

*Find a star,
Be a star*

Research Overview
2017

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COMPANY NAME
NewCo

FOUNDED
2017

FOUNDERS
Founder 1
Founder 2

OFFERINGS
Mobile Platform

MARKET
Musicians
(pros and amateurs)
Music Production Firms
(Other vendors of
musical artists)

FUNDING REQUIRED
\$500,000 Seed
Funding
\$1.5 Million Series A
Funding

FUND ALLOCATION
Platform Development
Working Capital
Marketing
Research &
Development

Executive Summary

COMPANY ANALYSIS

NewCo (also referred to as “the Company”) is a revolutionary platform designed for music professionals to showcase their work and talent to the masses to better collaborative partnerships and reveal opportunities in their immediate community and the greater music landscape, globally. Utilizing geosourcing technology and the increasing market appetite for on-demand, local connections, NewCo brings music professionals together through an unprecedented mobile application. Through the NewCo platform, users can log onto the app anywhere and find other users local to their specific location—it’s that easy.

NewCo is here to connect music professionals with opportunity wherever they are. The Company aims to bring a transformative platform to the music industry by delivering three primary functions to users:



As the NewCo concept is in its development stage, current trends in both the US Musical Groups & Artists industry and the Global Music industry as a whole, indicate an ideal landscape for NewCo to remix the music production scene in a way that harmoniously utilizes the ever-maturing digital age of the smartphone.

THE OPPORTUNITY

The music industry is primed and ready for NewCo to disrupt its current disconnected landscape. While the consumption of music and the business model of the industry itself has shifted, the back end of the field—sourcing talent, connecting writers, composers and producers, and collaboration—has yet to catch up. NewCo aims to transform the music industry, and the following trends (elaborated upon in the Opportunity Analysis section) indicate the world is ready for the impact of NewCo to drop.

More and more, digital platforms are being created to serve the music industry once threatened by digital disruption—this trend has seen exponential growth in the last 10 years. Interestingly, the transition to digital within the U.S. Musical Groups and Artist's industry caused revenue to fall at an annualized rate of 1.0% over the five years to 2016. Yet, falling revenue over the past five years has not deterred new musicians from joining the industry—employment is expected to grow at an annualized rate of 4.4% over the next 5 years. While the industry has undergone a significant adjustment due to the impact of a shifting digital environment, it increasingly appears to have successfully pivoted away from declining physical album sales towards innovation through *embracing alternative digital paths to revenue*.

Now rebounding, in 2016, the global recorded music market grew by 5.9%, which is the fastest rate of growth witnessed since 1997. Increasingly, record companies see this moment as the start of a new chapter in recorded music, albeit one that is underpinned by a continuing commitment to invest in music and developing artists. Currently, record companies spend more than \$4.5 billion annually, or about 27% of their revenues, on Artists & Repertoire (or A&R) and marketing – discovering, nurturing and promoting artists and their music. This is a *significant* pain point for music producers. Furthermore, in total, the Company's market size in the U.S. of working musicians (of any type ie: composers, singers, recording artists, etc.) is at least 1.38 million—all of which are considered active working professionals in the industry. Assuming amateurs and blossoming musicians still hidden from the market are not included in this market size estimate, there is an incalculably large market for musician-targeted platforms domestic and abroad. NewCo is designed to meet the pain points of the market with a solution that serves the global industry—and there couldn't be a better time.

COMPANY MISSION

"NewCo believes in the creative power of collaboration and the potential in connection. Every artist in the music industry—from the amateur mixer to the rock star pro—has a gift to share. This is why NewCo is committed to making the industry more accessible. We want to help you be the right talent; we want to help you find the right talent."

-NewCo Founders & Industry Veterans, Founder 1 & Founder 2



The NewCo App

Musicians and talent searchers can download and sign up for the app using Facebook, Google+, or LinkedIn. Once users download the app, they can take advantage of certain services and functionalities for free or can gain extensive access for an affordable monthly fee, mirroring the successful business models of similar tech firms.

WHO IT SERVES

MUSICIANS

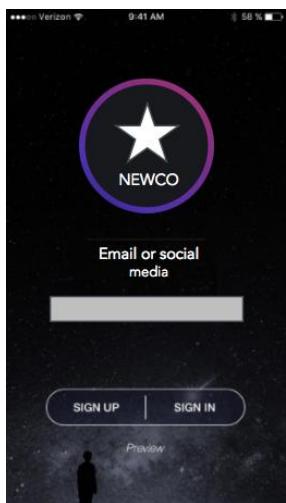
NewCo is meant to serve the 1.38 million+ existing and upcoming talent in the music space. This talent includes but is not limited to musicians, sound engineers, producers, writers, and more. *The ability to build out profiles, share music, and work with one another is the foundation of the application;* however, talent can easily find a job or other music opportunities through the NewCo platform.

TALENT SEARCHERS

In addition to giving talent a platform and environment to showcase their work, collaborate, and become employed, NewCo is meant to serve those looking for talent—record labels, producers, vendors, music executives, managers, and more. Additionally, the billions of dollars record companies spend on A&R reveal a clear market need, and NewCo offers the perfect solution.

HOW IT WORKS

MUSICIAN PROFILE



Musicians are invited to showcase their skills by building and promoting their profiles and working within the app. In order to establish their profiles, users can upload photos, biographies, audio files, and video media for others to watch and enjoy. Users can also connect their YouTube, Vimeo, Sound Cloud, Instagram, Facebook and other social media accounts to their NewCo profile to import media from those platforms as well as promote their other pages.

Users may then follow other artists they are interested in by either searching for the musician's name or utilizing the "Recommended Artists" feature within the app. Users can add artists to their "Favorites" list and add tracks to their "Glances" page for scouts who may be interested in hiring them. Finally, NewCo will feature certain musicians' profiles on their "Hottest this Week/Month" front pages in order to gain more traction for upcoming artists.

TALENT SEARCH

NewCo makes it easier for record labels and music executives to easily find and interact with the best talent. NewCo gives those who are looking for talent to hire or to sign the ability to search based on skill-set such as engineer, producer, musician, or writer, as well as by genre, similar sounds, gender, location radius, age range, ethnicity, and other relevant keywords.

Additionally, record labels, music executives, and employers can post job openings for musicians to apply to and may even feature a job advertisement elsewhere in the app. NewCo gives record labels, music executives, and employers the option to direct message talent to start conversations rather than wait for talent to see their job posting. The app houses a map view of nearby and local talent, and also allows for record labels, music executives, and employers to search for talent outside of local radius for an additional charge.

MAKE AND COLLABORATE ON MUSIC



NewCo not only provides talent with an opportunity to showcase their music, but also facilitates an environment for talent to work with each other to create and collaborate on their art. The app includes design intuitive tools to encourage collaboration and engagement between artists directly on the platform.

Talent can follow each other, send and receive notifications and messages, and can also receive updates in their news feeds about related or connected artists. There is a chatting/messaging feature in the app itself, and users can share profiles with one another if they find a potential artist they would like to collaborate with. At its core, NewCo is designed to serve as a digital community for artists.

BUSINESS MODEL

The NewCo platform will be free to download, and users may create and access a restricted view of artist profiles. To generate revenue, the Company will offer two monthly memberships that allow paying users to access a greater breadth of capabilities, dependent on the membership type:



For \$5 a month, Premium Artist Memberships allow artists to maximize their profiles and access full geosourcing and community contact capabilities within the app. Similarly, Talent Search Memberships allow individuals or businesses to post job opportunities, engage in detailed talent searches, and access the full profiles of talent for \$10 a month, moving up to \$20 a month after the first year of operation.

As the Company's user-base grows, NewCo will additionally garner revenue from the sale of digital ad space. In the future, NewCo will consider pursuing alternative revenue streams, including paid access to instructional videos or content along with an industry-specific, digital publication that will simultaneously enhance the opportunity for ad revenue while garnering more organic traffic through strategically produced content.

VALUE PROPOSITION



UNMATCHED VALUE: NewCo brings unmatched value to the expansive music industry within a single mobile application. For artists and talent that are dreaming, studying, up-and-coming, or already pros, the Company offers an online community to showcase and connect through music within an easy-to-use, and cutting-edge platform. The ability to collaborate, source jobs, and connect with a world of opportunity is made possible through NewCo, and there's no other platform offering the same breadth of capabilities.

PREMIUM FUNCTIONALITY: Additionally, NewCo offers geosourcing technology still untapped by the industry. Talent searchers and artists themselves can find and work with one another locally, thereby simplifying the process needed to create new music or book jobs, as users can easily listen to each other's tracks and review detailed profiles all in one place—the NewCo application.

FULFILLS MARKET NEED: NewCo gives industry employers, record labels, music executives, agents, managers, and venues a simplified and accessible way to find the exact talent they need. With 27% of record label revenues put towards A&R, NewCo makes the constant search for new emerging talent easy, seamless, and effective, solving an age-old problem for talent searchers.

HOLISTICALLY HELPFUL: All combined, NewCo not only gives talent seekers the ability to find talent, but also talent more opportunity to find work and collaborate with others in a competitive industry. Overall, NewCo enables the music industry to be a more friendly, collaborative, and lucrative space, one download and beat at a time.

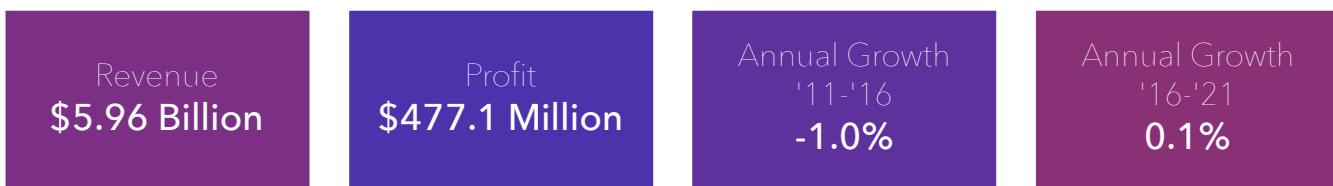
SCALABLE BUSINESS MODEL: NewCo is strategically positioned to grow organically with a solid, scalable business model mirrored after successful companies, like LinkedIn. With plans to strategically launch in cities, such as Miami, New York, Austin, and Los Angeles while utilizing the founders' many industry connections, NewCo is uniquely positioned to reach its target market. As the Company builds traction and grows in users and the regions where the app is offered, the business model will smoothly scale to "grow as they go." NewCo is an investment opportunity ripe with potential, and as the opportunity analysis reveals, there couldn't be a better industry landscape to support the launch and growth of the NewCo platform.

Opportunity Analysis

MUSICAL GROUPS & ARTISTS INDUSTRY ANALYSIS¹

The Musical Groups & Artists industry is comprised of musicians, recording artists and songwriters that produce music professionally, either in front of a live audience, in a recording studio or both—one of the key markets of NewCo. Musicians in this industry may earn revenue from songwriting, producing, or recording, but they primarily operate as performers. The most significant and overwhelming trend in this industry involves the disruption of digital access to music followed by the adoption of digital platforms to better serve the industry. These trends are highlighted to illustrate the prime environment NewCo plans to enter.

INDUSTRY PERFORMANCE



With the emergence of mp3 players, music piracy, internet radio, and online streaming, the Musical Groups and Artists industry has been subject to a series of massive shakeups over the past decade. The steady replacement of physical albums for digital songs has slashed revenue from recordings, largely due to digital music selling at a lower price point. The transition to digital and a large drop in federal funding for the creative arts have caused industry revenue to fall at an annualized rate of 1.0% over the five years to 2016 to reach nearly \$6.0 billion.

The industry has attempted to adapt to the digital environment by placing increased focus on live performance, which requires self-promotion and a business model focused on performance income rather than royalty and recording income. This has been especially the case for megastar pop musicians, as they are the handful of artists who generate the bulk of industry revenue and generally earn more from album sales than most musicians. Historically, most musicians have relied far more on income from live performances than album sales, which puts money directly in their hands and is not divided among labels, publishers, and performers. Indeed, much of the industry is composed of individual musicians or jazz and classical ensembles that do not release recorded music. While the industry appears to be navigating this change with some success, industry revenue is still expected to have decreased 0.2% in 2016.

Figure 1: Musical Groups & Artist Industry Historical and Future Revenue, 2011-2021 (IBISWorld)



Over the five years to 2021, industry revenue is forecast to grow at an annualized rate of 0.1%, growing moderately to \$5.98 billion. Rising incomes will raise consumers' ability to pay for songs, albums, and concert tickets, however, the real impact on the industry is primarily tied to digital disruption. While digital sales will be unable to compensate fully for declining album sales (hence the moderate growth rate), **musicians will continue using online tools to market and distribute their work.** As online streaming becomes the dominant form of music distribution, artists and labels will continue to pressure legislators to support higher royalty rates from internet, satellite, and cable radio stations. This digital transition is a key trend revealing a market shift (fueled by the tech-savvy and hungry millennial population) increasingly embracing the benefits of technology to enhance the music industry, through platforms like NewCo.

DIGITAL IMPACT

Regardless of genre, popularity or success, members of the Musical Groups and Artists industry are music makers, whether they're performing live or recording in the studio. The industry includes any group or individual that earns a living by playing music, though industry revenue also includes songwriting, producing, and royalties paid to songwriters and performers. Most industry revenue is generated by a relative handful of hugely successful pop artists and celebrated orchestral groups. Top 40 radio artists



conduct sold-out tours for higher prices and receive much larger royalty fees from their songs' use as commercial, film, and TV soundtracks, ringtones, and streams for internet and satellite radio (revenue streams are untapped by most musicians). Likewise, since album sales are divided among record labels, publishers and performers, this form of revenue constitutes a minor source of income for most musicians. Conversely, live performances, including session performances, put money directly into performers' hands and represent 48.7% of overall industry revenue.

VOLUMES FALL AND RISE

Revenue for the Musical Groups and Artists industry has been falling due to lower album sales as the industry moves towards digital music downloads. Falling album sales affect earnings for top musicians and thereby shrink the industry as a whole, even though most musicians receive little album sales revenue. Digital music is sold at a lower price point than physical albums (usually \$9.99 for a digital album, as opposed to \$14.99 for a CD). As of January 2013, digital music sales now account for more overall music sales than physical mediums like CDs, according to Nielsen and *Billboard*. In 2011, overall album sales rose for the first time since 2004, with digital album sales soaring about 20.0%, according to *Billboard*. Industry revenue rose 2.1% in 2011 as a result.

The industry has since adapted by directing resources to alternate revenue streams, such as live performance. Spending on popular music concerts shot up from \$4.4 billion in 2011 to \$5.1 billion in 2013 (latest data available), according to Americans for the Arts research paper, National Arts Index 2014. The past five years have marked a high point for the popularity of music festivals in particular. According to Pollstar, a live concert

attendance tracker, the Coachella Valley Music and Arts Festival continues to set attendance records, with nearly 200,000 people in attendance in 2015 (latest data available).

UPSETTING OLD MODELS

Falling revenue over the past five years has not deterred new musicians from joining the industry. The Musical Groups and Artists industry is heavily characterized by nonemployers **as many artists and bands have no accompanying staff and rely on group members for management, administration and technical support.** Few barriers to entry, apart from the minimal investment in instruments and the willingness to practice rigorously, exist for the industry. The number of industry enterprises is estimated to have increased at an annualized rate of 8.2% over the five years to 2016 to reach 44,616 operators. **Employment is expected to grow at an annualized rate of 4.4% to 75,921 workers.**

The increasing power and accessibility of internet-based publicity tools and professional-grade recording software have also contributed to a rise in solo enterprise numbers. Social media sites Facebook and Twitter allow musicians to build publicity and connect with listeners directly. Distribution services like Bandcamp allow an artist to sell music downloads directly to listeners, circumventing traditional distribution models that require a label and publisher or being hosted on large music e-tailers like iTunes or Amazon.com. Finally, the increasing capabilities of recording software, from consumer-grade products like Apple's GarageBand to industry-standard software like ProTools, have made professional studios less essential for an artist's first foray into recording, further lowering barriers to entry and encouraging enterprise growth. **The falling costs of operating in the industry have allowed profit margins to grow, increasing from 3.3% in 2011 to 8.0% in 2016.**



OWNERSHIP VS ACCESS

The internet's rapidly growing speed and accessibility have deeply affected how listeners access musicians' work. According to Pew Research Center, online-radio listenership has doubled since 2010. Online-radio listeners access sites, such as Pandora, and other streaming services that offer massive libraries of music for free; they are particularly popular with younger listeners. Online radio has grown rapidly and is supported by audio advertisements. However, neither online radio nor streaming software like Spotify are as popular with adolescents as YouTube, which hosts millions of songs. For many people, YouTube functions as a music player. **Widely available access to free music has made downloading and owning music less important for younger consumers.** This trend drives down album sales across the board and severely reduces revenue for record labels and royalty payments for big-name artists because YouTube's advertising payments generate a fraction of the revenue brought in by a digital album's sale. With the fragmentation of access to music, conventional methods of compensating artists have yet to reflect the new environment. Terrestrial radio play continues to pay only songwriting royalties, not performance royalties, and internet radio and satellite radio companies pay vastly different percentages of their revenue in royalties of both kinds.



An ongoing discussion in the legislature has considered whether to impose the same royalty rate across internet, satellite and cable radio stations, along with requiring terrestrial radio stations to pay royalty fees when the station's feed is streamed online. This is an ongoing issue in Washington, with several bills being presented to Congress, including the Interim First Act in 2012. In May 2013, Congress launched a sweeping copyright review that sought to deal with the question of intellectual property in the digital age. The most recent regulatory proposal is the Fair Play Fair Pay Act, which has been before Congress since April 2015.

Over the past several years, the industry has undergone a significant adjustment due to the impact of a shifting digital environment; however, **the industry increasingly appears to have successfully pivoted away from declining physical album sales towards innovation through embracing alternative digital paths to revenue.** These trends indicate an ideal landscape for innovative digital platforms, like NewCo, to enter the market.

THE GLOBAL MUSIC INDUSTRY²

"Modest Growth, limitless potential"

-Frances Moore, CEO of IFPI, or International Federation of the Phonographic Industry

Like the domestic Music Groups and Artists Industry, the global recording industry is seeing modest growth after more than a decade of significant decline. **Years of investment and innovation have begun to reward an industry that has shifted from adapting to the digital age, to driving it.** The story of the recorded music industry over the last two decades is one of transformation: from physical to digital; downloads to streaming; ownership to access. The industry is now working with its partners on another, ongoing transformation: from years of decline to sustainable growth.

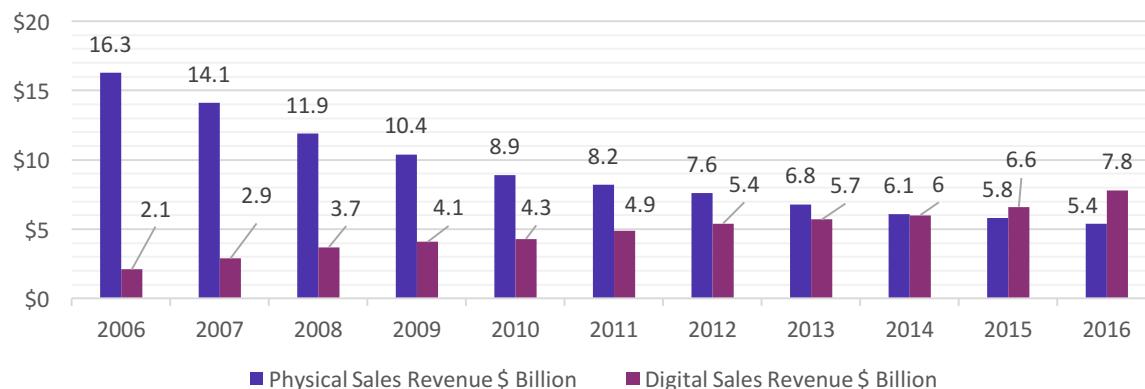
INDUSTRY PERFORMANCE

In 2016, the global recorded music market grew by 5.9%, the fastest rate of growth since IFPI began tracking the market in 1997. This was a second consecutive year of global growth for the industry, with revenue increasing in the vast majority of markets, including nine of the top ten. This growth, however, should be viewed in the context of the industry losing nearly 40% of its revenues in the preceding 15 years.

Streaming has been the clear driver of this growth, with revenues surging by 60.4%. With more than 100 million users of paid subscriptions globally, streaming has passed a crucial milestone. It makes up the majority of digital revenue, which, in turn, now accounts for 50% of total recorded music revenues.

Record companies are driving this digital evolution. Even through more than a decade of market decline, they continued their central mission to discover, nurture and promote artists and their music. Alongside this, record companies have built the systems and infrastructure that has enabled the widespread licensing of digital music services and supported their development. **They have engaged on a global scale, while recognizing the need for local approaches to develop new and emerging markets.** The global digital market is now seeing unprecedented competition, with streaming services developing and extending their offerings around the world. Rather than cannibalizing the existing streaming base, these developments are expanding it, providing fans with a more varied, richer experience and bringing streaming to new audiences and new territories.

Figure 2: Global Music Industry Historical Physical & Digital Revenue (excludes Performance & Synchronization, IFPI)



Just as the revenue from physical sales has been steadily declining, revenue from digital sales has been steadily rising. While the industry was majorly disrupted by the impact of digital innovation, it now enjoys boundless

opportunity through the very trends that threatened it. Far from being the conclusion of a long-term transition, however, **record companies see this moment as the start of a new chapter in recorded music, albeit one that is underpinned by a continuing commitment to invest in music and develop artists, and driven by the need to deliver their music to fans in ever more varied and exciting ways.**

INDUSTRY OUTLOOK

Digital is now responsible for 50% of global revenue, and this share has seen 17.7% growth in 2016 alone.



While physical sales remain significant in certain territories and for the leading artists, there is no doubt that streaming is the key driver of growth, with the number of users of paid subscriptions having broken the 100 million mark and continuing to rise. Fans are engaged with music in an amazing variety of formats, from the vinyl revival to the phenomenon of musical.ly, but the growth story is centered on services which are widening streaming's demographic appeal. Record companies and their distribution partners have been instrumental in this, licensing more than 40 million tracks to hundreds of digital services worldwide and developing the high performance systems that allow music to be accessed around the world. Their approach has been global in scope and yet local in execution, adapting their practices to open up legal digital markets for music. These shifts have produced 60.4% growth in streaming revenue despite a 7.6% decline in physical revenue and a 20.5% decline in download revenue in 2016; change in the industry is far from slowing, and NewCo is ready to make a move.



The transformation has created an enormously exciting environment for music fans, who are benefitting from new and evolving services and accessing more music than ever before. **In turn, artists have more ways to connect with their fans and more opportunities to share their work in diverse and creative avenues. If the digital market continues to grow, so too will the overall level of remuneration to artists, as will the levels of overall investment required to create new music whilst helping to drive digital innovation.**

However, this is far from 'mission accomplished'. Instead, as the market continues to evolve at a pace never before seen, **the industry is seizing the moment, driving further innovation and exploring ever-expanding new ways of engaging with fans around the world.**

Realistically, for this growth to become sustainable, for investment in artists to be maintained and for the market to continue to evolve and develop, more must be done to safeguard the value of music and to reward creativity. For music to thrive in a digital world, there must be a fair digital marketplace.

The global music business is changing more significantly – and quickly – than ever before, but the fundamental role of a record company remains the same: **to discover, nurture, support and promote artists and to make their music accessible around the world.**

Remarkably, this is *precisely* what NewCo hopes to contribute to through its new platform.



Market Analysis

NewCo will serve the domestic and global music industry, targeting smartphone application users, and more specifically, musicians, industry professionals, and record companies. Therefore, the trends of smartphone applications directly impact the landscape in which NewCo will operate.

TARGET MARKET: MUSICIANS, MUSIC PROFESSIONALS, AND RECORD LABELS

NewCo's mobile app is designed for the broader music community. The Company is committed to serving musicians, other music professionals, and record companies through a single synergistic platform; record companies source musicians and other music professionals to create and distribute music to the global market of music listeners. NewCo will assist in this process through giving all players the opportunity to meet, share, and collaborate through the NewCo platform, deeming each of these categories a significant target market for the Company.

RECORD COMPANIES³

Record companies are the primary investors in music, and as such, they are a prime market for NewCo. **They spend more than \$4.5 billion annually, or about 27% of their revenues, on Artists & Repertoire (or A&R) and marketing – discovering, nurturing and promoting artists and their music; NewCo is designed to assist in this costly process, ultimately reducing record companies' spend on this segment by providing them with a more accessible and affordable solution to finding the exact musician they need at any stage of musical development they desire.** For context, record companies spend a greater share of revenues on A&R than most other sectors invest in their own research and development (R&D). They have sustained this share of investment through recent years, even as the industry weathered more than a decade of revenue decline—the need for an A&R solution has not declined with the shifts in the industry.

The partnership between artists and labels goes far beyond the financial. Record companies nurture artists, allowing them to develop their sound, their craft, and their careers. They also facilitate introductions to world-class producers, writers and other performers, which can go on to reap huge rewards and re-define careers.

Further, the evolution of the market is being reflected in the evolution of 'standard' record contracts – to the extent that there is no longer such a thing as a 'standard' record contract. Instead there is choice and flexibility (including the 'a-la-carte' services model where performers choose to engage record companies for a more limited and tailored range of support), the result being more power in the hands of the artists and a growing sense of partnership. This changing

\$4.5 billion

The global investment on A&R and marketing in 2015

27%

The share of recorded music industry revenues invested in A&R and marketing.

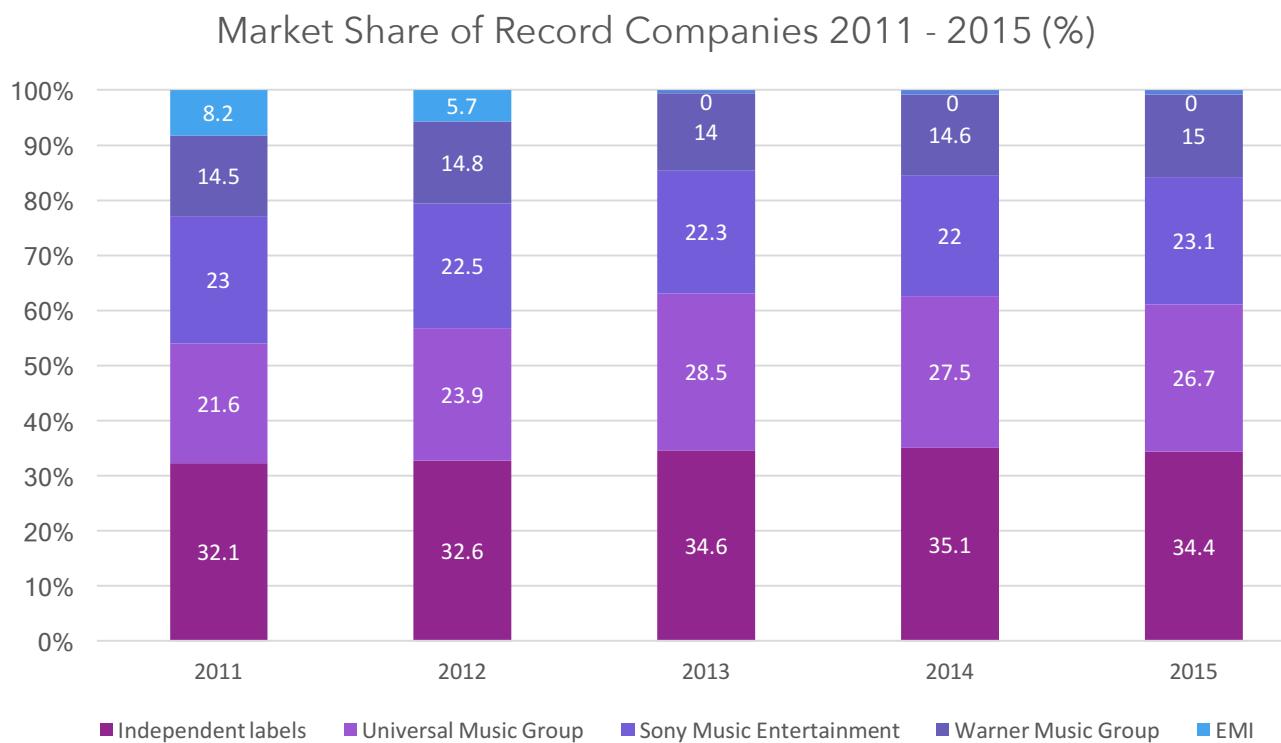
\$500 thousand
- \$2 million

The typical cost of breaking a worldwide signed artist in a major market such as the US or UK

landscape of record companies indicates the market's openness to new solutions for building a music career, which further illustrates the way in which the market is ready for a platform like NewCo.

While there are four massive record companies that combine to dominate the market, independent record companies still have a significant share; while NewCo will serve all record companies regardless of size, it will be particularly valuable for independent labels who are always limited on funds and looking for creative ways to find and sign quality talent. The following chart reveals the market share of record companies in the United States from 2011 to 2015, by label ownership. In 2011, independent record labels held a market share of 32.1% of all U.S. sales, which is a massive market for the Company to target.

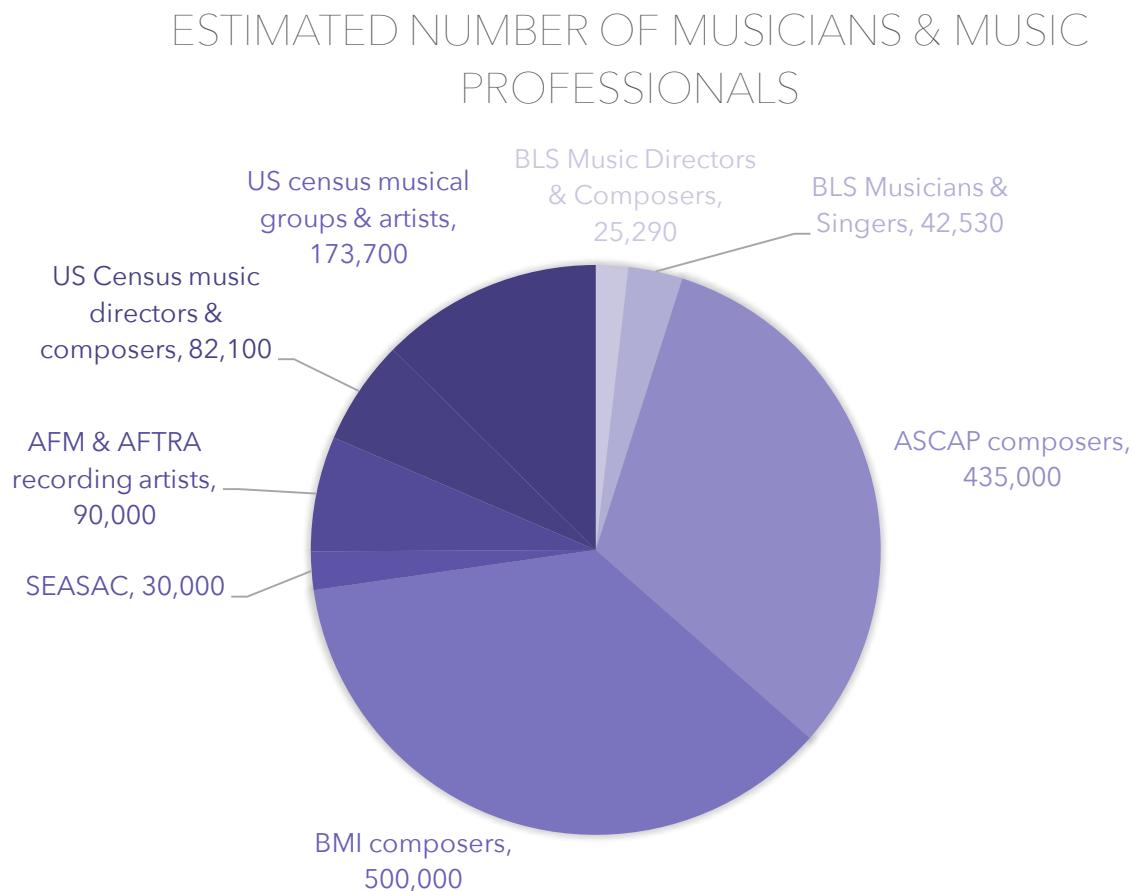
Figure 3: Market Share of Record Companies in the US, Statista 2016



MUSICIANS & MUSIC PROFESSIONALS

As an official profession, musicians are individuals who make money playing and creating music. While the number of musicians who engage in musical creation and/or performance as more of a hobby is massive, it is difficult to pin down an actual market size for the broad category of 'musical individuals.' Additionally, music professionals such as song writers, composers, directors, producers, and more, are oftentimes overlapping within the musician category. This means the actual market figure of these populations is tough to come by precisely. However, it is certainly possible to illustrate the massive market size by pulling information from several separate, yet reliable, sources. There is significant data, on professional musicians and music professionals either employed through a music label or independently earning taxable income that is reported to the US Census or analyzed through the Bureau of Labor Statistics (or, BLS) every few years.

Figure 4: Market Size of Musicians & Music Professionals, Source Indicated



According to the BLS May 2011 report, there were 25,290 music directors and composers and 42,530 musicians and singers in the US. These numbers seem low, especially when compared to the ballpark number of composers—435,000 in the American Society of Composers, Authors and Publishers (ASCAP) and 500,000 in the Broadcast Music, Inc. union (BMI), or to the number of AFM and AFTRA recording artist members in the US, which is over 90,000, or the 30,000 included in the music rights organization, SEASAC. Because BLS data, by definition, does not include self-employed workers, this discrepancy in numbers is more understandable, as many, many musicians and composers are self-employed. Indeed, outside of salaried player work or faculty teaching positions, almost all musicians and composers are self-employed.

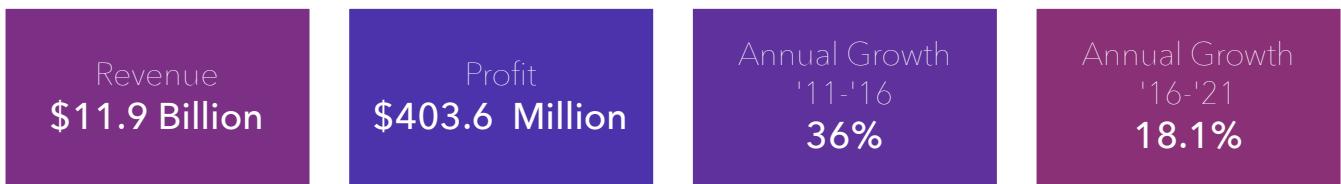
The US Census publishes updates every five years. The 2016 data indicates that 82,100 individuals were employed in the Music Directors and Composers category. In the Musical Groups and Artists census category, there were 173,700 individuals employed in this category in 2016. Government statistics have some value because they are reliably collected over time, however the exclusion of the diverse types of individuals that fill this market size calls for additional calculations.

From these figures, it is possible to arrive at the conclusion that there are *at least* the combined figure of these types of individuals, all of which are a part of NewCo's target market. In total, the Company's market size in the U.S. of working musicians and music professionals is at least 1.38 million—all of which, as active working professionals, are potential NewCo users (excluding record companies). Assuming amateurs and blossoming musicians still hidden from the market are not included in this market size estimate, it is clear that NewCo has a *sizable* market pool.

Furthermore, the lack of data within the industry reveals a potential revenue stream for NewCo. Once the Company has acquired a significant number of users, it can then sell its user analytics to advertisers, think-tanks, and research firms who could advantageously use this information without any detriment to NewCo's user base.

SMARTPHONE APPLICATION MARKET: AN EVER-GROWING LANDSCAPE

Smartphone Applications, or mobile apps, develop and publish software for smart phones and mobile devices; these applications are typically sold in an online store that can be directly accessed through the device. With the release of Apple's iOS App Store and Google's Android Google Play, as well as the smartphone's instant popularity and high adoption rate, mobile applications have seen astounding growth, and developers of these applications have reaped the benefits of this growth. In 2016, mobile apps earned \$11.9 billion, with \$403.6 million in profit. This revenue was the result of 36% growth over the five years to 2016; the next five years are expected to enjoy a slightly less but still impressive 18.1% growth to 2021, and NewCo is positioned to capitalize on this success.



SMARTPHONE APP MARKET TRENDS

Smartphone Apps are booming. The proliferation of smartphone devices with application capabilities has facilitated substantial growth over the past five years. Applications vary from tools to improve productivity to gaming, professional, and social platforms, like NewCo. Consumers are increasingly opting to connect to the internet on the go through their mobile devices and many desktop applications have developed smartphone applications to facilitate customer demand.

The Smartphone Era

Apple's introduction of the iPhone just less than a decade ago called the world of ecommerce to go mobile. Today, smartphones have engrained themselves into the majority of peoples' lives. According to Pew Research, 68.0% of adults have smartphones, up from just 35.0% in 2011. The ability of smartphones to run mobile apps offers consumers far greater functionality than other mobile phones. The substantial rise in the use of smartphones, coupled with the introduction of app stores, has boosted overall spending on mobile apps. Apple's App Store was launched in 2008 and was an instant success, causing app industry revenue to grow 142.9% that year. In 2012, Google followed suit and launched the Google Play store, its own version of an app store, which led to revenue booming 110.8% that year. NewCo will take advantage of both marketplaces, developing both an iOS and Android version of the app.

Show Me the Money

Mobile app revenue stems from paid-for apps, advertising, and in-app purchases. Some developers sell their apps in an online marketplace for a predetermined price and pay a royalty fee to Apple or Google (the dominant platform owners) for each app sold, applying the traditional pay-per-download model. Others choose to release



their app for free and generate revenue by placing advertisements throughout the user interface. **The advertising model has worked extremely well for major player Facebook and propelled the company to become the largest operator in the industry. Some developers choose a hybrid version of the two, offering a paid-for app with no advertisements and full functionality, as well as a free version with sponsored ads and limited functionality.** The freemium business model offers a pricing strategy in which a mobile app is available for free, and advanced features and functionality can be acquired through in-app purchases (IAP). **Free apps with IAP are increasingly in the app market; according to Distimo, in January 2012, in-app purchases from free apps generated 46.0% of the Apple App Store revenue. In January 2014, the revenue share of free apps with IAP was at 79.0%.**

INTENSE COMPETITION

At the beginning of the smartphone era, mobile gaming and social networking dominated the industry of app development. However, consumers are spending an increasing amount of money on interactive entertainment online and on digital devices. **Business apps with practical utility and online shopping apps have taken up an increasing market share.** NewCo is a hybrid of the old and new, essentially combining a social media platform with business capabilities, but specifically for the music industry.

The high number of operators in the industry and the increasing prevalence of free apps has increased industry competition as operators compete to get consumers to download their apps. **Due to rising competition, operators have spent more on marketing to make their apps sell.** Wages as a percentage of revenue have also risen over the period due to the need for skilled coders. Consequently, industry profit has suffered.

The oversaturation and lack of structure in the Smartphone App Developers industry have caused developers to incur intense competition, leading to high failure rates among mobile apps. It has also become increasingly difficult for app developers to differentiate their products and market them as superior to others. **Functionality and aesthetics are increasingly important bases of competition, and apps are updated and enhanced regularly to effectively compete.** To this end, NewCo is designed with these trends in mind, arming itself with a quality V1 app that will continuously be improved upon to maintain a competitive edge.

Competitive Analysis

KEY COMPETITORS

NewCo will compete directly with other music sharing apps across the globe. The industry is highly fragmented with a number of operators providing differing services; however, outlined below are the top competitors to the Company that share similar services that still fall short by comparison.



Jammcard

Headquarters	Los Angeles, CA
Date Founded	September 27, 2013
Business Overview	Jammcard is a private app for music professionals. It is platform to create and share creative portfolios to highlight skills, experiences and media for musicians, producers, singers, songwriters, directors, techs, managers, live/studio engineers, etc.
Total Capital Raised	\$100,000
Website	www.jammcard.com
Organic Keywords	2
Monthly SEO Clicks	1
Organic vs. Paid traffic	100% organic, 0% paid
Paid Keywords	0
Est. Monthly PPC Clicks	0
Est. Monthly Adwords budget	\$0
Strengths	User-friendly onboarding, positive user experience
Weaknesses	<p>Exclusive network—because the app is private, Jammcard will perpetually be limited by restraints on scalability, as reviewing each potential user is a laborious task.</p> <p>The subjective judgement on whether or not an individual is worthy to join the app is additionally too easily exclusive of fresh and attractive talent.</p> <p>NewCo takes advantage of Jammcard's limits. The Company believes that even the fringes of the industry—those just starting or those too timid to go pro, still have value to add and deserve to be heard.</p>

SoundBetter

SoundBetter

Headquarters	Brookline, MA
Date Founded	November 3, 2013
Business Overview	SoundBetter is a marketplace for recording studios, mixing engineers, mastering engineers and session musicians. Users can find engineers and musicians by specialties, budget, genre, credits and previous client endorsements.
Total Capital Raised	Undisclosed (1 seed round in 2013)
Website	www.soundbetter.com
Organic Keywords	2,911
Monthly SEO Clicks	30,000
Organic vs. Paid traffic	97% organic, 3% paid
Paid Keywords	104
Est. Monthly PPC Clicks	945
Est. Monthly Adwords budget	\$1,400
Strengths	Well thought out “talent” page, great snippets for artists highlighted
Weaknesses	SoundBetter is essentially a staffing platform for musicians. While it shares this function with NewCo, SoundBetter lacks heart. Musicians need more than just a job to pay the bills—they need a community to share, collaborate, and create with. While SoundBetter reduces musicians’ art to dollar bills alone, NewCo will include the opportunity to find work as a secondary function to enriching and fulfilling the artistic needs of its users.

TREBEL

Treble

Headquarters	Los Angeles, CA
Date Founded	2014
Business Overview	Trebel is a music app for iPhone that lets users download songs and albums, and play them offline, for free. Users can listen to music you download anywhere with no WiFi needed. Trebel is engineered for unlimited music downloads and uses less phone battery and cellular data than streaming music apps.
Total Capital Raised	Undisclosed amount by 30 Weeks (incubator)

Website	www.trebel.io
Organic Keywords	73
Monthly SEO Clicks	948
Organic vs. Paid traffic	100% organic, 0% paid
Paid Keywords	0
Est. Monthly PPC Clicks	0
Est. Monthly Adwords budget	0
Strengths	User-friendly onboarding, positive user experience
Weaknesses	<p>Trebel is a prime example of a business that serves the few superstars of the industry, but ultimately leaves the majority of the industry behind. This huge market is too easily forgotten by businesses just looking to serve consumers of popular music. NewCo is designed first and foremost for musicians of all types, levels, interests, and experiences, and no app adequately serves this population.</p> <p>Trebel will continue to have an uphill battle fighting established industry players while NewCo will be enjoying access to the majority of music professionals' through a proprietary concept.</p>

COMPETITIVE ADVANTAGES

While there are a fragmented number of indirect competitors like those reviewed above, NewCo is the only platform that offers an all-encompassing solution for everyone engaged or looking to be engaged in the music industry. Through offering more than just a platform pigeonholed into selling music, musicians, or feigned substance through exclusivity, NewCo will be able to distinguish itself from the competition. NewCo will capitalize on its competitors' weaknesses by building on several strengths listed below.

Unmatched Breadth of Service

- All music professionals and amateurs can find a home and source opportunities through the Company's platform—NewCo is made *by and for* musical artists.

Serving all Parties

- NewCo is ideal for both talent searches and talent. The Platform is designed to meet the needs of each user, regardless of type.

Mobile Application

- The Company's mobile application will be user-friendly and accessible, offering access to local musicians from the palm of your hand, wherever you are.

Customizable Profiles

- The Company's profiles are customizable, professional, easy to navigate and build, and can highlight things like availability, resume experience, allow for audio, video, photos, and more.

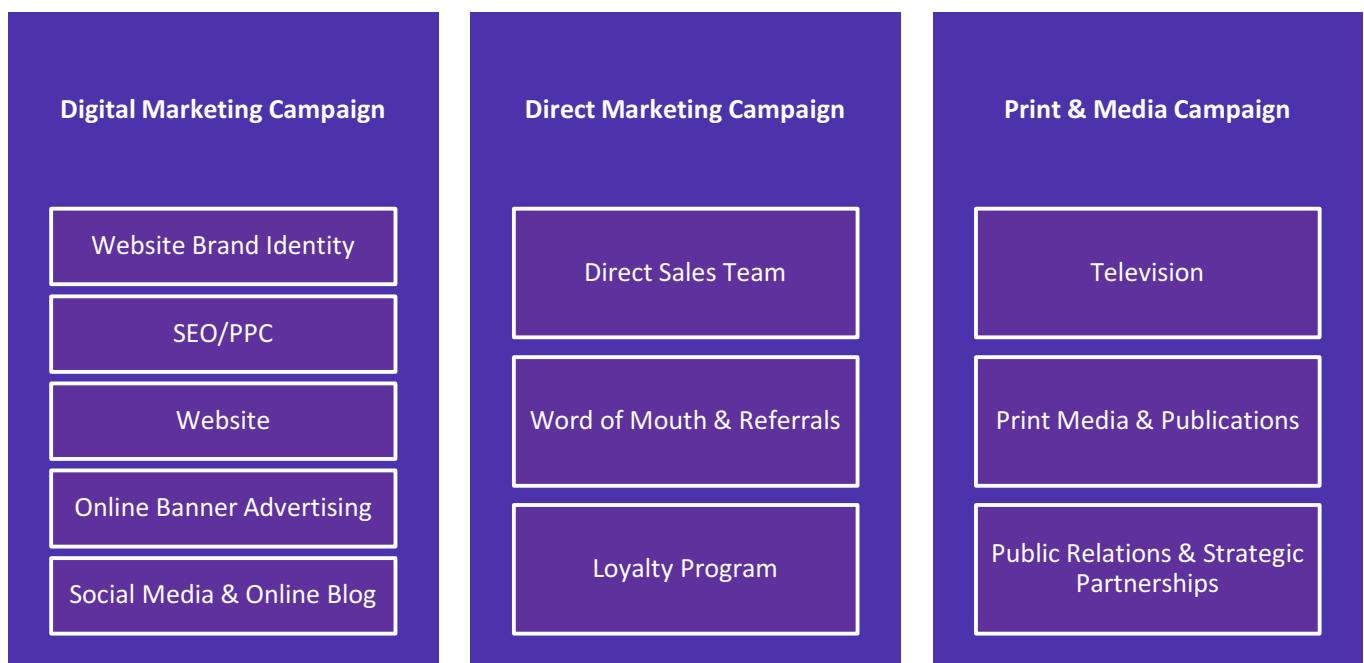
Marketing Plan

MARKETING OVERVIEW

NewCo will work to implement an integrated strategy, utilizing marketing and advertising to reach its target market and position a variety of promotional marketing tactics to generate demand for its app. The Company's initial marketing strategy will focus on influencing organic growth, and will include targeted internet advertising, search engine optimization, and active use of social media. The Company will also implement a larger promotional campaign to eventually include print ads and television commercials. Through these methods, the Company will establish itself as a premium mobile application for musical artists and professionals.

NewCo's marketing strategy will additionally utilize online marketing tactics, direct business development efforts, and public relations to further reach its target market and position the Company as a reputable and reliable source for connecting musicians and opportunities in the music space. The goal of the Company's marketing plan is to create a platform for long-term success and to increase its overall brand awareness to all musicians. An overview of the marketing channels under consideration are outlined in the figure, below.

Figure 5: NewCo Marketing and Distribution Channels



DIGITAL MARKETING CAMPAIGN

WEBSITE AND BRAND IDENTITY

NewCo's website will be developed to provide an interactive, simplified navigation to achieve a cohesive user experience indicative of the app's cohesive experience. The Company's landing page will serve as a launch-pad for the app, ultimately educating potential users to help them fully understand the Company's value proposition and learn more about the brand and overall mission. The website will specifically highlight the Company's services.

Customers will be able to start the download process for the NewCo app on the Company's website. After being taken to the app store, customers will be shown a synopsis of the app with an easy-to-use set up process.

NewCo will utilize a series of digital marketing initiatives to drive website engagement and promotions through e-mail marketing, online advertising, and online content. This is a powerful way to engage frequent and new potential users.

SEARCH ENGINE OPTIMIZATION

Internet searches are by far the most common activity on the Internet. Therefore, it is crucial for NewCo to appear among the top results when a user searches for keywords related to "local musicians," "music community online," and other phrases related to musical artist or those searching for them. NewCo will implement an aggressive search engine optimization strategy, whereby the Company will optimize content using keywords related to its Company. By optimizing its content, NewCo will organically aggregate higher on Google, Bing, and Yahoo search engines and thereby become more visible to potential customers.

Furthermore, NewCo will pursue a SEO strategy on a local level. On Google's first search page, three local companies will appear depending on how strongly related the Company is to the search term. For example, when Googling "Miami Musicians," three companies/individuals appear near the middle of the page detailing the top results related to that phrase, within the stated region. In order to appear on this list, NewCo will pursue the aforementioned optimized keyword usage throughout its content. Furthermore, the more online reviews the Company receives, the higher it will rank on the list itself. Thus, NewCo will work to source positive reviews on Google from former customers through quality service and incentive programs.

PAY PER CLICK CAMPAIGN

NewCo will also pursue a pay-per-click (PPC) advertising campaign, in which the Company can pay additional funds for visible ads on search engines like Google and Bing. These campaigns target high search volume terms relevant to the business in order to drive traffic to the website. NewCo will analyze and opt for keywords that are the most cost effective in terms of driving traffic to the website and enhancing the Company's visibility on the market.

In order to facilitate a PPC campaign, NewCo will establish a Google AdWords account to create targeted advertisements that will appear on the first page of a Google search. The Company, after creation of an AdWords account, will establish the geographical radius in which the ad will appear. Then, NewCo will create an ad and allocate a certain budget towards that ad. When potential consumers search for a phrase related to NewCo (i.e. "bands for hire"), the ad will appear near the top of the Google search page. When customers click on the ad, a certain dollar amount will be drained from the Company's allocated budget; this dollar amount will vary depending on the popularity of the search term.

The order in which NewCo ad will appear will be determined by a number of factors, including how large of a budget the Company is willing to spend on the ad, the cost-per-click of the phrase, and how relevant the



Company is to the actual phrase used. Initially, NewCo will initially budget of at least \$3,500 per month on AdWords advertisement; as the Company grows, this budget will scale accordingly.

SOCIAL MEDIA & ONLINE PUBLICATIONS

NewCo will develop a solid presence on social networking sites, including Facebook, Instagram, and Twitter.

Social media pages – an effective and inexpensive form of marketing - will serve as a hub for NewCo's content, populated with videos, images, news, blog posts, and more. Content will include pictures of NewCo's users and featured events, as well as real-time updates regarding new success stories, special promotions, and community events. Additionally, NewCo will post content and engage with the social pages and blogs of strategic partners, while content will be optimized to align with SEO and PPC strategies.



OTHER FORMS OF ONLINE ADVERTISING

NewCo will identify entertainment-related websites to purchase banner and display ad space. The ads will be visually engaging and include a direct link to NewCo's website, thus providing the traffic and brand awareness needed for increasing market share.

In addition, NewCo will pursue outbound online marketing, including direct e-mail blasts and e-mail subscriber lists to potential customers. E-mails will include updates on app or website functionality, as well as promotions.

Online retargeting, also known as online remarketing, is a form of online advertising that “follows” bounced traffic after they leave a website. Retargeting is a cookie-based technology that uses simple Javascript code to anonymously follow a visitor to NewCo's website:

- ❖ Every time a new visitor comes to NewCo's website, an anonymous and harmless cookie is placed in their virtual pocket
- ❖ Later, when cookied visitors browse the Web, ads will pop-up on related or even unrelated websites
- ❖ The retargeting technology ensures that NewCo ads are served only to people who have previously visited the Company's site, which reduces the cost and enhances the specificity of marketing by limiting it to interested customers

For most websites, only 2% of web traffic converts the first visit; retargeting is designed to help companies reach the other 98% of users who do not convert right away.

DIRECT MARKETING CHANNELS

DIRECT SALES TEAM

NewCo will employ a skilled direct sales team that focuses entirely on promoting its services to musicians and sizable music companies nationwide and beyond. The Company will allocate resources to its sales team to present the Company's value proposition to musicians seeking to utilize the Company's app.

The Company will arrange conference calls and webinar presentations with distant prospects when geography is a limiting factor. The benefits of a direct sales approach include lower upfront marketing costs, enhanced lead generation, and immediate results.

WORD OF MOUTH & REFERRALS

NewCo plans to utilize word of mouth marketing and referrals in order to build trust and reliability amongst musicians across the nation. Happy customers are drawn to discuss their experience with friends, family, and colleagues, resulting in new customer acquisition for the Company. Music communities in particular are known to share the newest resource or tool an individual within the community has discovered—NewCo aims to capitalize on this by giving users a platform and tools worth sharing.

MEDIA CAMPAIGN

TELEVISION

The Company recognizes that television advertising is still an effective means of reaching a large target population, despite the significant cost. For this reason, the Company will consider creating commercials to be aired on cable channels during popular music related programs on NBC (such as The Voice) or ABC (such as American Idol).

PRINT MEDIA & PUBLICATIONS

NewCo will place ads in lifestyle and music magazines that prospective and current musicians may frequent. The Company will also purchase ad space in the arts and entertainment sections of major U.S. newspapers. These advertisements will include the Company's web address and details about the app and what it provides all types of users.

PUBLIC RELATIONS & STRATEGIC PARTNERSHIPS

NewCo will focus on securing editorial coverage with various media outlets targeting the musical artist market. The team will reach out to relevant music editors, high-traffic websites, and blogs in order to create a "buzz" about the Company's services, features, and overall value.

NewCo will consider hiring a PR firm who will be responsible for ongoing media outreach with top tier media sources in the industry as well as prominent online sites and bloggers. Public Relations efforts will also include quarterly creative programming ideas and pitches that will keep the NewCo in the media spotlight and provide the media with an ever-changing story angle, increasing the Company's opportunity for consistent media coverage.

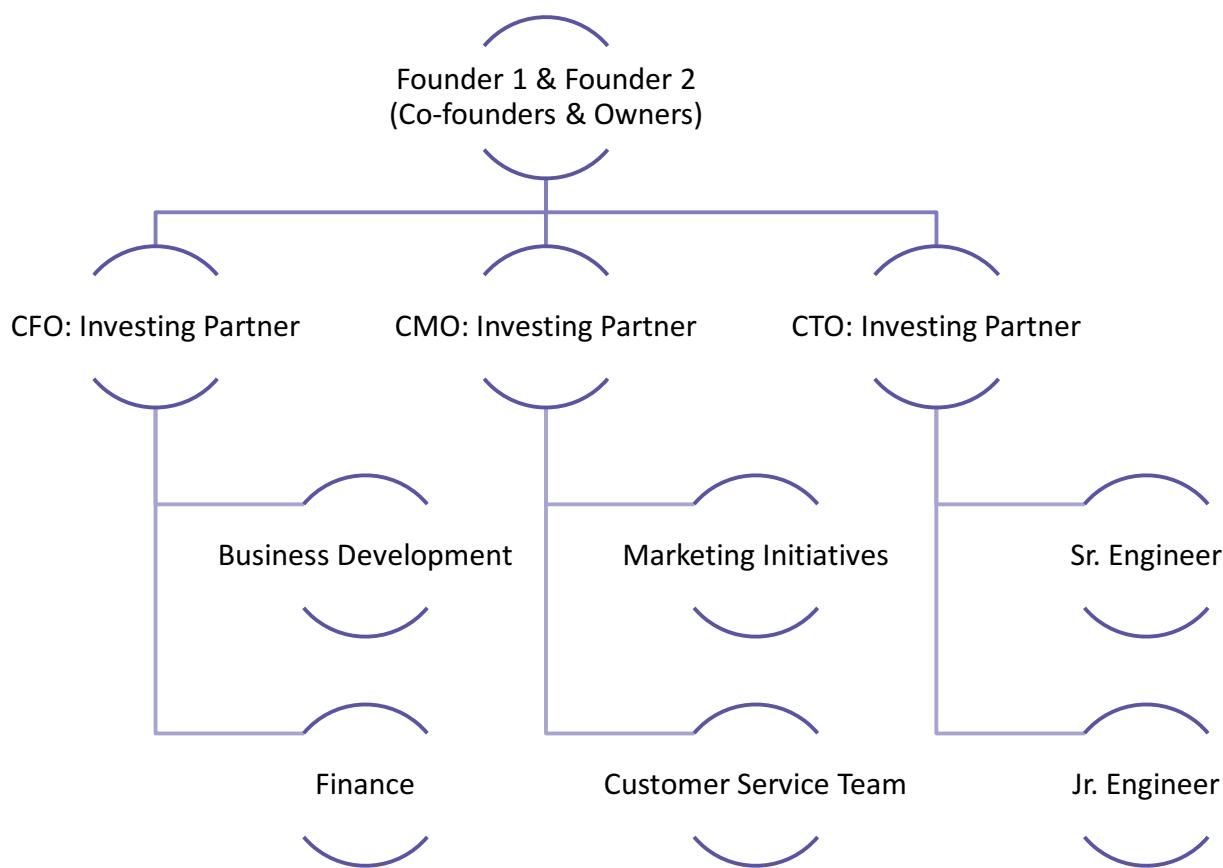
Operations Plan

ORGANIZATIONAL STRUCTURE

Ownership	Founder 2 & Founder 1
Business Entity	TBD
State of Registration	California
Launch Date	Q4 2017

NewCo will be owned and operated by founders Founder 2 and Founder 1 who will manage and lead the overall business operations of the Company. In addition, NewCo will source and hire an experienced leadership team that will oversee a robust staff to support all Company operations. The projected organizational structure of NewCo's team is featured, below:

Figure 6: NewCo Organizational Chart



MANAGEMENT TEAM BIOGRAPHIES

FOUNDER 1, CO-FOUNDER

As an adolescent, Founder 1 has always embodied the spirit of the ultimate competitor and innovator; this spirit has continued to remain a driving force in his quest to succeed in future endeavors. This passion led to his first job opportunity at American Express at just the tender age of 17, where he learned the value in a disciplined work ethic. With a dream of one day playing in the NBA as one of his biggest aspirations, Founder 1 began to devise a plan to make his dream a reality. With only one year of high school basketball and no college ball experience, Founder 1 devised a unique plan to find his way to the NBA in an unconventional manner. He produced a DVD that depicted his skill playing all around different cities. That very DVD found its way into the hands of NBA Head Coach Tyrone Corbin of the Utah Jazz, proving Founder 1's unconventional plan to get the attention of the NBA a success. While Founder 1's basketball dreams were halted by an achilles tendon tear, he never forgot how attainable his dream was with a bit of hustle and creativity.

Founder 1 went on to become a banker, where he worked at Bank Atlantic (now BB&T) doing wire transfers. While he was content with his current work and life, the desire for music and creation was born within him; Founder 1 found a new passion that lit his innovative spirit once more. After years of practice, hard work, and dedication, Founder 1 found himself again on the doorstep of his dream, where he signed a songwriting deal through SESAC Songwriting organization, a publishing deal through Peer One Music, and a composition deal with Disney and Disney Latin. He then went on to producing concerts that included acts Like Lil Wayne, Lady Gaga, Akon, DJ Khaled, Sean Paul, Nas, Lecrae, Hillsong and many more.

Reaching success in the industry, Founder 1 again met with a desire to innovate in a new way, and this led him to his newest venture. Hoping to create something unheard of for new music millennials and artists alike, Founder 1 is honored to be launching NewCo beside his cousin and business partner, Founder 2.

FOUNDER 2, CO-FOUNDER

Founder 2 is from Hartford, Connecticut. He comes from a background of many descents, and different beliefs, and through this diversity Founder 2 developed an ever-present hunger for knowledge. Founder 2's first computer was an iMac his mother brought home when he was in 6th grade. He lived on the internet day and night reading and researching, trying to get as much knowledge as possible; his hunger for knowledge had found a key tool of satiation.

Founder 2 developed a passion for basketball in his adolescence, and while he began to explore life beyond the computer he never lost his passion for learning. He turned out to be an excellent basketball player, receiving recognition from his coaches throughout the year. So while his interest in basketball expanded, so did his opportunity to gain more knowledge—Founder 2 moved to California on a basketball scholarship in Jacksonville.

So as he translated his passion from the basketball court, into school, and then into the real world, Founder 2 continued to earn opportunities to engage with the thrill of learning new skills, and in his hunger for knowledge an entrepreneurial spirit was born. While Founder 2's friends would boast about their jobs they recently landed, he would explain his new business ventures he wanted to try. Unsurprisingly, Founder 2 went on to start his own businesses from home, including a drop shipping company, stock market endeavor, and luxury car/home rental business. In the midst of his schooling, basketball, and entrepreneurial endeavors Founder 2 became close to his cousin, Founder 1, in Miami. Founder 1 introduce him to the music industry, and with his entrepreneurial spirit still fresh and hunting for opportunity, Founder 2 happily joined Founder 1 in the development of NewCo.

KEY HIRING NEEDS

To operate and grow the business while maintaining mitigated costs, NewCo will hire a competent team to help launch and operate the business. The following figure details headcount and salary payouts of the Company over the next five years; these calculations are used in projecting the Company's overall five year financials.

Figure 7: NewCo Headcount & Salaries

Headcount Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Management Team					
Founder 1, Co-Founder	1	1	1	1	1
Founder 2, Co-Founder	1	1	1	1	1
Chief Technology Officer	0	1	1	1	1
Chief Marketing Officer	0	1	1	1	1
Chief Financial Officer	0	0	1	1	1
Sr. Engineer	0	0	2	3	4
Jr. Engineer	0	0	2	3	4
Customer Service Team	0	1	1	3	3
Total Support Team Compensation	\$190,000	\$437,880	\$868,000	\$1,106,091	\$1,301,402
Total Headcount	2	5	10	14	16
Payroll Taxes and Other Benefits	\$23,085	\$53,202	\$105,462	\$134,390	\$158,120
Total Headcount Cost	\$213,085	\$491,082	\$973,462	\$1,240,481	\$1,459,522
 Salary Assumptions					
FY1		FY2	FY3	FY4	FY5
		Growth (%)	2%	2%	2%
Personnel					
Founder 1, Co-Founder	\$95,000	\$120,000	\$122,400	\$124,848	\$127,345
Founder 2, Co-Founder	\$95,000	\$120,000	\$122,400	\$124,848	\$127,345
Chief Technology Officer	\$85,000	\$86,700	\$88,434	\$90,203	\$92,007
Chief Marketing Officer	\$85,000	\$86,700	\$88,434	\$90,203	\$92,007
Chief Financial Officer	\$85,000	\$86,700	\$88,434	\$90,203	\$92,007
Sr. Engineer	\$90,000	\$91,800	\$93,636	\$95,509	\$97,419
Jr. Engineer	\$70,000	\$71,400	\$72,828	\$74,285	\$75,770
Customer Service Team	\$24,000	\$24,480	\$24,970	\$25,469	\$25,978

OPERATIONAL MILESTONES

NewCo has identified the goals that the Company would like to accomplish to facilitate the successful launch of the business. The following figure shows each of these operational milestones, as well as their deployment schedule.

Figure 8: NewCo Milestones

Milestone	Deployment
▪ Complete Business Plan	▪ Q2 2015
▪ Secure Funding	▪ Q2 2015
▪ Incorporate the Business	▪ Q2 2015
▪ Finalize Platform Functionality	▪ Q2 2015
▪ Develop iOS and Android Platforms and Website	▪ Q2 2015
▪ Launch Website and Beta Application	▪ Q3 2015
▪ Begin External Marketing Campaign	▪ Q3 2015
▪ Bug fixes and Refined Version Solidified	▪ Q3-Q4 2015
▪ City Strategic Launch	▪ Q4 2015
▪ Organic Expansion to Additional Regions	▪ Q4 2015 +

Financial Plan

CAPITAL REQUIREMENTS

NewCo is seeking \$500,000 in seed capital in order to fully develop, launch, market, and prove its business concept through attracting, acquiring, and monetizing its users in Year One. The funds will be used to: complete the development of its Android and Apple mobile platform, develop a solid web presence through the Company website, social media accounts, and strategic digital marketing campaign, implement its key hiring needs, and most importantly, to establish an initial marketing and advertising budget through 6 months operating capital.

In order to aggressively scale the business nationally through implementing a mass marketing campaign, the Company will require additional capital of \$1,500,000 (Series A) 6 months into FY1 operations to execute its growth initiatives, including a more significant marketing budget.

The Company expects to pay back its investors through any of the following exit strategies depending on the future performance of the business: M&A, IPO, Private Buy-Out, and/or Quarterly Distributions.

The breakdown of current capital requirements can be seen in the figure below.

Figure 9: NewCo Fund Uses

Fund Use Analysis	M1	M2	M3	M4	M5	M6	M7
Capital Expenditures							
FF&E	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0
Office Expenditures	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0
Total Fixed Assets	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0
Intangible Assets							
Android App Development	\$73,000	\$0	\$0	\$0	\$0	\$0	\$0
Apple App Development	\$120,000	\$0	\$0	\$0	\$0	\$0	\$0
Total Intangible Assets	\$193,000	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital							
Operating Capital	\$196,074	\$0	\$0	\$0	\$0	\$0	\$1,500,000
Reserves	\$40,000	\$0	\$0	\$0	\$0	\$0	\$0
Ramp Up Marketing	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0
Total Working Capital	\$296,074	\$0	\$0	\$0	\$0	\$0	\$1,500,000
Total Infusion Required	\$499,074	\$0	\$0	\$0	\$0	\$0	\$1,500,000
Sources of Capital							
Equity Investment	\$499,074	\$0	\$0	\$0	\$0	\$0	\$1,500,000

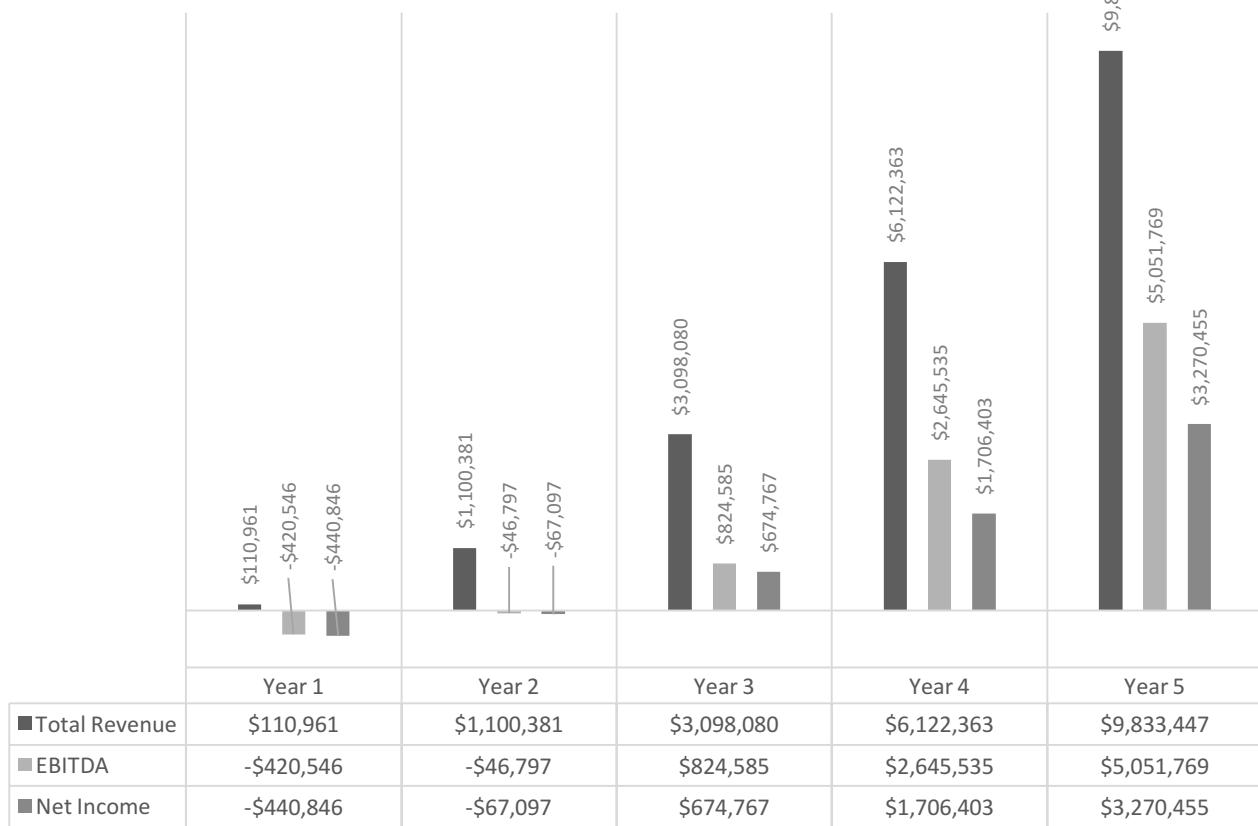
SUMMARY OF FINANCIAL PROJECTIONS

Following the capital infusion into the business, NewCo expects to generate total revenue of \$110,961 in FY1 with a net loss of \$440,846. By FY5, the Company is projected to generate total sales of \$9.8 million with 33% net income of \$3.3 million. NewCo becomes cash flow positive in FY3 with a total of 449,515 cumulative downloads, combining with significant ad revenue to generate over \$3 million in sales in FY3.

Figure 10: NewCo Financial Projections

Summary of Financial Projections	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$110,961	\$1,100,381	\$3,098,080	\$6,122,363	\$9,833,447
Total Direct Costs	\$137,013	\$430,142	\$967,442	\$1,764,149	\$2,695,636
Gross Profit	-\$26,052	\$670,239	\$2,130,638	\$4,358,214	\$7,137,811
Gross Margin (%)	-23%	61%	69%	71%	73%
General & Administrative Costs	\$181,409	\$225,953	\$332,591	\$472,198	\$626,519
Salary & Wage Costs	\$213,085	\$491,082	\$973,462	\$1,240,481	\$1,459,522
Total Operational Costs	\$394,494	\$717,036	\$1,306,053	\$1,712,679	\$2,086,041
EBITDA	-\$420,546	-\$46,797	\$824,585	\$2,645,535	\$5,051,769
Depreciation Cost	-\$1,000	-\$1,000	-\$1,000	-\$1,000	-\$1,000
Amortization Cost	-\$19,300	-\$19,300	-\$19,300	-\$19,300	-\$19,300
Interest Cost	\$0	\$0	\$0	\$0	\$0
Pre-Tax Profit	-\$440,846	-\$67,097	\$804,285	\$2,625,235	\$5,031,469
Retained Earnings	-\$440,846	-\$507,943	\$161,232	\$2,786,467	\$7,817,937
Taxable Income	\$0	\$0	\$804,285	\$2,625,235	\$5,031,469
Income Tax Cost	\$0	\$0	\$91,314	\$918,832	\$1,761,014
Net Income	-\$440,846	-\$67,097	\$712,972	\$1,706,403	\$3,270,455
Net Income Margin (%)	-397%	-6%	23%	28%	33%

FINANCIAL SUMMARY



REVENUE & DIRECT COST METRICS

- The Company will utilize several online marketing initiatives to obtain new user downloads and registrations for both its mobile application and web application.
- NewCo will generate **organic monthly visitors and downloads** to its platforms based on the traction and growth of its brand presence, as well as word of mouth marketing, resulting in free user downloads that do not cost the Company any marketing dollars to obtain this particular user. It is expected that the Company's average organic monthly traffic will grow from 5,000 per month to 633,338 per month.
- NewCo will utilize **Pay Per Click (PPC) marketing** via display ads that populate on a search engine when users search relevant keywords / terminology associated with the Company's platform. The volume of downloads that result from this PPC campaign is calculated by taking the monthly budget divided by the average cost per click (CPC) for Google (\$1.53), Bing (\$1.22), and retargeting (\$1.00). In FY1, the Company's PPC marketing budget is averaged at \$6,249 per month, resulting in an average 4,639 downloads per month. BY FY5, the Company's PPC marketing budget will grow to an average of \$9,920 per month, resulting in a calculated average 7,309 additional users per month. It is important to also note that the average cost per install is dependent on market rates, which may decrease or increase overtime depending on the level of competition competing for similar keywords.
- NewCo will generate visitors and downloads through utilizing **social media marketing** on platforms such as Facebook, Instagram, Twitter, and LinkedIn. On an average basis, the cost per click on social media marketing is roughly \$0.52. At a budget of \$2,283 in FY1, the Company expects to receive 4,788 monthly new users from social media. By FY5, the Company will increase its social media marketing budget to \$3,900 per month, resulting in an expected 7,500 downloads per month.
- NewCo will utilize an email marketing newsletter. Assuming an average cumulative email list of 3,421 potential users in FY1, the Company expects an average of 318 monthly visits. The Company expects these figures to grow to an email list of 8,839 on average yielding average visits of 1,005 new users.

Traffic & Download Metrics	Year 1	Year 2	Year 3	Year 4	Year 5
Avg. Organic Monthly Downloads	30,790	164,113	322,734	506,926	633,338
Avg. Monthly PPC Marketing Budget	\$6,249.82	\$7,279.47	\$8,057.01	\$8,933.16	\$9,920.43
Avg. Spend on Cost per Click (Google)	\$3,670.03	\$4,291.55	\$4,835.83	\$5,449.13	\$6,140.22
Avg. Spend on Cost per Click (Bing)	\$1,572.87	\$1,839.24	\$2,072.50	\$2,335.34	\$2,631.52
Avg. Spend on Cost per Click (Retargeting)	\$1,006.91	\$1,148.69	\$1,148.69	\$1,148.69	\$1,148.69
Avg. Monthly Paid Downloads from PPC	4,689	5,454	6,000	6,616	7,309
Avg. Monthly Social Media Marketing Budget	\$2,282.58	\$3,900.00	\$3,900.00	\$3,900.00	\$3,900.00
Avg. Monthly Downloads from Social Media	4,788	7,500	7,500	7,500	7,500
Cumulative list of email database	3,421	4,877	6,185	7,844	8,839
Avg. Monthly Visits from Email Marketing	318	500	667	846	1,005

- Based on the assumptions stated above, the Company projects a total of 39,705 cumulative users in FY1, with growth to 1.15 million new cumulative users in FY5.

Active User Metrics	Year 1	Year 2	Year 3	Year 4	Year 5
Total Monthly Unique Visitors	40,187	177,567	336,902	521,888	649,152
Total Active Users/App Downloads	10,438	22,095	38,759	54,781	61,630
Total Cumulative Users	39,705	194,329	449,515	796,240	1,150,815

- Of the total accounts, the financial model assumes that in FY1, Talent Searcher Memberships (\$10/month first two years then \$20/month) make up 1% of all users, Music Artist Memberships (\$5/month) make up 10%, and Free Basic Memberships make up 89% of the User Accounts. In FY5 this distribution is expected to remain constant.

Active User Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Artist Membership Subscription Revenue	81,469	696,444	1,938,723	3,788,591	5,952,450
Talent Search Subscription Revenue	16,294	278,578	775,489	1,515,436	2,380,980
Total	97,763	975,021	2,714,213	5,304,027	8,333,430

- On top of memberships, the Company expects to make advertising revenue on the platform.
- The Company's advertising revenue assumption is based on the total number of impressions received from the website and mobile application on a Cost per Mille (CPM) basis. It is assumed that every user visits the site 18 times per month in FY1 and 28 times per month in FY5, resulting in 2.93 million annual impressions in FY1 and 333.34 million annual impressions in FY5. Monthly ad impressions are calculated by multiplying the total monthly page views by the number of ads per page; the Company conservatively assumes 1 ad per page.
- Advertising revenue is calculated by multiplying the Cost per Mille (CPM) times every 1,000 impressions. It is also important to note that the CPM rate varies depending on marketing rates identified via Google AdWords.

Advertising Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Avg. Monthly Page Views	244,408	2,321,479	7,108,652	15,154,363	27,778,098
Avg. Monthly CPM Revenue	1,100	10,447	31,989	68,195	125,001
CPM Rate	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Total Advertising Revenue	\$13,198	\$125,360	\$383,867	\$818,336	\$1,500,017

- As a digital business, there are very minimal direct costs of revenue—server expenses and marketing costs are the full brunt of the Company's COGS. See the annual digital marketing spend and server expenses, below. The remaining operating expenses such as insurance, cost of user acquisition are positioned within the Operating Expense line item.

Total Direct Costs	Year 1	Year 2	Year 3	Year 4	Year 5
Total Annual Direct Cost	\$137,013	\$430,142	\$967,442	\$1,764,149	\$2,695,636

OPERATING EXPENDITURES

NewCo's operational costs will be minimal at launch, and will grow according to the Company's projected success. See the itemization of the 5 year operational costs projected in the figure, below.

Figure 11: NewCo's Operational Expenses

Operating Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
Traditional Advertising, Marketing, & Promotion	\$24,000	\$24,480	\$24,970	\$25,469	\$25,978
Communications	\$4,200	\$4,410	\$4,631	\$4,862	\$5,105
Bank Charges & Merchant Fees	\$3,818	\$33,011	\$92,942	\$183,671	\$295,003
Basic Employee Costs	\$480	\$1,200	\$2,400	\$3,360	\$3,840
Offline Events	\$12,000	\$12,360	\$12,731	\$13,113	\$13,506
Dues & Subscriptions	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495
Insurance Expenses	\$7,200	\$7,344	\$7,491	\$7,641	\$7,794
Legal Counsel	\$36,000	\$36,720	\$37,454	\$38,203	\$38,968
Office Supplies	\$3,600	\$3,672	\$3,745	\$3,820	\$3,897
Professional Fees (Billing, Accounting, Consulting)	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495
Rent Expenses	\$48,000	\$49,440	\$74,160	\$92,700	\$92,700
Repairs & Maintenance	\$1,200	\$1,224	\$1,248	\$1,273	\$1,299
Telephone & Internet & Cable	\$1,200	\$2,400	\$4,800	\$9,600	\$19,200
Utilities (Gas, Electric, Trash, Water)	\$4,800	\$4,944	\$7,416	\$9,270	\$9,270
Networking Expenses	\$2,400	\$2,448	\$2,497	\$2,547	\$2,598
Miscellaneous	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247
Travel	\$18,000	\$27,000	\$40,500	\$60,750	\$91,125
TOTAL	\$181,409	\$225,953	\$332,591	\$472,198	\$626,519

Operating Expenses FY1



Appendix

INCOME STATEMENT

Income Statement	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Total Monthly User Subscription					
Revenue	\$97,763	\$975,021	\$2,714,213	\$5,304,027	\$8,333,430
Total CPM Ad Revenue	\$13,198	\$125,360	\$383,867	\$818,336	\$1,500,017
Total Revenue	\$110,961	\$1,100,381	\$3,098,080	\$6,122,363	\$9,833,447
Direct Costs					
Total Marketing Expense	\$137,013	\$430,142	\$967,442	\$1,764,149	\$2,695,636
Total Direct Costs	\$137,013	\$430,142	\$967,442	\$1,764,149	\$2,695,636
Gross Profit	-\$26,052	\$670,239	\$2,130,638	\$4,358,214	\$7,137,811
Gross Margin (%)	-23%	61%	69%	71%	73%
Operational Expenses					
General & Administrative Costs	\$181,409	\$225,953	\$332,591	\$472,198	\$626,519
Salary & Wage Costs	\$213,085	\$491,082	\$973,462	\$1,240,481	\$1,459,522
Total Operational Costs	\$394,494	\$717,036	\$1,306,053	\$1,712,679	\$2,086,041
EBITDA	-\$420,546	-\$46,797	\$824,585	\$2,645,535	\$5,051,769
Depreciation Cost	-\$1,000	-\$1,000	-\$1,000	-\$1,000	-\$1,000
Amortization Cost	-\$19,300	-\$19,300	-\$19,300	-\$19,300	-\$19,300
Interest Cost	\$0	\$0	\$0	\$0	\$0
Pre-Tax Profit	-\$440,846	-\$67,097	\$804,285	\$2,625,235	\$5,031,469
Retained Earnings	-\$440,846	-\$507,943	\$296,342	\$2,921,578	\$7,953,047
Taxable Income	\$0	\$0	\$804,285	\$2,625,235	\$5,031,469
Income Tax Cost	\$0	\$0	\$129,518	\$918,832	\$1,761,014
Net Income	-\$440,846	-\$67,097	\$674,767	\$1,706,403	\$3,270,455
Net Income Margin (%)	-397%	-6%	22%	28%	33%

BALANCE SHEET

Balance Sheet	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS					
Current Assets					
Cash	\$1,342,059	\$1,102,847	\$1,487,056	\$2,983,061	\$5,786,676
Accounts Receivable	\$27,039	\$153,520	\$359,163	\$510,197	\$819,454
Inventory	\$19,229	\$52,815	\$107,863	\$147,012	\$224,636
Prepaid Expenses	\$13,519	\$76,760	\$179,581	\$255,098	\$409,727
Total Current Assets	\$1,401,847	\$1,385,942	\$2,133,664	\$3,895,369	\$7,240,493
Fixed Assets					
Furniture, Fixtures, Equipment	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Office Expenditures	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Total Fixed Assets	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
(Less Accumulated Depreciation)					
	-\$1,000	-\$2,000	-\$3,000	-\$4,000	-\$5,000
Intangible Assets Investments	\$0	\$0	\$0	\$0	\$0
Professional Fees	\$0	\$0	\$0	\$0	\$0
Android App Development	\$73,000	\$73,000	\$73,000	\$73,000	\$73,000
Apple App Development	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
Total Intangibles	\$193,000	\$193,000	\$193,000	\$193,000	\$193,000
(Less Accumulated Amortization)					
	-\$19,300	-\$38,600	-\$57,900	-\$77,200	-\$96,500
Total Assets	\$1,584,547	\$1,548,342	\$2,275,764	\$4,017,169	\$7,341,993
LIABILITIES & EQUITY					
Current Liabilities					
Accounts Payable	\$9,615	\$26,408	\$53,932	\$73,506	\$112,318
Accrued Expenses	\$16,704	\$30,804	\$55,934	\$71,362	\$86,918
Current Portion of Debt	\$0	\$0	\$0	\$0	\$0
Total Current Liabilities	\$26,319	\$57,212	\$109,865	\$144,868	\$199,237
Long Term Liabilities					
Long Term Debt	\$0	\$0	\$0	\$0	\$0
Credit Line	\$0	\$0	\$0	\$0	\$0
Total Long Term Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$26,319	\$57,212	\$109,865	\$144,868	\$199,237
Equity					
Common Stock	\$1,999,074	\$1,999,074	\$1,999,074	\$1,999,074	\$1,999,074
Retained Earnings	-\$440,846	-\$507,943	\$166,825	\$1,873,227	\$5,143,683
Investor Dividends Dispersed	\$0	\$0	\$0	\$0	\$0
Credit Line Repayment	\$0	\$0	\$0	\$0	\$0
Total Equity	\$1,558,228	\$1,491,131	\$2,165,898	\$3,872,301	\$7,142,756
Total Liabilities and Equity	\$1,584,547	\$1,548,342	\$2,275,764	\$4,017,169	\$7,341,993

CASH FLOW STATEMENT

Cash Flow Statement	Year 1	Year 2	Year 3	Year 4	Year 5
OPERATIONS					
Cash Flow From Operations					
Net Income	-\$440,846	-\$67,097	\$674,767	\$1,706,403	\$3,270,455
Plus Depreciation	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Plus Amortization	\$19,300	\$19,300	\$19,300	\$19,300	\$19,300
Changes in Working Capital					
Changes in A/R	-\$27,039	-\$126,481	-\$205,643	-\$151,034	-\$309,257
Changes in Inventory	-\$19,229	-\$33,586	-\$55,048	-\$39,149	-\$77,624
Changes in Prepaid Costs	-\$13,519	-\$63,241	-\$102,821	-\$75,517	-\$154,629
Changes in A/P	\$9,615	\$16,793	\$27,524	\$19,575	\$38,812
Changes in Accrued Expenses	\$16,704	\$14,100	\$25,130	\$15,428	\$15,557
Total Cash Flow From Operations	-\$454,015	-\$239,212	\$384,209	\$1,496,005	\$2,803,614
INVESTMENTS					
Fixed Asset Investments					
Furniture, Fixtures, Equipment	-\$5,000	\$0	\$0	\$0	\$0
Office Expenditures	-\$5,000	\$0	\$0	\$0	\$0
Total Fixed Assets	-\$10,000	\$0	\$0	\$0	\$0
Intangible Assets Investments					
Professional Fees	\$0	\$0	\$0	\$0	\$0
Android App Development	-\$73,000	\$0	\$0	\$0	\$0
Apple App Development	-\$120,000	\$0	\$0	\$0	\$0
Total Intangible Investments	-\$193,000	\$0	\$0	\$0	\$0
Total Cash Flow From Investments	-\$203,000	\$0	\$0	\$0	\$0

¹ IBISWorld, 2016

² "Global Music Report," 2016, Nielson & the IFPI

³ "Global Music Report," 2016, Nielson & the IFPI