreeing to the confidentiality statement.

Draft: Version L

“Racing into the so-called kidvid market seems like a no-brainer. [Between 2002 and 2003] sales of developmental videos such as Baby Einstein's Number Nursery or Brainy Baby Co.'s Left Brain, have tripled, to \$700 million, according to industry execs. And kidvids, targeted to children from six months to five years old, were once again hot sellers this holiday season.”

- Business Week January 12, 2004

Contents

1. EXECUTIVE SUMMARY	4
2. PRODUCT IDEA	8
3. TEAM	10
4. MARKET AND COMPETITION	11
5. BUSINESS SYSTEM AND ORGANIZATION	19
6. REALIZATION SCHEDULE	22
7. RISKS	24
8. FINANCING	25
9. SAMPLE IMAGES	32
APPENDIX A: KEY STATISTICS	35
APPENDIX B: POSSIBLE CONTENT CONCEPTS	37
APPENDIX C: POSSIBLE ALLIANCES	38
APPENDIX D: RELATED COMPETITORS	39

1. Executive summary

Cuvid will provide parents with a simple, web-based way to create unique DVDs; parents and children will be able to star in their own personalized animated movies. We have a patent-pending technology and an advisory board led by Web-TV co-founder Bruce Leak that will enable a scalable, direct-to-consumer e-tailer. Our low-cost, high-volume DVD production is projected to have greater than 80% gross margins, 4M potential new customers in the US every year, and sales of over \$60M/year with a 3% market penetration.

Problem. Tens of millions of working parents, divorcees, and extended family do not get to spend quality time with their young children. And very often, parents and caregivers use television and movies to pacify, educate, and otherwise occupy their children. Because children, especially infants, are drawn to music, motion, and music, typical children's videos are fairly effective attention getters. However, there is a robust body of scientific research that shows infants not only have a special affinity for faces, but they are acutely drawn to *familiar* faces and *familiar* voices. The repeated exposure to family faces will not only dominate an infant's attention, improving the infants' mood, but will improve an infant's ability to recognize and feel comfortable with their family in the future. Our technology will enable parents to expose their children to family-relevant experiences, such as the unique faces, voices, and objects important to their family instead of presenting their children with commercially-driven, unimportant characters like Barney, Big Bird, and the Teletubbies.

Yet, the labor intensity and cost of existing video editing software means the vast majority of parents and extended family do not have the time, skill set, software, or content to create their own videos. From a manufacturer's perspective, existing methods for producing 30 minutes of novel digital animation in a one-off scenario can take 5 or more hours per disc, making timely mass-production for consumers unfeasible.

Solution. Cuvid (our working title, short for customized video) will offer end-to-end personalized movie production over the Internet. Our products will allow parents (and eventually children) to include and define their own movie content. Cuvid will consist of a web-based front end for the consumer to place the order, upload, and download personal digital media. The backend of the system will produce movies by integrating the customer's source material into novel arrangements of stock material. The finished movies will be sent to the

customers on DVD through the mail or in electronic form over the internet. The key elements of our patent-pending approach will allow custom videos to be produced in minutes instead of hours, providing the speed and scalability needed to cost-effectively handle thousands of orders a day.

Market. The children's video (kidvid) industry is a \$5-\$6B/year industry. The emerging developmental segment (ages 0-4) tripled between 2002 and 2003 and is projected to be \$0.7-1B/yr in 2005. There are about 40M US Internet families with children 12 and younger, and 4M babies are born in the US every year. Children (2-11 years old) also represent an important future demographic, as it was the largest growth segment in web-page consumption in 2004. 30% of US 2-11 year olds were online in 2003. International English-speaking markets could add an additional 20-30% in annual sales. Expansion to foreign-language markets could at least double overall sales and would require minimal technical and front-end web changes with some country-specific content additions.

Competition. The two biggest sources of competition are kidvid sales tied to popular television shows/cartoon characters and existing developmental children's video products from companies like Disney's Baby/Little Einstein lines. Other sources of competition include Kideo (a small VHS-only personalization company), PC and console video-game sales, and interactive online children's sites. Cuvid has the opportunity to be the first mover in the high-quality personalized DVD market and will leverage its U.S. Provisional Patent. Cuvid will focus on developing key business partnerships with content providers and distribution facilitators to bolster its competitive advantage.

Business. Cuvid will be a high-touch e-tailer that primarily generates revenues from direct-to-consumer sales of DVDs. Additional revenue sources include: licensing the technology to third parties, advertising through web, video content, and product placement, merchandising, and tangential service and product alliances. Positive cash flow should be achieved with less than 75,000 units annually (0.5% market share) and should be achieved within the second or third year. The most likely exit strategy would be acquisition by a large media conglomerate with kidvid interests and a history of acquisition (e.g., Disney, Viacom).

Product. Product price point would be similar to non-personalized DVD (\$19.99-49.99 depending on consumer selections). The expected variable cost per unit in an optimized production system (less licensing agreements) should be less than \$3 each. Future products will

integrate educational content such as phonetics, alphabet, math, objects naming, etc. and enable child customers to create and star in their own cartoons.

Development. The operational goal is to use a small team to rapidly integrate our patent pending in-house architecture with existing component technologies (e-commerce, image acquisition and transfer, high-volume disc burning and labeling, etc.). The gated development schedule aims for an aggressive soft-launch of an end-to-end system within 6 months.

Projections. We expect revenues to exceed \$60M and net profits to exceed \$30M with a 3% penetration by the fifth year. (We assume the US market size as 38M US Internet households with children 12 and under, that 30% of the customers will buy 2 copies, a \$39.99 price point, and a variable cost of \$5/disc).

Management. Cuvid's founder, Chris Furmanski, has a Ph.D. in psychology from UCLA. As a computer-science researcher in the defense industry, he raised and managed almost \$2M in R&D funds, leading software development for the government and large corporations such as Raytheon and Boeing. Most recently, he was the director of science for a retail technology startup that developed computer technology to lessen the effects of reading disabilities in children. Advisory-board members include Bruce Leak, cofounder of WebTV (sold to Microsoft for ~\$425M), and Drew Kaplan, founder of DAK Industries, a multi-million dollar mail-order electronics company.

Risks. Besides the typical risks of investing in a startup, the three biggest risks are that the immediate team currently lacks proven commercial business experience, we have not yet developed content or business alliances, and the product is unproven with an unknown demand from the consumer. These challenges can be overcome by: adding a multi-function business/marketing specialist or advisor to the team plus suitable board of director members, moving quickly to establish a successful brand and technology that will make Cuvid a solid business ally and acquisition-worthy company, and using field surveys and focus groups (currently underway) on potential customers in order to validate the assumed product demand, price point, interface and technology requirements.

Status. We are currently in the developmental stage seeking seed funding. As of August, we have achieved a series of important milestones: a U.S. Provisional Patent Application has been filed, a regular patent application has been drafted, short demo clips have been created, this business plan with financials has been created, a detailed technical design document has been

created, preliminary customer interviews have been performed, we have executed a successful patent search, and we have begun work building a functioning prototype. Initial responses from informal parent interviews have been very positive. Near-term goals include expanding the executive team, finishing the prototype, establishing initial business alliances, and raising funds.

Funding. We are currently seeking \$500k in seed money to begin operations and develop a working prototype to attract key corporate allies and to round out the management team. It is likely that at least two other funding rounds of \$1.5M and \$2.5M will be required in Qwww 2005 and Q4 2006 to bolster advertising and commercial development until revenues are self sustaining.

2. Product idea

Current situation

The children's video market is a \$5B+ industry, with the infant development segment representing about 20% (~\$700M-\$1B) of annual children's video sales. DVD is the preferred media format of the public: overall, home VHS sales continue to slide as DVD proliferation is becoming pandemic----DVD sales (~\$12B) were about four times greater than VHS sales (\$~2.9B) in 2003 (for statistic references, see tables in Appendix A).

The products

Cuvid will offer rapid, one-off DVD production that allows content to be personalized and customized by front-end users. The initial Cuvid products will allow consumers to create animated shorts in which the characters and scenes utilize the faces, and voices of the consumer. The current vision of Cuvid product progression is:

1. Infant product- the flagship product will enable parents to present their kids with videos featuring their familiar, family faces, which infants and young children are intuitively drawn to. The customized animation will be geared for infants, toddlers, and young children (3mo-3+years) and be marketed to parents and grandparents. Consumers will be able to choose from a variety of several different video segments with a range of themes, settings, and characters. Video content will be viewer age specific, focusing more on faces and high contrast images for young infants, and using more sophisticated material for older children. The customization and business transactions will occur on the web and consumers will receive a DVD in the mail in as soon as 2 days, depending on shipping options. Movies will also be available electronically to be downloaded. The DVDs will consist of some multiple of five-to-ten minute animated shorts, ideally totally about 30 minutes in length. An option to have additional segments on a DVD will be offered at an additional cost, though the number and length of these segments may change following more detailed focus groups.
2. Child product – older viewers broaden the content and thematic possibilities. These videos would focus more on older children (4-12) and will include a wide range of themes including behavioral, cultural, and educational themes, as well as more sophisticated, action-oriented storytelling. Statistics reveal that in 2004 over 30% of 2-

11 year-old children are on the Internet, representing the fastest webpage consumption demographic. Therefore, products oriented towards older children, including a child-friendly, child-focused website which allows children to create their own movies with some parent supervision is also planned.

Future products (not included in sales projections) that could increase revenues (but are not included in sales projections) include:

- Teenage product – if key content licensing arrangements are attained, a third product line would be novelty videos in which the consumers (teenage or adults) could appear in specially created episodes of cartoons such as South Park or Family Guy.
- Segment-only purchases – for a reduced price, customers will be able to buy individual segments via download so that they may edit and create their own movies using their own software
- Products in movies – click-through and drop-shipped sales of product-placement business allies (including stuffed animals, toys, dolls, clothes, etc.) are planned.
- Related product sales – click through or drop-shipped sales of products (e.g., books) on which some segment content may be based.

After initial success with our B2C products, we foresee aggressive expansion via business-to-business licensing of our patented technology to consumer toy and education companies that have existing content, marketing, and distribution capabilities (e.g., Leap Frog, Fisher Price). While the bulk of this business plan is predicated on a B2C model with B2B licensing as a critical facilitator for customer acquisition, distribution, marketing, and content, a strictly B2B licensing model may also merit consideration.

3. Team

At this pre-seed stage, the current team is composed of:

Chris Furmanski, managing director, founder

Chris Furmanski is Cuvid's initial founder. He has a Ph.D. and M.A. in psychology from UCLA where he investigated how technology enhances learning. As an aerospace researcher, he raised and managed almost \$2M in R&D funds, and led cutting-edge software and patent development for the government and large corporations such as General Motors and Boeing. Most recently, he was the director of science for Epoch Innovations, a retail technology startup that developed computer technology to lessen the effects of dyslexia in children.

Jason Fox, lead Developer, co-founder

Technical development will be led by co-founder Jason Fox. Jason has 1 US patent and 8 pending patents, academic television editing experience, and 14 years of software development experience. Jason has spent four years working closely with Chris in which they produced software and patents for government and corporate contracts while at HRL Laboratories. Jason will be a minority partner with no board input or control over corporate operations.

Advisory-board members include:

Bruce Leak, technical advisor

Bruce Leak was the cofounder of WebTV (sold to Microsoft for ~\$425M) and inventor of Apple's QuickTime.

Drew Kaplan, business advisor

Drew is the founder of DAK Industries, a multi-million dollar mail-order electronics company, with expertise in marketing, retail mail-order, shipping, and small-business operations.

Positions to be filled

The earliest additions will add to the executive team and the technical team will be expanded with an expert in web development and ecommerce and an expert in digital encoding and compression. In year one, two business development positions will be added that have expertise in marketing consumer technology to parents and technology licensing. The remainder of the technical development and art content will be handled by contractors. The hiring process will begin in the middle of the first year for a CEO that should be hired by the second year. The CEO will focus on company growth, fund raising, building corporate alliances and implementing an acquisition exit strategy, if appropriate, in year 5.

4. Market and competition

Market size

The initial customers for the direct-to-consumer products will be English-speaking parents with internet-access, enough computer competency to navigate the web and upload pictures, and some form of home-video device (DVD, VHS, computer).

We assume there are 40M US Internet families with children 12 years old and younger. As of 2004, there 117M US households, 70% of which have children and 66% of those have children less than 12 years old, yielding about 54M US families with children less than 12 years old (US Census Bureau National Population estimates 2004, see Appendix A for more detailed references). The US had 75% Internet penetration as of March 2004 (over 56% were broad band), yielding a maximum market of approximately 40M US Internet families with children less than 12 years.

Cuvid's first product will target adults with infants and young children (4 years old and younger). We assume there are 13.3M US Internet families with children 4 years and younger: There is a roughly a even distribution in the population of US children, so approximately 33% of the 40M US Internet families with children less than 12 years (i.e., 13.3M families) will be the target market for the first product.

For the first product, Cuvid's goal is to have 400,000 US customers within 5 years, representing approximately a 3% market penetration. Overall we expect to expand the market to older children (at least 12 and under), and therefore expect to have approximately 1.2M US total customers representing a 3% market penetration of the larger 12 and under population. Expansion into the teenage markets could add another 800,000 US customers with similar penetration, although the teenage market is not included in our financial estimates.

Finally, we expect a large percentage of sales to be same-customer sales, both within a year (based on copies purchased by or for extended family, and different family members) and across years (as products are specialized for different age groups, new discs will be appropriate for older children).

Other relevant market-sizing facts include:

- There are roughly 20M US children in each age group (0-4, 5-9, 10-14, 15-19), and four million babies are born in the US annually, providing a renewable source of new customers each year.

- Children's video (so called kidvid) market continues to grow from over \$3B in 1996, to \$4.2B in 2001, projected to be about \$5B in 2005.
- Sales of developmentally-focused videos doubled from \$350M in 2001 to \$700M in 2003(http://www.businessweek.com/magazine/content/04_02/b3865024.htm).
Assuming a similar growth, developmental videos will exceed \$1B in 2005, roughly 20% of the kidvid market.
- Kid-oriented products are attractive as total purchasing power exceeded \$200B by 2001 (<http://www.marketresearch.com/map/prod/125721.html>).
- 12M of internet users in the US were between 2 and 11(Sept 2003) (<http://www.itfacts.biz/index.php?id=P217>) meaning 30% of 2-11 year olds are online.
- In 2004, children ages 2-11 led the growth in web-page consumption (Nielsen ratings) validating the need for a Cuvid product line to be created by children.

Customer needs

Product surveys are being prepared using SurveyMonkey.com. Our initial conversations with new and expecting parents suggest that they were very enthusiastic at the prospect of being able to easily create videos with family members in it for their children. Price points in the \$20-\$40 range seemed most attractive. They volunteered interest in related products such as a physical storybook that paralleled the movie and contained images of their family and pets. Their concerns involved ease of use of the web front-end, final product quality, and privacy. The most consistent comment has involved ease of use and the length of the customer interaction. While some parents wanted extensive abilities to customize and said they'd spend as much as 45 minutes or an hour creating a highly customized video, most parents thought they'd be willing to spend 15 minutes or less creating a video.

Competitor analysis

Cuvid has the opportunity to be the first mover in this space. The primary source of competition is from conventional home-video DVDs linked to popular television and movie characters.

An existing company, Kideo (<http://www.kideo.com>), produces personalized VHS videos (priced at \$39.99) which is similar to the Cuvid concept. Kideo also has several licensing

agreements with popular children's television programs including Barney, Dora the Explorer, and Elmo, which demonstrates the concept is viable and that extant media companies will license their popular characters to third-party personalization. Kideo suffers for numerous shortcomings that will be far surpassed by Cuvid's products:

- (1) Kideo is restricted to VHS; they have no DVD option and do not have the technology to mass produce one-off DVDs. DVD sales in the US are greater than four times that of VHS sales.
- (2) Kideo restricts the face personalization to a single character (the child) per video.
- (3) Kideo videos are not infant or family-focused, but focused on older children (ages 2+).
- (4) Kideo's execution is poor; many times the personalized characters are poorly-executed, inserted cut scenes that are not seamlessly integrated into the story line.
- (5) Kideo relies solely on a manual cropping of submitted photographs or uploaded images which drastically limits their through-put.
- (6) Default video production times are slow, requiring 20 business days (though video can be produced on a rush for added cost).
- (7) Kideo restricts the audio personalization to the consumer's selection of one of 1200 pre-recorded children's names using rerecorded voices.
- (8) Kideo does not allow other types of personalization such as text, theme, objects, or other types of content.
- (9) Kideo appears to be small and obscure; their advertising/marketing has seemingly been focused on television, with little or no web penetration and poor search engine management.

Other sources of competition include conventional educational home-video brands, companies producing custom slideshows on DVDs, and the do-it-yourself segment using personal video editing software. Products focused at older children will also face competition from the multiplatform video game market. Competition includes:

Conventional DVD home-video market, conglomerates

- Disney (Baby Einstein, ESPN, Hyperion press, ABC)
- Viacom (UPN, Nickelodeon, Paramount, Comedy Central, MTV, CBS)
- Time Warner (HBO kids, CNN, Warner Bros, SI, AOL, Cartoon Network)

- NewsCorp (Fox, Harper's press)
- GE (Universal, NBC)
- Sony
- MGM/UA

Established developmentally-focused brands

- Baby/Little Einstein (Disney)
- Brain Baby LLC
- Baby Know-It-All (Tapeworm)

Home users with video editing and DVD authoring

- iMovie / iDVD (free/free Apple)
- Premier / Encore DVD (\$699/\$549, Adobe)
- Studio 9 (\$79, Pinnacle)
- Numerous sources of audio and video content are available (\$29.99-\$150/each)

Competitive advantages

Cuvid has several sustainable competitive advantages that include first-mover status, brand-name, and possible patent protection.

First mover

Cuvid would currently enjoy first mover advantage in the creation of personalized DVDs. It will be difficult and expensive for competitors to create a high-volume one-off DVD system. Further, the focus on quality, usability, and family-focused family values should engender a sense of trust that Cuvid intends to cultivate with individual customers that should be a valuable asset against potential entrants.

Brand name

By being the first company to produce customized DVD's, Cuvid should quickly become synonymous with the name as the leader of the next generation of family-focused developmental technology.

Patent protection

We currently have a provisional patent for the system architecture. Our working draft of the regular patent application must be finished and reviewed by a patent lawyer. This, coupled with a professional prior art search, is the highest priority and the first major gate of the seed

effort. Once the patent is awarded, the protection of the one-off DVD production system should provide a strong legal deterrent to potential entrants. We also expect to develop additional patents for specific implementations of the algorithms and other novel features that are discovered during the creation of the first working system.

Baby Einstein case study

The Baby Einstein Company is the award-winning creator of the infant developmental media category and the best-selling brand of videos specifically designed for babies and toddlers from birth up to age three. Baby Einstein was started by Julie Clark in her Colorado basement with \$18,000 and a borrowed camcorder in 1997. By 2001, the Baby Einstein line was doing \$25M in sales, and was bought by Disney for a reported \$25M. The product line was doing \$165M in 2003. Baby Einstein videos while notoriously simple, captivated infants and were hit with parents because they introduced children to the “classics”, images famous works of art by Van Gogh, simplified melodies of classic composers like Bach and Mozart, and works of literature by Shakespeare. In 2004, The Baby Einstein Company introduced "Little" Einstein, geared towards preschoolers ages 3-5. Working closely with Disney Channel, the new franchise is anchored by an animated TV series and will debut globally as part of the Playhouse Disney block. (<http://www.forbes.com/business/forbes/2004/0920/062.html>).

Marketing strategy

The ultimate goal is to establish Cuvid as the primary vehicle for purchasing DVDs for children. A critical element of building the business-to-consumer products will be establishing strong licensing alliances with already-popular content in order to encourage sales and to craft a recognizable brand. The Cuvid brand can also be improved by using carefully crafted content that will receive endorsement from renowned university psychologists. A primary focus of the on-going marketing effort should capitalize on making multiple sales to the same customer.

The initial products will target the parents and family of and expecting children. To ensure the company's continuous growth, subsequent products will target the children themselves allowing them to create and star in their own movies along side their favorite animated characters.

The name “Cuvid” is currently intended to be only a working corporate name through the soft-launch. Better corporate and product names may be tested and selected before the actual launch. A leading candidate is FamiliarFaces.com.

Promotion & distribution

Customer acquisition for the initial B2C products can occur through at least 10 major routes:

- Internet advertising on search sites (Google AdWords and Yahoo Overture)
- Internet advertising and promotions on baby/parent portals (parents.com, babyCenter.com, kidvidresearch.com) and other relevant retail sites (e.g., Amazon, eBay, Froogle, NetFlix)
- Internet advertising on websites of content allies (e.g., Nickelodeon, Cartoon Network)
- Direct print mailing utilizing new parent databases (e.g., Experian)
- Print advertising in baby/parent magazines (e.g., Parenting, Family Circle, Parents, AmericanBaby)
- Partnerships with on-line photo printing sites (e.g., ShutterFly or oFoto) will both serve as a marketing vehicle and allow people to utilize photographs as source images that they have already uploaded, thus cutting down on the time required to produce a Cuvid movie
- Press releases targeted at major metropolitan newspapers, tech-type magazines (e.g., Wired), and other relevant 3rd party business-related magazines that could write a story on Cuvid.
- Bundle print advertising with leading digital products (e.g., cameras (Cannon, Sony), camcorders (Sony, JVC) webcams, DVD writers)
- Advertising to retailers and the public with booth presence at national baby conventions and toy fairs (e.g., Yeah Baby toy convention)
- Direct print advertising in affluent baby retail stores
- Possibly using retail kiosks in baby stores or retail mega-chains (e.g., Walmart)
- We also expect that word-of-mouth advertising will be a major element of the advertising. For infants, we hope parents will tell their friends about the product and how much their children like them. For older children, we expect that they will see their friends staring in cartoons with their favorite cartoon characters or doing their favorite hobbies and want such products for themselves.

It may be a reasonable test of the product to perform a local advertising campaign in a few affluent local communities (Palo Alto, Atherton, Hillsborough, Piedmont, etc) as test markets to gauge the consumer response. As additional products that change the target audience are added, the specific advertising channels will be adjusted appropriately.

Messaging

An integral part of Cuvid's messaging will focus on the scientific evidence that familiar faces are especially salient to infants and affect infant development and mood. We are in the progress of drafting a white paper that outlines many of the important scientific findings. The topics in the white paper include the value of infants viewing familiar faces, the staged development of children's cognitive and physical abilities, and how such information should optimally dictate the type of style of video content. A version of the white paper will be made available for parents on the website.

Same-customer sales

We believe maximizing sales to already acquired customers should be a major focus of the marketing campaign. Same-customer sales will be generated through promotions during the original sales transaction and electronic and direct mailing advertising. Same customer sales can take the form of:

- Duplicate copies of the same disc for other locations such as one copy for home and another copy for the car, or for a child's stay at care-givers, extended family, divorced parents' homes, etc.
- Different discs that integrate different members of the extended family like grand parents instead of immediate family
- Different discs with different types of content within the child's same developmental stage (this would provide repeat sales both within a year and across years).
- Different discs for different developmental stages in a child's life (pre language, early language, education, sophisticated storylines and plots) (this would provide repeat sales over multiple years).

We plan to offer reduced prices for exact disc replication at the original time of sale as the bulk of the computational overhead is involved with creating the original disc so duplicate discs can be produced very quickly. Other promotions such as providing free shipping or other free enhancements maybe used to encourage repeat sales.

Advertising budget

Our average budget for trade and consumer advertising for the initial product will begin in the fourth quarter of the first year, and ramp up to \$800,000 per year, and \$300,000 per additional product per year. These figures are rough initial estimates and should be reevaluated. Licensing arrangements to form key corporate alliances will be critical for content (e.g., Viacom/Nickelodeon, Disney), image input (Ofoto/Kodak, Shutterfly), parenting (BabyCenter, Parenting), and retail distribution and customer acquisition (e.g., Walmart, Costco) which will bolster advertising while deferring some of the direct-to-consumer costs.

Pricing

The pricing structure across all movie creation products will be between \$19.99 and \$39.99. The expected price will be \$29.99 or \$39.99, which is in the range of conventional, non-personalized DVDs. We have not finalized the pricing structure, and may have additional aesthetic options for disc and box decoration/labeling that may add additional cost or be included in a single price structure.

Customer Service

We will focus most of our customer service efforts on scalable online FAQ, tutorials, and customer-user forums that do not require substantial employee effort. We will likely need to add human-in-the-loop customer service as the sales increase and less computer savvy users begin trying to purchase the product. Thus we have budgeted a customer service rep starting in the second year. We expect that we will eventually add a scripted, toll-free in-house customer-service or outsource the task in the third year.

5. Business system and organization

Business system

In the very early stages, the company will focus on technical and content creation and development. Once the initial product and production system are developed, Cuvid will concentrate on the marketing and sales of the video products to consumers and the development of content and business alliances. Most of the technical work will be performed by a small technical team and will on improving the speed and efficiency of the production system. The creative work will focus on producing more stock material for future products (either in-house or outsourced). We aim to create a small, tight-knit company with the expressed mission of empowering parents (eventually children) with the ability to create their own video content with a family-focused, educational, and scientifically validated approach.

Potential partnerships

The development of numerous business partnerships will be fundamental to Cuvid's success. There are many existing high-traffic companies/websites that can be leveraged to enhance Cuvid's exposure, usability, content, and credibility. These potential partnerships include:

1. Baby-related web sites that will serve as marketing vehicles. These include sites such as BabyCenter.com, Parenting.com, kidvidresearch.com, and SmartStartBaby.com.
2. Photo-related sites that can both feed in potential clients, allow for added services, and serve as the source from which images are uploaded from, eliminating the need for customers to upload images a second time. These include oFoto.com, Shutterfly.com, babysite.com, and mySpecialPhotos.com.
3. Content alliances, which will provide popular characters to co-star in movies. These sites are numerous and varied and include television programs from PBS (Clifford, Dragon Tales, Sesame Street), Nickelodeon/Viacom (Spongebob, Fairly Oddparents), product placement-related toy manufacturers (Leap Frog, Mattel, HotWheels, Barbie), and up-and-coming authors of popular children's books (e.g., Karen Katz). See Appendix C for a more detailed list of possible content alliances.
4. Miscellaneous third-party services, such as services for transferring or hosting a customer's digital movies, printing books, etc. (e.g., First Impressions, FasTracKids, SoSmart!).

Research methods

Monitoring Nielsen Media Research will provide important insights into the popular trends in children's television habits. Nielsen provides detailed descriptions of the top 50 TV programs for children ages 2-11 (e.g., >80% of the top 50 shows were on Nickelodeon in 2003). They have also begun monitoring internet usage (e.g., in 2004, ages 2-11 also represented the largest growth segment in web-page consumption). Other current trends in Internet usage, DVD sales, and children's consumer-product habits will be monitored by purchasing commercially available market-research reports. We also plan to continue to monitor existing community bulletin boards and baby/parent websites. Eventually, Cuvid will create its own interactive community site that will be used to keep a finger on the pulse of its user community.

Operating location

The exact location of Cuvid's headquarters has not yet been selected. We will be located in the San Francisco bay area, likely in close proximity to Silicon Valley. Candidate locations include Palo Alto and neighboring areas, Daily City, and Oakland. Each of the pros and cons are set out in the following table:

Table 1: Candidate operating locations

<i>Location</i>	<i>Pros</i>	<i>Cons</i>
Palo Alto	Close to VCs, top law offices, Stanford, many portfolio companies, reachable from SFO and SJ	Expensive commercial rent, expensive housing for employees, CalTrain – no BART
Daily City	Equidistant from Palo Alto and East Bay, cheap commercial rent, reasonable housing options & public transportation	Not co-located with VC & portfolio companies.
Oakland	Cheap rent, close to SF, Berkeley & SF Art academy artists, good public transportation	Farthest from VC and portfolio companies, bridge traffic

Personnel planning

We expect the company to be able to be developed and run by a small, agile team. Our personnel forecast for the first five years of operation is set out in the following table. In the

initial year, we expect a larger focus on technical development and technical contracting, with an increased emphasis on sales and marketing after the initial technical development. We expect that the marketing staff will be proportional to the number of products.

Table 2: Personnel by function

<i>Full time / Contract</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Development	4 / 4	2 / 3	2 / 4	4 / 4	4 / 4
Sales & marketing	1 / 1	2 / 2	4 / 3	4 / 4	4 / 4
Administrative	0 / 3	1 / 4	2 / 6	4 / 6	4 / 6
Total	5 / 7	5 / 9	8 / 13	12 / 14	12 / 14

6. Realization schedule

Growth strategy

We will achieve growth by providing new content for existing customers, new products for existing customers as their children age, and new products aimed at acquiring new customers in untapped demographics. With pervasive Internet penetration, a collection of bay area cities such as Palo Alto, Atherton, and/or Piedmont may serve as a pilot city and for marketing tests.

Development plan

In the first six months of business we shall focus on technical development and the creation of video content and business alliances. We expect to create a working system that will be capable of handling the sales projections through the second year. One advantage of our system architecture is that the system is scalable and modular. It uses relatively inexpensive stackable processing components that can be added if demand outpaces our projections, and don't have to be purchased if our sales projections are too aggressive. Our early tests project that each production block will be capable of producing about 300,000 units a year before an entire second production unit will have to be produced.

As a risk-reduction approach, we propose a multi-phase gated development schedule. The critical gates are:

1. Confirmation of the viability of the intellectual property
2. Development a working prototype of the backend system to confirm our system performance and scalability estimates
3. Development and testing a working end-to-end system with focus groups
4. Test marketing of the actual system in a pilot city

Each gate will serve as an evaluation point for both overall project feasibility and for correcting the technical and financial estimates. In the interest of getting Cuvid to market in a timely manner, we propose combining the first two phases as a seed effort and that the last two phases will be covered by a subsequent round of funding.

Table 3: Phased development, year 1

	<u>IP</u>		<u>Prototype</u>		<u>Soft Launch</u>			<u>Launch, Sales</u>						
<i>Milestone</i>	• Patent		• Prototype		•Website/ecommm			• Sales, PR						
<i>Site</i>	• Garage		• Garage		• Loft / Incubator			• Loft / Incubator						
<i>Other tasks</i>	• Inc.		• Algorithms		• Focus groups			• Focus groups						
	• Discovery		• Hiring		• Marketing			• Fund raising						
<i>Content</i>	• TDD		• Art test, 8 clips		• Content: 1 30' disc			• Content: 4 30' discs						
	• Alliances		• Alliances		• Alliances			• R& D, find CEO						
<i>System</i>	• Manual		• 2 stacks;0.3 mpr		• 6 stacks,0.6 mpr			• 6 stacks,0.75-1 mpr						
<i>Capacity/mo</i>	• 100		• 900		• 5500			• 7800						
<i>People full/part</i>	• 1/2		•2/3		•4/8			• 5/8						
<i>Budget</i>	• \$50k		• \$300k		• \$600k			• \$900k						
<i>Month</i>	1	2	3	4	5	6	7	8	9	10	11	12	13	14-16
<i>Goals</i>	ip		prototype		soft launch			launch		sales		fund raising		

More detailed work plans and budgets are integrated into Gantt charts and are available upon request.

Technical progress

We have currently:

- Developed two short ~40 second clips to give a rough look-and-feel of the final product and for initial informal focus groups
- Filed a US Provisional Patent (U.S. PTO serial #60/652,989) on February 15, 2005.
- Written a draft of a regular US Patent that needs to be reviewed and further developed by a patent lawyer
- Made initial timing tests on conventional PC hardware which have been the basis for the resource estimates (time, people, money, equipment) in the budget
- Developed specifications for system hardware, artist requirements for content creation, and designed two initial system architectures
- Written a detailed draft of a technical design document

More detailed technical details are available upon request.

7. Risks

Cuvid is a company in the early stages of development. At this stage, its products have not been proven or successfully marketed. The company will require several rounds of funding, so dilution will be involved. The success of Cuvid will depend on several factors; the most important are:

Demand

Will parents spend necessary time on the website to create the product? Do parents like the content and character selections? Can the product hold the attention of infants? Are older kids interested in seeing themselves in cartoons? Can Cuvid capitalize on repeat sales?

Supply

Can high-profile content alliances be generated? Can sufficient content be developed? Do the system scale as well and as cost effectively as projected? Can Cuvid attain internet ratings for child users (e.g., ICRA, ICCS, and ESRB) and support from academic circles?

Competition

Will a major content player (Disney, Nickelodeon) decide to enter this space and try to develop competing technology? Will Kideo improve their marketing, product line, and add scalable DVD products?

Corporate

Can a few key individuals, none of whom have run a company of any size before, succeed? Can the provisional patent be transformed into one or more reasonably protective patents? Can the company acquire multiple needed rounds of funding?

8. Financing

Finance plan

With sales from both the infant and child products, we expect Cuvid will have 1.2M customers, sales of \$60M, and a pretax net profit of \$44M within the first five years.

Sales forecast

By the 5th year, our sales forecast is based on achieving a 3% market penetration of a market estimate of 40M US Internet families with children 12 years old and younger. We also assume that 30% of the customers will buy a second disc in the same calendar year, yielding 1.56M sales per year in the 5th year. The following table outlines the annual unit sales and annual revenues for a variety of performance scenarios. Our figures are based on the “base” case.

Table 4: Sales and revenues for difference market penetration and repeat business assumptions

	Market Penetration			
Repeat Business	Worst case 0.25%	Fair case 1%	Base case 3%	Best case 10%
Worst case 5% 2 copies	0.105M = \$4.2M	0.42M = \$16.8M	1.26M = \$50.4M	4.2M = \$168M
Fair case 30% 2 copies	0.13M = \$5.2M	0.52M = \$20.8M	1.56M = \$62.4M	5.2M = \$208M
Base case 30% 3 copies ; 30% 2 copies	0.19M = \$7.6M	0.76M = \$30.4M	2.3M = \$91.2M	7.6M = \$304M
Best case 40% 3 copies 60% 2 copies	0.24M = \$9.6M	0.96M = \$38.4M	2.9M = \$115.2M	9.6M = \$384M

We expect our initial infant product to make up the majority of the sales through the first three years. However, by the fifth year, we expect the broader appeal and larger market for the older children's products (1.1M) to exceed infant-product sales (430k) by about 2.5:1.

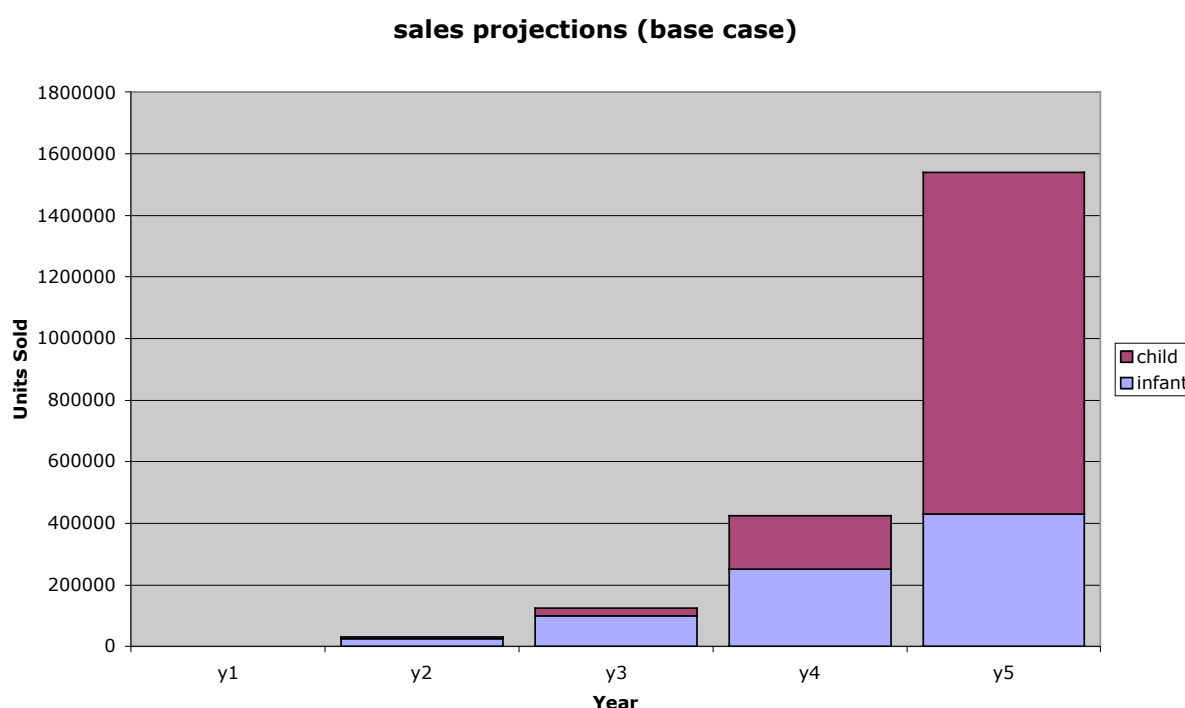
Table 5: Revenues (\$M) per year as a function of product price (base case)

	Product Price				
Year	\$19.99	\$29.99	\$34.99	\$39.99	49.99
Year 1	0.01	0.01	0.02	0.02	0.02
Year 2	0.6	0.9	1.05	1.2	1.5
Year 3	2.5	3.75	4.37	5.0	6.25
Year 4	8.5	12.75	14.87	17.0	21.25
Year 5	30.8	46.2	53.88	62.4	77.0

Forecasted sales growth

The sales growth forecast is based on the assumption that by the end of year 5, we will have reached 3% of our potential customers (1.2 million customers in the US). Given the relatively steady influx of new births (4 million US babies born per year), we don't see substantial market growth of the infant product beyond what is driven by market penetration. However, enhanced business alliances with product placement and sales from affiliated products may provide additional revenue streams.

Figure 1: Sales projections for five years (base case)



Cuvid's growth beyond the first five years could be fueled by adding a teenage product (e.g., allowing teenagers and college students to star in an episode of South Park) and increasing marketing to foreign countries. The addition of a teenage product could add approximately 50% more customers. We could also expect international sales to English speaking countries (England, Canada) to add an additional 20-30% of the customer base. Marketing to foreign countries could double the overall customer base.

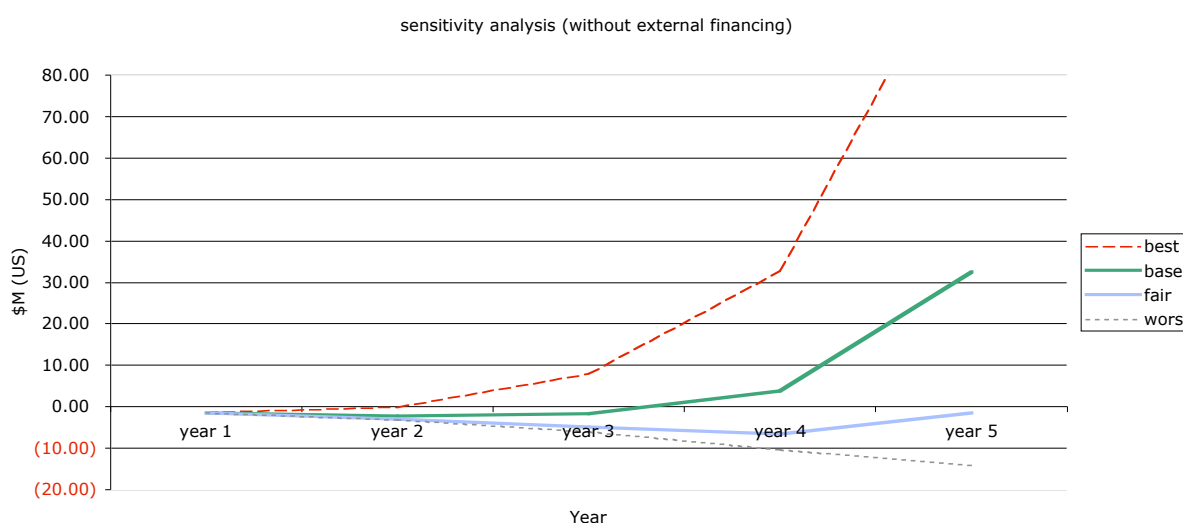
Financial summary

The forecasted financial results of Cuvид are illustrated with our 5-year income statement, statement of cash flow, and balance sheet shown below. The key assumptions on which the financial plan is based are also presented below.

Cash flow and sensitivity analysis

The figure below shows Cuvид's total cash requirements for the first 5 years in best, base, fair, and worst case scenarios. The key lever for this financial calculation was market penetration (here at 10%, 3%, 1%, and 0.25%, respectively). Other key levers include percentage of repeat sales (here, held constant at 30% buy a second product/year), unit price (here held constant at \$39.99 each), expense sending (\$1.5M, 2.1M, 4.2M, 9.2M, 22.2M for base case years 1-5), and forecasted growth rate (held constant). Many of the expenses (e.g., advertising, personnel, and alliances) in years 3-5 are targeted for the base-case sales; such factors could be scaled back to make the fair case break even by year 5. All of these factors have been modeled in an Excel spreadsheet that can be used to model alternate scenarios.

Figure 2: Cumulated cash requirement varying market penetration(four cases)



Income, profit, and balance sheet

In the base-case scenario, sales in year 5 are forecast to reach \$61.5 million. Net profit before tax is projected to be positive from the middle of the third year of operations, and will rise to 71% (or \$44.1M) of sales in year 5. Gross margins will be between 80 and 90% for the first five years. A balance sheet can also be provided if requested.

Figure 3: Forecast unit costs, expenses, revenues, and net profit (base case)

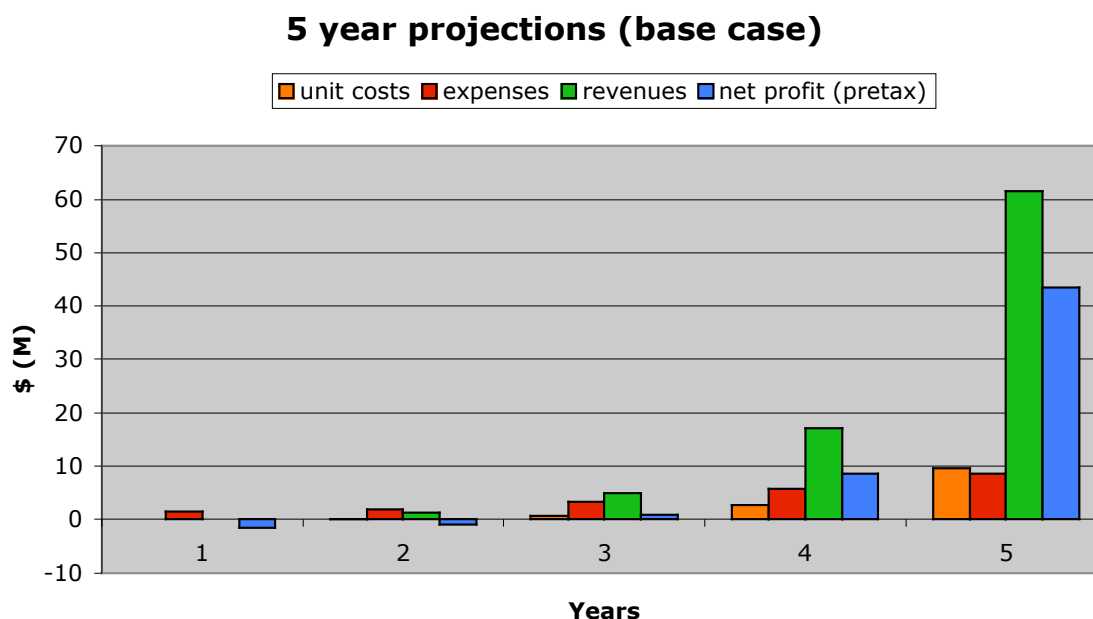


Table 6: Profit and loss statement with simple cash flow (base case)

	year1	year2	year3	year4	year5
SALES:					
Infant Product	500	25,000	100,000	250,000	430,000
Child Product	0	5,000	25,000	175,000	1,130,000
product 3	0	0	0	0	0
product 4	0	0	0	0	0
TOTAL UNITS:	500	30,000	125,000	425,000	1,560,000
AVG. SELLING PRICE:	39.99	39.99	39.99	39.99	39.99
GROSS REVENUE(\$):	19,995	1,199,700	4,998,750	16,995,750	62,384,400
Unit Costs:	5.00	5.00	5.00	5.00	5.00
Credit card fees (3%)	599.85	35,991.00	149,962.50	509,872.50	1,871,532.00
COST OF GOODS SOLD:	3,100	185,991	774,963	2,634,873	9,671,532
GROSS MARGIN:	16,895	1,013,709	4,223,788	14,360,878	52,712,868
(percent)	84%	84%	84%	84%	84%
EXPENSES:					
Sales:	490,000	1,035,991	2,069,963	3,919,873	6,361,532
R&D:	730,000	475,000	600,000	690,000	610,000
G&A:	291,000	366,500	613,000	1,147,000	1,629,500
TOTAL EXPENSES:	1,511,000	1,877,491	3,282,963	5,756,873	8,601,032
NET PROFIT (BT):	(1,494,105)	(863,782)	940,825	8,604,005	44,111,836
(percent of gross sales)	(7,472)%	(72)%	19%	51%	71%
CASH FLOW (\$):					
Open Cash Balance:	0.00	(1,494,104.85)	(2,357,886.85)	(1,417,061.85)	7,186,943.15
Add Cash from Sales:	19,995.00	1,199,700.00	4,998,750.00	16,995,750.00	62,384,400.00
Less Cash re Expenses:	(1,511,000.00)	(1,877,491.00)	(3,282,962.50)	(5,756,872.50)	(8,601,032.00)
Less Cash for Prod'n:	(3,099.85)	(185,991.00)	(774,962.50)	(2,634,872.50)	(9,671,532.00)
Closing Cash Balance:	(1,494,104.85)	(2,357,886.85)	(1,417,061.85)	7,186,943.15	51,298,779.15

Table 7: Five-year expense budgets. Aqua fields are budget estimates that may change.

SALARIES	year 1	year 2	year 3	year 4	year 5
fulltime employees	5	4	8	10	11
founder	85,000	100,000	130,000	150,000	150,000
developers	210,000	180,000	160,000	190,000	200,000
com dev	80,000	180,000	240,000	330,000	330,000
off manager	0	0	50,000	50,000	50,000
ceo/coo	0	75,000	150,000	200,000	200,000
other exec	0	0	0	0	0
bonuses	0	0	0	300,000	500,000
shipping	0	10,000	20,000	60,000	80,000
health insur (@3k)	15,000	12,000	24,000	30,000	33,000
subtotal	390,000	557,000	774,000	1,310,000	1,543,000
CONTRACT					
web contract	30,000	30,000	50,000	30,000	30,000
art content	60,000	100,000	100,000	150,000	150,000
dev contract	30,000	0	0	0	0
info content	60,000	60,000	0	0	0
legal	50,000	10,000	10,000	50,000	100,000
webservices/IT	30,000	30,000	50,000	50,000	120,000
advertising	400,000	800,000	1,600,000	3,000,000	4,000,000
accounting	10,000	10,000	20,000	20,000	100,000
cust serv	10,000	20,000	80,000	80,000	160,000
alliances	0	35,991	149,963	509,873	1,871,532
contract/future	680,000	1,095,991	2,059,963	3,889,873	6,531,532
CAPITAL					
computers	180,000	45,000	200,000	100,000	30,000
software	50,000	10,000	20,000	10,000	10,000
dvd printers	60,000	0	0	120,000	30,000
inventory	20,000	20,000	20,000	0	0
misc hardware	20,000	20,000	20,000	40,000	40,000
furniture	40,000	20,000	20,000	20,000	20,000
acquisitions	0	0	0	0	0
capital	370,000	115,000	280,000	290,000	130,000
INFRASTRUCTURE					
supplies	7,500	10,000	15,000	50,000	100,000
rent + util	35,000	50,000	50,000	100,000	100,000
travel	3,000	7,500	20,000	30,000	30,000
sm biz insur	0	0	0	0	0
phones	7,500	6,000	12,000	15,000	16,500
infrastructure	53,000	73,500	97,000	195,000	246,500
MISC					
gen exp account	18,000	36,000	72,000	72,000	150,000
other exp	18,000	36,000	72,000	72,000	150,000
subtot expenses	1,511,000	1,877,491	3,282,963	5,756,873	8,601,032
variable costs	2,500	125,000	625,000	2,125,000	7,800,000
credit card fees	600	35,991	149,963	509,873	1,871,532
variable sub	3,100	160,991	774,963	2,634,873	9,671,532
exp+var costs	1,514,100	2,038,482	4,057,925	8,391,745	18,272,564
revenues	19,995	1,199,700	4,998,750	16,995,750	62,384,400
pretax earnings	(1,494,105)	(838,782)	940,825	8,604,005	44,111,836
total expense	1,514,900	2,039,282	4,387,214	11,403,147	33,711,707
total exp (\$M)	1.51	2.04	4.39	11.40	33.71
corp tax (35%)	800	800	329,289	3,011,402	15,439,143
post tax earnings	(1,494,905)	(839,582)	611,536	5,592,603	28,672,693

Funding needs

We project that we will need an initial seed round of \$350,000 to attract major business allies and additional management. Funds will be used to begin operation, develop an initial working, but scaled down system, perform focus groups, create professional quality movie clip samples, and convert the provisional patent to a stand patent filing. We project that we will require two additional rounds of funding of \$1.5M and \$2.5M per year for the next two years. In addition to seed-round funding, we are actively seeking the right match of advisors and external resources that will best facilitate Cuvid's success.

Cuvid is in the early developmental stage and is not generating revenues. Therefore, we have not yet placed a valuation on the company. We have modeled valuation using both discounted net operating cash flow for three to five year projections and a multiple of post-tax earnings from year five. We will to revisit company valuation during funding negotiations. We are more than willing to add an investor and/or observer seat to the board of directors and are receptive to suggestions for dynamic individuals to fill the CEO role. We will also provide whatever monthly or quarterly financial reviews are requested.

Table 8: Financial assumptions

Revenues	
• First revenues produced after startup	9 months
• Pricing: Infant & child product:	\$39.99
Cost of goods sold	
• Cost per disc: We assume this covers the price of the media, the box, mpeg licensing fee, cost of printing material. We expect the actual cost to be less, especially when buying at volume, though additional third-party agreements for content licensing will likely absorb high-volume purchasing.	\$5/disc
Operating expenses	
• Salaries are based on competitive compensation	
- Founder	\$7,000/mo
- Developer / Lead	\$5,000/mo/\$7k
- Business development	\$6,000/mo
- CEO	\$12,500/mo
• Bonuses as salary increases as a maximum of:	10% / year
• Consultants and contractors are employed at market rates	
• Health care calculated per full time employee	\$3k
• Rent :	\$3/sqft/mo
• No reserve for bad debt was included	
• Corporate tax rate	35%
Capital costs	
• More detailed breakdown of tech budgets are included in the TDD	
Balance sheet	
• Payables and receivables are settled within	30 days
• Depreciation periods: hardware /software	5yrs, / 3yrs

9. Sample images

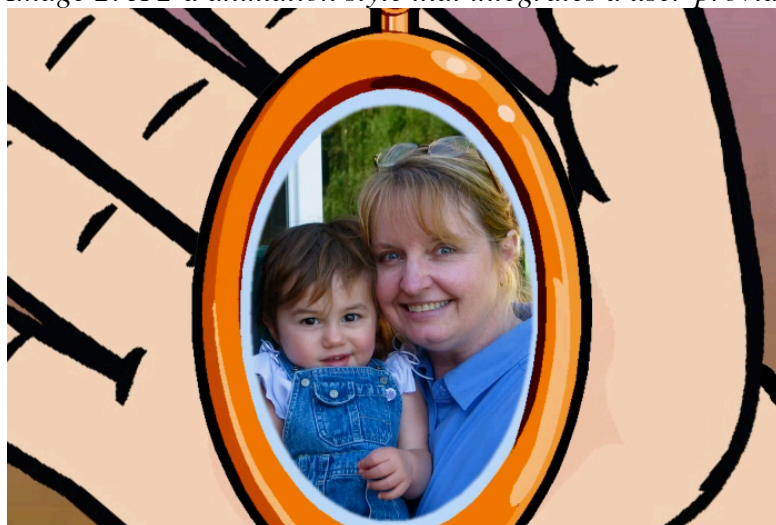
The following images are clips from two short 40-second clips created by the founders, neither of which are professional artists or animators. The final versions will be done by professional artists and will be of a much higher quality. These clips were designed to give a basic look-and-feel of what the final products could look like.

Screen shots

Image 1: A 3-d animation style of a holiday scene where text (sign posts and mail box) have been personalized. This image also includes various product-placement. The snow-man is an real-world plush toy. The red car is a Lego vehicle and the small child is a Lego person.



Image 2: A 2-d animation style that integrates a user-provided photo into the story line.



Integrated and source image examples

Image 3: A 2-d animation style showing the character and the source image.

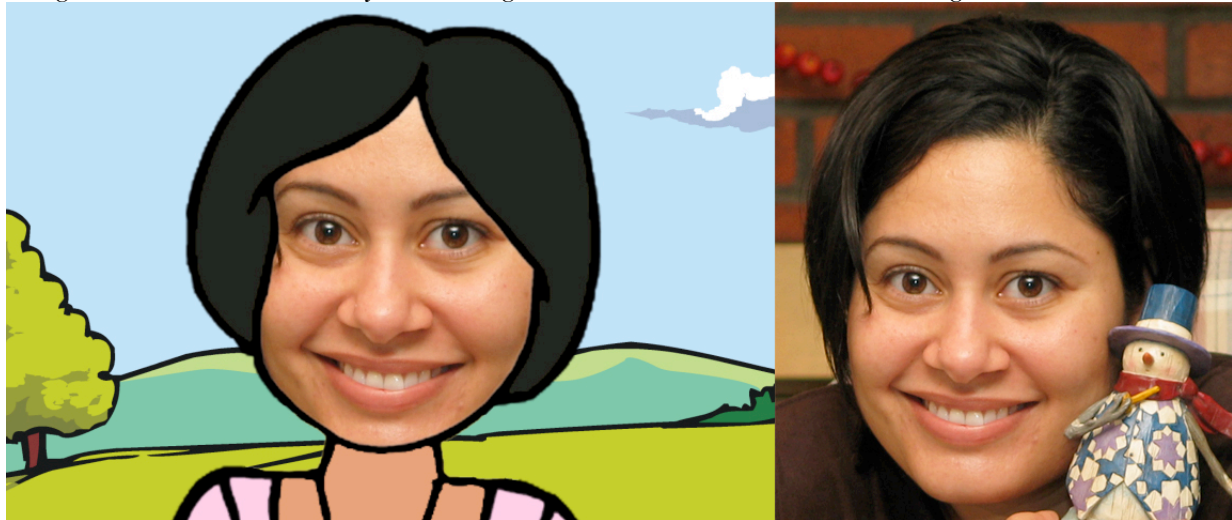


Image 4: A 2-d animation style showing the character and the source image.



Different input images into the same character animation

Image 5: Different input images in the same character animation. Skin tones and hair color were matched with color-matching algorithms. The faces were both warped using the same algorithm from straight-on source images to achieve a 3/4 perspective.

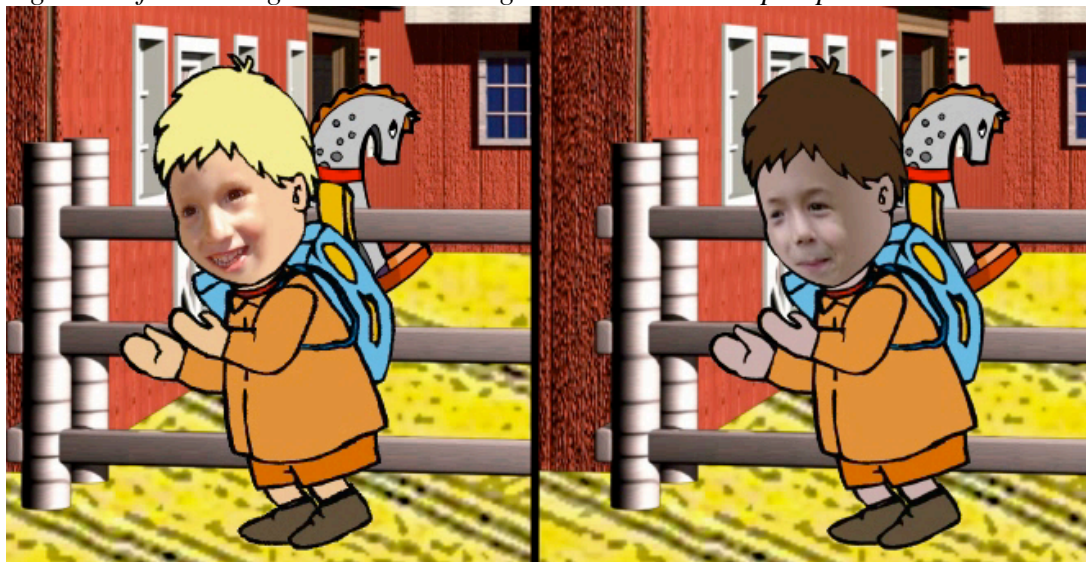
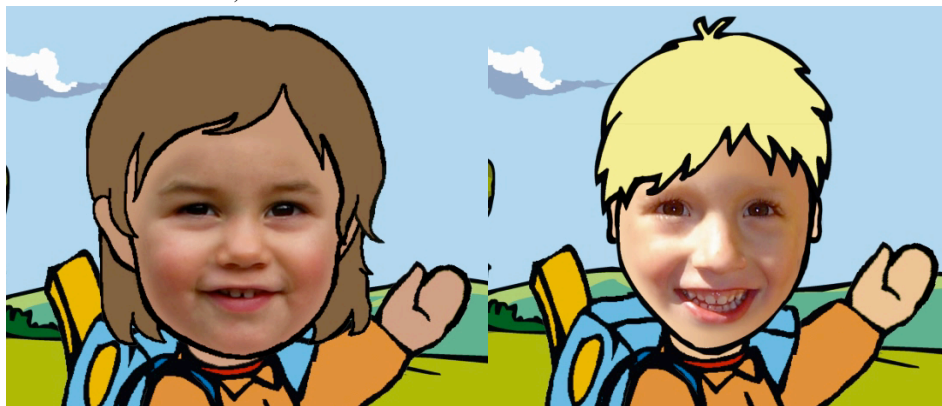
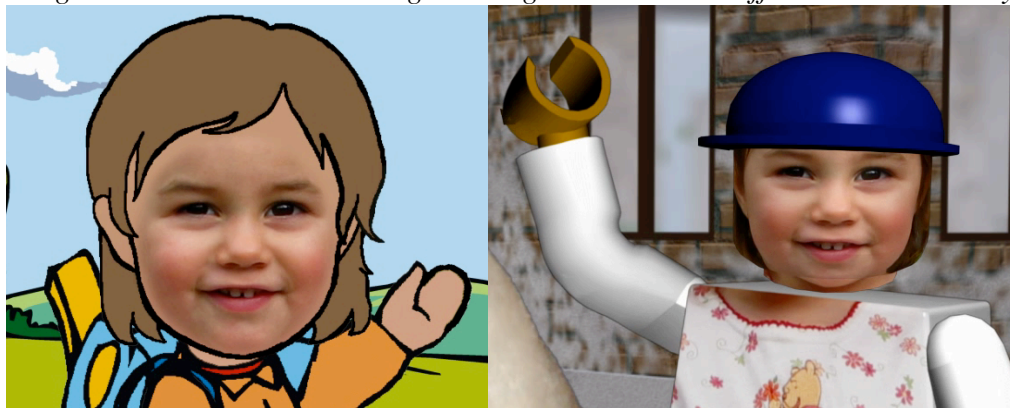


Image 6: Different input images into the same character animation. Here different head models were used, and skin tones and hair color were matched to the source image pixels.



Different character animations from the same source image

Image 7: The same source image is integrated into two different animation styles.



Appendix A: Key statistics

US Demographics

US population (2004) ⁸	293.6M
Age 0-4 (2000) ⁸	19.2M
Age 5-9 (2000) ⁸	20.4M
Age 10-14 (2000) ⁸	20.6M
Number of US households (2004) ⁸	117M
US married couples (2000) ¹	57M
US babies born annually	4M
Number of new children/yr in divorces (1997) ¹	1M
Single mothers with children (2000) ¹	7.5M
Families with children and two parents (1997)	25.6M
Percentage of households that are families (2000) ¹	68.8%
Married couples in which both are employed (2000) ¹	30.2M
Children <18 living with just one parent (1998) ¹	20M (28%)
Median household income (2003) ⁸	\$43.3k
US households with net worth > \$1M (2004) ⁹	8.2M

Internet penetration²

US at home (2004) ¹²	75%
North America (2002)	66.7%
W. Europe (2002)	37%
56k modem usage (2003)	44%
Total Internet Households (2003) ⁷	61.5M
US Internet households with children <18 (2003) ⁷	45M
US Internet households with incomes >\$50 (2003) ⁷	29M

Broadband usage⁵

US online households with high-speed connections(2005)	53%
US broadband penetration (2005) ¹⁵	56.3%
Worldwide broadband usage in 2007 (will double)	245M
Asia-Pacific broadband users (2004)	56.6M
North America (2004)	37.7M
US broadband subscribers(2003) ⁶	24.6M
Western Europe (2004)	28.7M
Latin America (2004)	2.3M

Media penetration^{10, 11}

US online families without DVD player (2003)	37%; 23.4M (=63%, 40M with)
Global DVD revenues (2010)	\$49B
Global DVD market penetration 2004 / 2010	23%/46%
Global VHS revenues (2000/2010)	\$17B / \$8.5B
Global DVD/VCR ratio (2009)	464M / 435M
US VHS market penetration	70%
VHS sales (2003) ¹⁴	\$2.9B
US DVD sales ¹⁴	\$11.6B

Worldwide Internet language usage in 2003 (based on 680M total users) ⁴

English	242M (36%)
Chinese	83M (12%)
Japanese	66M (9%)
Spanish	(8%)
German	(7%)

European Internet users³

All Europe (2003)	208M
Germany	37.8M
UK	30M
France	24.7M
Italy	23.5M

Television usage

Children <2 that watch TV¹³ >74%

REFERNECES

1. US Census Bureau via <http://Divorcemag.com/statistics/statusus.shtml>
2. IDATE, Jan 2003 via eMarketer.com
3. International telecommunication Union, December 2003 via emarketer.com
4. Global Research, Sept 2003 via eMarketer.com
5. Broadband Worldwide 2004, April 2004 via eMarketer.com
6. Jupiter Research & Instat-MDR Jan 2004 via ITFacts.biz
7. US Department of Commerce *A Nation Online* Sept 2004
8. US Census Bureau National Population estimates 2004
<http://www.census.gov/popest/states/NST-ann-est.html>
9. TNS vis cnnmoney.com http://money.cnn.com/2004/11/16/pf/millionaire_households/
10. Ebrain market research http://ebrain.ecnext.com/coms2/gi_0252-50/DVD-Player-Market-Potential-Non.html
11. InformaTelecon
http://events.ibctelecoms.com/marlin/20001000461/MARKT_EFFORT/marketingid/20001214936/
12. <http://www.websiteoptimization.com/bw/0403/>
13. Henry J. Kaiser Family Foundation report: "Electronic Media in the Lives of Infants, Toddlers and Preschoolers."
14. Consumer Electronics Association
http://www.ce.org/publications/books_references/digital_america/home_theater/video_source_components.asp from
<http://answers.google.com/answers/threadview?id=410209>
15. <http://www.websiteoptimization.com/bw/0503/>

Appendix B: Possible examples of content concepts

Family oriented

- Learning names, faces, voices of parents
- How to deal with a new sibling
- Learning a new street / neighborhood
- Playing with the family pet

Social interactions

- Going to a new school / new teacher
- Dealing with specific fears
- Sharing
- Potty training
- How to act on the playground
- How to act in a restaurant

Personalized education

- Speech sounds in a parent's voice
- Learning alphabet, counting
- Learning to spell a child's name

Other

- Holidays (e.g., Christmas, Halloween)
- Birthdays

Appendix C: Possible alliances

Name	Type	Notes
Ofoto.com	Photo-upload, customer acq	Owned by Kodak (name changing to Kodak Easy Share)
Shutterfly	Photo-upload, customer acq	
Nickelodeon	Content	Large % of top children's programs (Fairly Odd Parents, Nora the explorer, Spongebob). Owned by Viacom
PBS	Content	More education oriented Sesame Street plus other top children's programs (especially younger infants) Clifford, Dragon Tales
Mattel	Content, product placement	Hot Wheels, Barbie
Lego	Content, product placement	
Leap Frog	Content, distribution	Great contact in Deb Kelson, baby consumer sales
HitEntertainment	Content, product placement	Thomas the Train
Parenting.com	Baby Portal, customer acq	
BabyCenter	Baby Portal, custom acq	Have contact in VP of Business Development
FasTracKids.com	Customer acq	New high-tech learning classes for kids
Karen Katz	Content, product placement	Up-and-coming author with simple 2D drawings and morally and behaviorally focused stories
First Impressions		
SoSmart		
SmartStartBaby		
Douglas Toys	Content, product placement	Stuffed animal maker
Sony	Customer acq	Bundle with digital or video cameras
Kidvidresearch.com	Customer acq	Possible PR roll
Family Circle	Customer acq	Possible PR roll
American Baby	Customer acq	
Universities	Endorsements, PR	Dorthy/Jerome Singer (Yale), Sandra Calvert (Georgetown), Daniel Anderson (UMass), Donald Roberts (Stanford), Alison Gopnik (Cal), Patricia Greenfield (UCLA)

Appendix D: Related competitors

Name	URL	Type	Notes
Kideo	kideo.com	Personal VHS	Public domain vhs personalization with Nick Jr. and PBS licensing. Also called Starmarker & Personalized Online Photo
YesVideo	Yesvideo.com	VHS to DVD	High volume dvd authoring with 13 pending patents; used Band of Angels for funding
Young Star Video	Young-star.co.uk	Personal VHS	Terrible quality, pre-recorded names, ~14 minutes long
U-R the star	Digikidz.com	VHS, some DVD, CDrom	Short 15-18min long, poor quality, some licensing (Arthur & Dora), mail or upload photo; only 1 face; pre-recorded and maybe digitized voices
Infant Recognition	Infantrecognition.com	DVD/VHS slide show	Include pictures & sound clips in a slide show marketed to infant market; not well marketed, no animation – very slow; either hand done or basic batch
Mitsui-Toshiba	Mt-expo.com/odyssey	Theater movies	Face capture technology at a technology expo that integrates faces into animation for a theatrical experience – no take-home media

A more detailed table (priorArt032805b.xls) exists that outlines the features and deficiencies of these competitors and our approach. This table is available upon request.