



**Strong as Oak Digital Advertising**  
**18866 Stone Oak Parkway Suite 103**  
**San Antonio, TX 78258**

## **Confidential Business Plan**

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# Ambient Out-of-Home Digital Advertising



## **Forward Looking Statements**

PROJECTIONS OR FORECASTS CONTAINED IN THIS BUSINESS PLAN, OR OTHER MATERIALS, MUST BE VIEWED ONLY AS ESTIMATES. ALTHOUGH ANY PROJECTIONS CONTAINED IN THIS MEMORANDUM ARE BASED UPON ASSUMPTIONS WHICH THE COMPANY BELIEVES TO BE REASONABLE, THE ACTUAL PERFORMANCE OF THE COMPANY MAY DEPEND UPON FACTORS BEYOND THE CONTROL OF THE COMPANY. NO ASSURANCE CAN BE GIVEN THAT THE COMPANY'S ACTUAL PERFORMANCE WILL MATCH ITS INTENDED RESULTS.

THE STRONG AS OAK, LLC BUSINESS PLAN, WAS PREPARED BY THE COMPANY USING ASSUMPTIONS THAT INCLUDE SEVERAL FORWARD LOOKING STATEMENTS. EACH PROSPECTIVE INVESTOR SHOULD CAREFULLY REVIEW THE BUSINESS PLAN BEFORE PURCHASING CONVERTIBLE NOTES. MANAGEMENT MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR ACHIEVABILITY OF THE UNDERLYING ASSUMPTIONS AND PROJECTED RESULTS CONTAINED HEREIN. THEY HAVE ATTEMPTED TO EXPRESS THE REPRESENTATION OF OUR PLANS AND STATUS OF THESE PLANS IN A HONEST STRAIGHT FORWARD WAY..

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## 1. Executive Summary

### 1.0 Executive Overview

Strong As Oak installs state of the art digital signage in premier market venues. After placing digital signage at multiple host locations, Strong As Oak then sells advertising space to nearby businesses and others on each screen. This is a fresh emerging market that many media experts predict will capture a rapidly growing share of the traditional advertising mediums (newspaper, magazines, television) that are increasingly losing their effectiveness.

Strong As Oak offers the advertisers a new medium to reach potential customers. This new medium is not like the traditional advertising mediums. It is somewhat like television, in that the display is an electronic device; however, the viewers have no control over what is displayed or when, the only control is to choose not to watch. By placing these devices in high foot traffic areas, a large number of potential viewers will have the opportunity to see the advertising that is being displayed on the device. By placing an ad on one or many of these devices, an advertiser will be in a good position to share information with viewers about their product or service that they might be in the market for.

### 1.1 The Company

Strong As Oak is a registered LLC with headquarters is located in San Antonio, Texas. The Company is located on the Internet at [www.StrongAsOak.com](http://www.StrongAsOak.com) and is the first in-store digital magazine dedicated to the needs of small businesses.

### 1.2 The Market

Strong As Oak' exclusive in store "Digital Magazine" approach to Alternative Out-of-Home Video Advertising (AOOH), allows the host location to entertain and educate their customers at the 'point-of decision'; and other advertisers to reach customers who are already out in the marketplace spending dollars. Due to the changing nature and reduced effectiveness of traditional advertising, this venue is rapidly becoming the premier AOOH advertising method today. This is a fresh emerging market that many media experts predict will capture a rapidly growing share of the traditional advertising mediums that are increasingly losing their effectiveness. **Alternative out-of-home advertising is one of the fastest-growing segments of the media industry, expanding at double-digit rates every year from 2001 to 2006 and posting compound annual growth of 22.6%. Alternative out-of-home media spends in Video Advertising Networks, Digital Billboards and Ambient Advertising surged 27.0% to \$1.69 billion in 2006 and is projected to grow at an accelerated 27.7% rate in 2007.<sup>1</sup>**

### 1.3 Marketing and Sales Strategy

Strong As Oak clearly understands the needs of its customers. Their primary objective is to place 150 digital signs in 15 pre-identified market venues with high volume foot traffic to lift sales. The secondary objective is to increase revenue growth by selling ad space to advertisers within each geographic venue. Each ad will contain a clear, specific call to action designed to drive customers from the host location directly to the local advertiser. The *Strong As Oak Digital Magazine* has a community focus and appeal to create acceptance and credibility with consumers and results for the advertisers.

Commissioned salesmen will be assigned two specific venues and are responsible for filling and maintaining ads for each assigned site. The ideal goal is to have each advertiser place each of his ads in a minimum of 10 locations. The sales teams will work from the field making direct or face-to-face approaches. Most of the follow-up will be done online using a highly specialized web-video conferencing system (Webex).

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<sup>1</sup> PQ Media AOOH Media Forecast - April 30, 2007

#### 1.4 The Future

The principal objectives of Strong As Oak are as follows:

- Obtain \$1.35 million in capital
- Finalize contracts with 100 of their niche market locations by the end the first quarter of 2008
- Place 150 new signs by the end of year one.

#### 1.5 Financials

The company projects rapid placement and sales growth commensurate with the anticipated industry growth explosion. Their financial strategy is to build the sales team that will incrementally increase placements and ad sales by 50 units per month, and hold the cost of doing business to less than 58% of the gross sales. By the end of 2007, sales are expected to approach to \$3.4 million. Year 2008 sales with over 500 signs placed and filled at 50% of their capacity can yield \$20.7 million. The break even point is expected to be reached by January 2008 (see chart 1a below).

By developing sales teams and training them to enter the local and national retail chains in the third year, the firm expects to place and fill 1000 units with gross sales exceeding \$78.13 million. The plan is to reinvest income for growth during the first 2 years.

#### 1.6 Funds Sought and Utilization

The company is seeking \$1.35 Million in investment funding and anticipates only one round of financing that will be utilized as follows:

Immediate plans within the next 9 months include:

- Purchase of signage hardware and software
- Hiring key management team members (VP of Advertising and VP of Sales)
- Expanding the office, equipment and the hiring of office and technical employees.
- Development of the sales department and sales materials
- Hiring development and training the sales team.

Long term plans call for the company to either develop a franchise operation or expand adding at least one sales and training location and multiple regional centers.

Strong As Oak projects a probable return on investment of 50% within three years. The following table illustrates the calculation of the investor's return on a \$1,350,000 investment:

Investment required	\$1,350,000
Convertible note for three years @ 9% compounded quarterly	\$ 413,167
Bonus for pay off at the end of Year 3	\$270,000
Total return on investment (Interest payments + Bonus)	\$683,167
Return on Investment	50%
Year 1 Revenue	\$3,412,500
Year 2 Revenue	\$20,775,000
Year 3 Revenue	\$78,131,250

*Chart 1a*

## **2. The Company**

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### **2.0 Company Summary**

Strong As Oak provides retail stores and professional firms alternative Out-of-Home Video Advertising (AOOH) using state of the art digital signage. They have developed a unique and innovative 'Digital Magazine' format that allows advertisers to communicate their message direct-to-consumers across multiple digital advertising venues. Having thoroughly researched the AOOH media marketplace, they possess a thorough and comprehensive knowledge of the industry and their clientele's advertising needs.

### **2.1 The Company's Mission**

To provide the highest quality of products and service to every advertising client; to operate the business with the greatest level of integrity as they serve advertisers, location owners, and the community.

Strong As Oak plans to earn profits and provide excellent return to provide sufficient revenue to service its obligations all the while producing competent revenue to support an aggressive growth of the company. Strong As Oak will maintain a work environment that is friendly, fair, and will provide rewards for creativity and those who help carry us forward to the future.

### **2.2 Development to Date**

Strong As Oak has brought together skilled technical teams to install and maintain the hardware and software. They have an excellent creative staff to create attention grabbing content and commercials. Additionally, they have added key employees with strong management, advertising, and marketing backgrounds to develop and implement the strategic and aggressive marketing plan.

The Company is negotiating exclusive agreements with select Private Clubs, Golf Clubs and Retail organizations to install digital signage networks. These venues have a potential sales volume of \$3.4 million in revenue for 2007.

### **2.3 Legal Status and Ownership**

Strong As Oak is incorporated under the laws of the state of Texas as a LLC (Limited Liability Company). Thirty-seven units are owned by CEO and CFO Charles Daniel; 36 units are owned by COO and President, Miles Hackley; and 27 units are retained by the company for future distribution.

Funding of the company to date has come from the personal savings of Mr. Charles Daniel, and the company has no debt. To meet the projected dramatic growth demands, they are now seeking \$1,350,000 from outside sources. These funds will be used to hire office and support staff, purchase equipment and expand marketing activities pursuant to the marketing plan.

### 3. Industry Analysis and Trends

#### 3.0 Industry Analysis

A generational shift in media consumption habits has placed us at the forefront of a new 50-year media cycle.<sup>2</sup> Television will eventually be distributed in multiple formats to many different display devices of varying sizes and shapes. TV will become even more interactive (e.g. American Idol with text messaging through mobile phones) and more fragmented. Video will not be tethered to major broadcast networks, cable or satellite providers – allowing for a massive influx of new programming alternatives. Newspapers will turn digital and commercial radio will employ a subscription model (e.g. Sirius and XM Satellite Radio Service); these digital subscription-based adoptions will change the advertising landscape drastically.

Advertisers and marketers must, as a result, begin a fairly radical shift now in order to take advantage of this changing advertising landscape. More and different types of advertisements need to be produced which can be micro-targeted to locations and individuals. Advertisers and marketers must quickly understand that the work they have done over the past 50 years is at risk, as the Gen X and Gen Y decision makers are shifting into household formation years without brand loyalty.

The risk of trying new advertising and marketing techniques pales by comparison to the risk of losing massive amounts of brand equity and failing to establish connection with Gen X and Gen Y decision makers. Downstream, the cost of converting a new customer after they have established preferences is far more expensive than attracting these currently unbranded decision makers.

#### 3.1 Out-Of-Home Media is on the rise

Aggregate spending in digitally formatted media will surpass traditional media, in current dollar terms within 20 years. This closely approximates television's ramp up from the early 1950's to the 1970's.

**Out-of-home digital media will be a key driver of this change, enabling advertisers and marketers to reach an increasingly mobile consumer thereby improving potential ROI. In addition, AOOH integrates advertising into these decisions maker's lifestyles, reaching them where they are now instead of where their parents and grandparents were a decade ago.<sup>3</sup>**

Consumers spend twice as much time out of their homes than in recent decades. A recent Nielson<sup>4</sup> study reveals that over 42% of all television viewing was 'time shifted' instead of watched live. Therefore television ads have become far less effective because of the ever increasing use of TiVO and DVR devices to record favorite shows and zip past or circumvent 'annoying' commercials. Also, more and more radio listeners are shifting to 'no-commercial' i-pods and satellite radio.

Digital Media has exhibited very strong growth and upside potential. Forward thinking media clients are looking to stay ahead of the fast moving media curve by turning to digital signage. Major advertisers have already begun to reallocate budgets to alternative media to meet the challenges of the rapidly diversifying and increasingly fragmented media landscape. One of the fastest growing segments of the new media alternatives is in-store or out-of-home advertising using digital images.

Strong As Oak is well positioned and prepared to take advantage of the significant opportunities presented by the rapidly expanding and heretofore untapped niche markets within the Alternative Out-Of-Home Media (AOOH) industry.

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<sup>2</sup> Blackfriars Marketing Research Report – May 12, 2006

<sup>3</sup> Media Daily News report - September 12, 2006

<sup>4</sup> Advertising Age - July 19, 2007

### **3.2 Newly Developing Industry**

Alternative Out-of-Home Media advertising includes a variety of new vehicles that have developed in the past decade through new technology in an effort to target a more mobile and ‘captive’ demographics in less media cluttered locations outside the home. AOOH includes

- Video Advertising Networks and Screens- *sometimes referred to as captive video networks, integrated targeted entertainment and/or information programming.*
- Digital Billboards and Displays – *these displays communicate advertising only messages through screens equipped with LED or LCD technology.*
- Alternative Ambient Advertising *sometimes referred to as ‘placed based’ media and includes marketing messages delivered via digital signage placed in health clubs, golf courses and select shopping districts*

New out-of-home media networks are being launched at an accelerating rate – over 700 in the last four years. Five new networks in convenience stores, gas stations, malls, transit stations and office buildings were announced in June 2006. These networks are the right way to target people on-the-go – people who are likely to be at a restaurant or in a health club or at a local bar or at a store or on a subway, rather than at home watching TV.

### **3.3 Open Competitive Environment**

A growing number of firms are now entering this market in a variety of avenues. The most notable are outdoor digital billboards an area dominated by companies like Clear Channel Outdoor which boasts over 167,000 advertising displays in the US. A few major restaurant chains, grocery stores, churches and car dealerships are now using outdoor digital signage to promote in store items.

### **3.4 Strong As Oak Can Develop Strong National Position**

Strong As Oak’ goal is to brand and position their *Digital Magazine* in the Alternative Ambient Advertising sector as a dominant force in the industry. They will initially target regional shopping districts and demographic venues beginning with Private Clubs, Business Clubs, Golf Courses, locally owned Coffee Shops and Restaurants. Strong As Oak has relationships in all of these venues which are expected to expedite the creation of their first 150 unit network within the first year of operation. Once they achieve that number, they will launch an aggressive campaign to exponentially increase placements and sales to fill 1,000 locations.

## 4. Target Markets

### 4.0 Market Analysis Summary

Over the past decade, conventional ad-based media, such as broadcast TV and radio, newspapers and magazines, have scrambled to find ways to overcome consumer fragmentation and control, growing demand for advertising accountability, and the emergence of digital technology. As a result, brand marketers are gradually shifting budgets away from these media and are seeking to engage more mobile consumers in multiple locations through measurable methods in a cost-effective manner.

The Strong As Oak target market is comprised of businesses that cater to the general public. They will identify that market by targeting those businesses within a three mile radius of each sign location.

### 4.1 Market Trends

Major trends impeding growth in other mass media sectors are the same catalysts stimulating upside in OOH advertising, particularly in the “alternative” OOH segment. While most ad-based media sectors have struggled to keep pace with nominal GDP growth since the 2001-2002 recessions, the OOH sector outpaced GDP expansion every year from 2003 to 2006, and popped into the double-digit range in 2005 and 2006. And the double digit surge was powered by the dynamic “alternative” OOH segment, which has produced accelerating growth for five consecutive years by utilizing innovative methods to target elusive, mobile and captive demographics in various locations. Alternative OOH media spending grew 27% in 2006 to 1.69 billion, and posted a compound annual growth rate of 22.6% in the 2001-2006 period (see table 1.1), according to PQ media estimates. Meanwhile, overall OOH ad spending increased 12% in 2006 to \$7.06 billion, and produced a compound annual growth rate (CAGR) of 8.3% from 2001 to 2006. The alternative OOH segments accounted for almost 24% of total OOH ad spending in 2006, almost twice the share it commanded in 2001.<sup>5</sup>

Alternative Out-Of Home Media Spending							
Year	2001	2002	2003	2004	2005	2006	CAGR
<b>Alternative Out Of Home Media</b>							
Spending (\$M)	\$608	\$720	\$874	\$1,057	\$1,328	\$1,686	22.6%
Growth		18.4%	21.4%	20.9%	25.6%	27.0%	
Share of overall	12.8%	14.8%	16.7%	18.7%	21.1%	23.9%	
<b>Overall Out-Of-Home Media</b>							
Spending (\$M)	\$4,734	\$4,850	\$5,242	\$5,654	\$6,306	\$7,061	8.3%
Growth		2.5%	8.1%	7.9%	11.5%	12.0%	

Source: PQ Media

<sup>5</sup> Idea Cast Media - June 13, 2007

## 5. The Competition

### 5.0 Competition

In an increasingly connected world, decision-makers are gradually beginning to understand the advantages of digital networks over printed signage. Competing with Strong As Oak to supply advertising to the target market are the following categories of advertising providers:

#### Digital Media

- Other indoor digital signage companies and outside digital companies
- Retailers who purchase and operate their own units

#### Traditional Media

- Broadcast Media-Television and Radio
- Newspapers and Magazines
- City wide and local community papers

### 5.1 Digital Media Competition

- At the present time, there is only one known company offering digital indoor signage in the San Antonio, Texas market<sup>6</sup>. This firm serves the shopping mall venue only and they have no immediate plans to enter the markets identified by Strong As Oak. In the state of Texas there are other firms engaged in indoor AOOH digital advertising; each of them focuses on very specific and narrow markets i.e. college bookstores, veterinary hospitals and shopping malls.
- A few retailers, who see the distinct advantages of point-of sale advertising, install their own software and equipment. However, most lack the time, technological and creative skill levels required to setup and operate an advertiser-supported system. Therefore, a large percentage of those in this category drop the project and simply use their installed unit for broadcast TV watching only.

### 5.2 Traditional Methods

Most astute advertisers are aware that television and radio advertising have simply become too expensive. The market has become increasingly fragmented resulting in widely spread audiences. To reach these fragmented audiences, an advertiser has to spread their ad dollars across many different medias. This makes their campaign difficult to manage and cost prohibitive.

Today, the public needs to be “entertained” with advertising – just look at the attention a creative, well-placed Super Bowl commercial gets. But this attention can be pricey, as can other forms of traditional media. Likewise the cost of newspaper and magazine advertising has increased to inordinate highs while losing effectiveness and readership. The minimum cost of placing a 1/8<sup>th</sup> page in San Antonio news is \$3,500 per day; even smaller magazine ads average \$500 for quarter page displays.

Retail advertiser consensus is: nearly all traditional advertising methods are too expensive and yield too few results. The above mentioned facts and conditions present Strong As Oak with a unique opportunity to make a significant impact in the market.

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<sup>6</sup> See Strong As Oak Venue Map

## 6. Strategic Position

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### 6.0 Strategic Position

Digital Signage is the use of digital technology such as a digital screen, digital signage players and software to deliver content such as information, advertisements and entertainment to a captive audience. Strong As Oak' objective is to position itself to be the leading provider in this category. To achieve that goal, they are developing a strategic position that emphasizes:

- Developing a world class “digital magazine” format.
- Pursuing an aggressive growth strategy that will attract the attention of brand advertisers and agencies who want to reach national audiences.
- Building a strong network of advertising venues and locations.

The Strong As Oak Strategic Position is based on evaluating the following factors:

- A. Industry trends
- B. Their Target Markets
- C. The Competitive Environment
- D. Their Strengths

### 6.1 Industry Trends

The business of networked digital displays in retail and other public venues is now on the path to sustainable growth, according to market research. Decision-makers are beginning to understand the advantages of digital networks over printed signage. At the end of 2006, the narrowcasting industry was valued at \$1.1 billion with an installed base of; by 2011 total revenues are expected to reach \$2.59 billion.<sup>7</sup>

### 6.2 Target Markets

The Strong As Oak target market is advertisers who want to reach an ever increasing mobile consumer, where purchase decisions are being made as referred to in section 4 of this plan, *Target Markets*.

### 6.3 The Competitive Environment

Retailers and brand managers want their promotional programs of any type to deliver sales lift and increase traffic, and they are becoming more confident that narrowcasting systems can deliver on that goal. Today, there are only a handful of networks that have matured to become viable marketing and communications channels that can reach large, unexploited national audiences. With interest and demand for this form of advertising on an exponential increase, Strong As Oak is poised to carve out a significant market position.

### 6.4 Strong As Oak' Strengths

The company has studied the industry for four years and has a complete and comprehensive understanding of it. They have developed a unique innovative model that is appealing to advertisers, and a management team that is well prepared and able to meet the demands of this rapidly emerging industry.

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<sup>7</sup> Infotrends Market Research report – May 2007

## **7. Risk Assessment**

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### **7.0 Risk Assessment**

The potential threats to this market come from three areas:

- Major AOOH firms will enter our venues and invade our market venues
- Others already in the market will expand into our venues and dilute our market share.
- Once the vast opportunities in this market are made known to the general public, new entrants will begin enter the market creating additional competition.

Overall, the market is so very large that an influx from any of the above will have little impact on Strong As Oak' position. It is much like comparing the number of web sites on the internet today compared to only a decade ago.

*There were just 18,000 Web sites when Netcraft, based in Bath, England, began keeping track in August of 1995. It took until May of 2004 to reach the 50 million milestone; then only 30 more months to hit 100 million, late in the month of October 2006.<sup>8</sup>*

### **7.1 Major AOOH companies entering our market**

It is evident that this will happen eventually; however, firms such as Clear Channel Outdoor and others are focusing on the much more expensive and lucrative outdoor venues such as billboards, mall and airport advertising. It is Strong As Oak' strategy to grow the business until they have positioned themselves as the number one digital signage network in the region.

### **7.2 Competition from others already in the industry**

It is not a question of if it will happen, but when....it's only a matter of time. This is the main reason their plans are to move with urgency to secure as many prime locations as rapidly as we can. As mentioned before positioning is of the utmost importance.

### **7.3 New entrants to the industry**

As more and more mainstream advertisers begin to accept this form of advertising the public awareness will increase at the same rate; however, Strong As Oak is so far ahead of the learning curve that competition will have a major challenge to catch up to their current position.

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<sup>8</sup> CNN News – November 1, 2006

## 8. Marketing Plan

### 8.0 Marketing Overview

Strong As Oak clearly understands the needs of its customers. Their primary objective is to place 150 digital signs in 15 pre-identified market venues with high volume foot traffic to lift sales. The secondary objective is to increase revenue growth by selling ad space to advertisers within each geographic venue. Each ad will contain a clear, specific call to action designed to drive customers from the host location directly to the local advertiser. The *Strong As Oak Digital Magazine* has a community focus and appeal to create acceptance and credibility with consumers and results for the advertisers.

### 8.1 Banding and Positioning

Strong As Oak plans to brand and position itself as *the* premier AOOH advertiser in the market place by:

- Placing 150 signs in the market to begin the branding process
- Conducting frequent direct mail campaigns to key business decision makers
- Regular attendance to networking organizations and business clubs
- Launching a simultaneous public relations campaign using press releases and other media.

### 8.2 The Sales Team

All company personnel are considered members of the sales team, from the office staff to the installation experts. All employees will receive financial bonuses if the company reaches overall sales goals. The specific sales force shall be comprised of three types of employees.

- Sales managers
- Placement specialists
- Advertising specialists for each venue

Each commissioned salesman is assigned two specific venues and is responsible for filling and maintaining 20 ads for each assigned site. The ideal goal is to have each advertiser place each of his ads in a minimum of 10 locations. The sales teams will work from the field making direct or face-to-face approaches. Most of the follow-up will be done on-line using a highly specialized web-video conferencing system.

The Vice President and Director of Sales will oversee, manage and direct the entire process with the sales team and will also develop sales efforts to local chain stores and agencies.

### 8.2 Chains, Brands and Advertising Agencies

Once Strong As Oak has 150 signs in place filled with advertising, they will have become a viable marketing and communications channel that can reach larger and unexploited audiences. It is at that point the company will expand its sales focus to include regional chain stores.

As acceptance and understanding of the industry grows, national ad agencies will become more accepting of this form of AOOH. Strong As Oak can then begin selling to agencies that place ads for major brands.

### 8.3 Public Relations

A well-planned public relations campaign can be far more effective than advertising. Therefore, Strong As Oak will launch a concurrent PR campaign that will issue press releases and news stories to city and local newspapers, Business Journals and television and radio stations in all target cities and venues.

## 9. Operations

### 9.0 Operations Summary

At the core of Strong As Oak' strategic concept are four central systems:

- **Creative Production**
- **Technical Support**
- **Strategic Sales**
- **Office Administration**

### 9.1 Production and the Creative Process

Each Magazine venue will target a specific demographic such as Golf Courses, Private Clubs, Restaurants, Beauty Salons, and Select Professional Offices. Each of these venues will be run by a "Venue Editor" who will create the lay out, manage ad placement, supervise traffic for the ads and oversee the creative content. The venue editor will also monitor each sign location for quality assurance.

### 9.2 Creative designers

Strong As Oak will hire multi-talented graphic artists well versed in the use of all digital and film media formats. These artists will create and develop and construct all ads commercial spots, and short form infomercials.

### 9.3 Technical, Hardware and Unit Installation

Screen and media selection as well as all technical areas will be managed by the project manager, and all unit installations are done by select professional installation contractors. After extensive research, Strong As Oak has chosen to use NEC 40 inch LCD screens<sup>9</sup> for its digital display. The heart of the system will be a media player and software designed and distributed by Dynasign. They will contract with National Installation companies to install and service all locations.

### 9.4 Quality Control and Customer Service

The Managing Editor will be responsible for all customer service and quality control issues that relate to ad development and traffic. He will act as traffic controller to manage ad placement. On-premises quality control and customer service for Host Advertisers will be maintained by the Sales Agents and/or the Managing Editor. Hardware technical issues will be handled by technical and IT contractors.

### 9.5 Sales

The Sales Manager will manage all outside sales representatives and oversee the entire sales process. He will coordinate sales efforts with the Venue Editors and report to the Project Manager. The outside sales representatives will call on potential advertisers, complete or close the sale and collect all ad copy.

### 9.6 Administrative Support

The administrative assistant will take responsibility for all routine paperwork and routine computer work. This will include recording receipts, maintaining customer account files and scheduling of sales calls.

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<sup>9</sup> See Dynasign Statistics

## 10. Management & Structure

### 10.0 Key Management

**Mr. Charles Daniel, CEO, Technical Director** is the founder of Strong As Oak. Daniel has been

[REDACTED]

[REDACTED]

**Miles L. Hackley, President, Project Manager** brings an array of experience and management skills to the Strong As Oak team. He is experienced in both media and sales, and is a well qualified project manager. Hackley joined Strong As Oak in May of 2007, after working as President and COO for HealthyTap, Inc., a division of Texas Health Products. There he launched a Scandinavian product being introduced to the U.S market. While at HealthyTap, he created and aired television commercials and developed the marketing division.

His media experience began in 1980 with Family Radio Network in Oakland; four years later he came to Texas as sales manager for KNLE FM radio in Austin. He created and over saw the sales department. In 1988 Hackley began serving as President and CEO of Joshua House Communications; an international non-profit radio broadcast systems. During his fifteen year tenure with Joshua House he developed production, marketing and sales projects in Moscow, Russia and Kiev, Ukraine. Hackley is currently on the board of directors for Joshua House.

**Vice President, Advertising Editor (*To be selected*)** Strong As Oak will add a third key management position, Vice President, Managing Editor. The individual selected will have substantial experience in advertising, creative production, writing. His or her chief responsibility will be to produce the 'digital magazine' for all ten selected venues and coordinate the sales and production efforts.

#### **Vice President, Advertising Sales (*To be selected*)**

The Company is looking for an experienced Account Manager to own and manage all major advertising campaigns across the Strong As Oak network, and coordinate sales operations within the field office. This person will provide superior customer service to our clients and understand the sense of urgency inherent in working within a sales organization.

### 10.1 Consultants and Contractors

Strong As Oak has engaged several qualified individuals and firms to serve the company in specialized areas such as installation of digital screens, creative video production, editing and layout. All payroll, accounting, and bookkeeping will be assigned to a professional accounting firm.

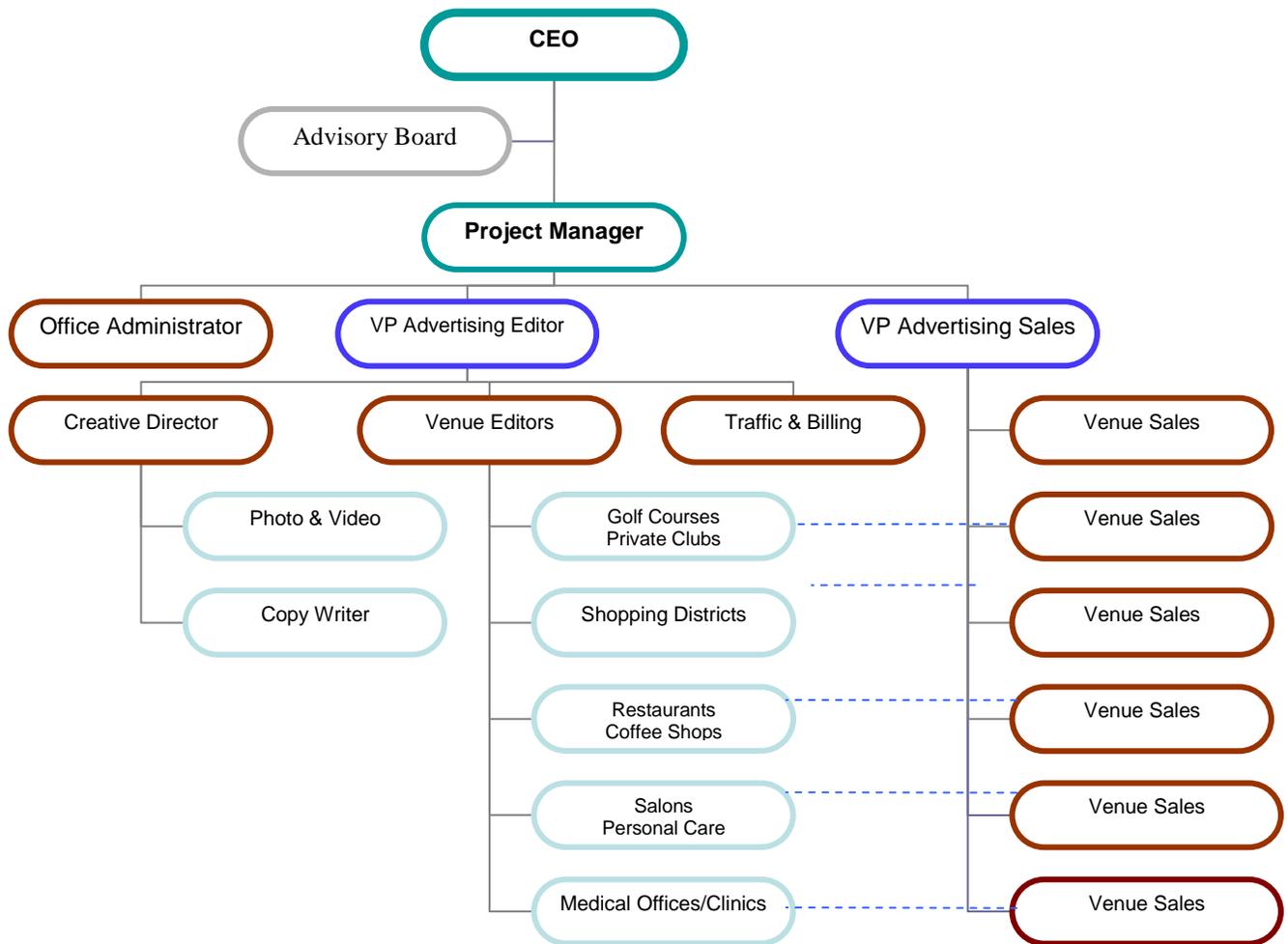
### 10.2 Advisory Board

An informal Advisory Board will be formed to provide guidance to the officers and staff of Strong As Oak. The Advisory Board will meet quarterly and members of the committee are available as resources to the company on an ongoing basis.

### 10.3 Management Structure

The CEO and the President will be involved in the day-to-day operation of all aspects of the company. They shall direct the administrative and financial aspects of the company and work closely with the administrators and managers to help guide and support activities over which they have responsibility. However, each administrator and manager shall be given a wide degree of decision-making authority in his or her assigned areas.

## Management Structure



## 11 Financial Summary

### 11.0 Financial Summary

Strong As Oak' three-year financials reveal that because of the investment requirements and the need to increase industry awareness during the first part of year one, the Company may not achieve profitability for 6 to 9 months. However, by the end of year one revenues are expected to approach \$3.4 million. Year two revenues are expected to reach \$20.7 million with net income of \$14.3 million. The Company is seeking \$1.35 million in financing with a ROI for investors of 50%.

Strong As Oak intends to be a long-term business with national prominence, and will achieve this by extending beyond our initial launch market. Since there are few firms that currently specialize in digital and out-of-home advertising, there is plenty of room for continuous growth

The most desirable option for exit is a merger or buyout by a large corporation. Strong As Oak believes with strong cash flows and a substantial customer base, it is expected to be attractive to potential corporate investors within five years. The possibility also exists for Strong As Oak to issue an IPO in five years. This option would provide additional capital to fund the national rollout.

### 11.1 Funds Required and Their Use

Strong As Oak seeks a financial participant to provide \$1.35 million in financing to implement the company's strategy. Due to the extremely high margins involved in Strong As Oak services, the company will realize cash inflow from existing clients. The primary need for capital is to purchase digital signs and to hire the production and editorial staff and establish a suitable base of operations.

### 11.2 Deal Structure

Based on the detailed financial analysis presented in the financial section of this plan, Strong As Oak is seeking \$1.35 million. In return, the investor will receive a convertible 9% note with repayment and bonus structures that are described in detail in the Confidential Private Placement Memorandum.

The investor has a conversion option with the Convertible Note. The conversion option is designed to allow the investor to convert from a convertible note position to an equity position. The convertible note position pays an interest payment of nine (9%) and at maturity, the convertible note provides that the last interest payment and the entire invested principle will be returned back to each investor or the convertible note may be converted or exchanged into an ownership or equity position in Strong As Oak, LLC. The Company has an option to prepay or call the convertible note anytime within the first 36 months, at the sole discretion of the Company, with a 20% prepayment principle bonus paid to the investor if the Company calls the bonds before maturity plus any accrued interest.

Strong As Oak.com projects a return on investment of 50% within three years. The following table illustrates the calculation of the investor's return on a \$1,350,000 investment:

#### Investment Summary

Investment required	\$1,350,000
Convertible note interest @ (9% per quarter)	\$ 413,167
Bonus for pay off at the end of Year 3	\$270,000
Total return on investment (Interest payments + Bonus)	\$683,167
Return on Investment	50%
Year 1 Revenue	\$3,412,500
Year 2 Revenue	\$20,775,000
Year 3 Revenue	\$78,131,250

### 11.3 Risk Analysis

Although Strong As Oak.com represents a great investment opportunity, there are inherent risks in the development of this online product, including:

- Advertising sales are lower than expected;
- Small business commerce is lower than anticipated;
- Competition enters the market sooner than expected;
- Unmet signage deployment schedule;
- Unable to secure strategic host locations for the terms articulated and must use revenue sharing to secure host locations.

### 11.4 Exit Strategy

There are three primary means of an exit strategy for Strong As Oak' investors:

- **Note Conversion:** Participants in the Private Placement secured by a convertible note that elect not to exercise conversion provision will exit pursuant to the terms described in the Private Placement Memorandum (PPM) and Note agreements.
- **Merger or Acquisition:** For equity investors, including any PPM participants that have exercised their conversion option: merger or acquisition is a likely scenario. Strong As Oak views this as the most viable harvest strategy for both the founders and the investors if the right opportunity presents itself. Strong As Oak is an attractive acquisition for an Out-of-Home firm like Clear Chanel Outdoor, or a potential player who would like access to our dedicated customers.
- **Initial Public Offering:** Strong As Oak may consider an IPO after the first quarter of 2012

## 12 Financial Statements

### 12.0 Financial Statements

The income statement, cash flow statement (per year and detailed for the first two years) and balance sheet for the first five years are shown in the financial pages. It is important to mention that all the expenses and investments in the first year of operation will be absorbed by capital and by the positive cash flow generated. *It should be noted that all references to sales are calculated at a conservative 50% of the total available advertising space inventory.*

### 12.1 Income statement

The projected income statement for the first four years is shown below. The decrease in costs will result in a strong increase in the net income. The plan projects a starting loss of \$112,625 in the first four months which is expected to be converted to a gain of \$1.6 million by the end of year one. A more detailed year end income statement is presented in the financial sections.

**Income Statement Summary**

	Year 1	Year 2	Year 3	Year 4
<b>REVENUES</b>				
Total sales	4,550,000	27,700,000	104,175,000	204,900,000
Total cost of sales	1,137,500	6,925,000	26,043,750	51,225,000
<b>GROSS PROFIT</b>	<b>3,412,500</b>	<b>20,775,000</b>	<b>78,131,250</b>	<b>153,675,000</b>
<b>EXPENSES</b>				
Total	1,197,585	2,632,546	3,249,570	3,196,012
INCOME BEFORE TAXES	2,214,915	18,142,454	74,881,680	150,478,988
Taxes on income	553,729	4,535,813	18,720,420	37,619,747
<b>NET INCOME AFTER TAXES</b>	<b>1,661,186</b>	<b>13,606,840</b>	<b>56,161,260</b>	<b>112,859,241</b>

### 12.2 Cash Flow

The cash flow statement for the first four years is presented below. It is possible to see a positive net cash balance beginning in the first year and increasing gradually to \$247 Million in the fourth year. More details can be seen in the financial pages.

**Cash Flow**

	Year 1	Year 2	Year 3	Year 4
Beginning Cash Balance	5,000	1,583,475	16,713,816	92,626,866
Total Cash Receipts	5,957,675	27,882,924	105,531,116	209,494,624
Total Cash Disbursements	4,379,200	12,752,583	29,628,289	54,481,291
Net Cash from Operations	1,578,475	15,130,341	75,902,828	155,013,351
<b>Net Cash Balance</b>	<b>1,583,475</b>	<b>16,713,816</b>	<b>92,616,643</b>	<b>247,629,994</b>

### 12.3 Balance Sheet

According to the pro forma balance sheet it is possible to see beginning assets of \$665,278 supported only by the capital invested. These assets could increase to \$22,274,478 in the fourth year supported by capital and retained earnings.

A general overview of the balance sheet is presented below. A more detailed version is shown in the Appendix B.5

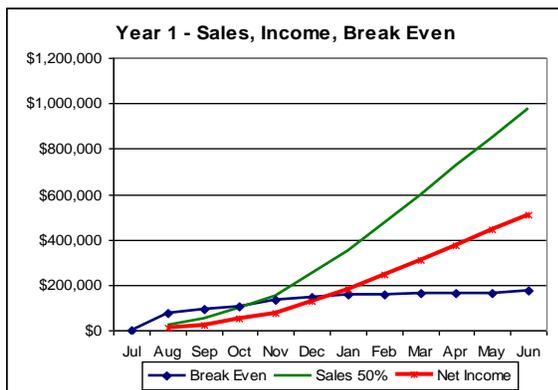
#### Balance Sheet

	2007	2008	2009
<b>ASSETS</b>			
Current Assets	1,583,475	16,713,816	92,616,643
Fixed Assets	1,709,708	4,463,068	4,314,928
<b>TOTAL ASSETS</b>	<b>3,293,182</b>	<b>21,176,883</b>	<b>96,931,571</b>
<b>LIABILITIES &amp; EQUITY</b>			
Current Liabilities	1,023,562	5,600,607	23,928,726
Long Term Liabilities	573,916	90,807	-0-
Net Worth	1,695,705	15,485,469	73,002,845
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,293,182</b>	<b>21,176,883</b>	<b>96,931,571</b>

### 12.4 Payback Analysis

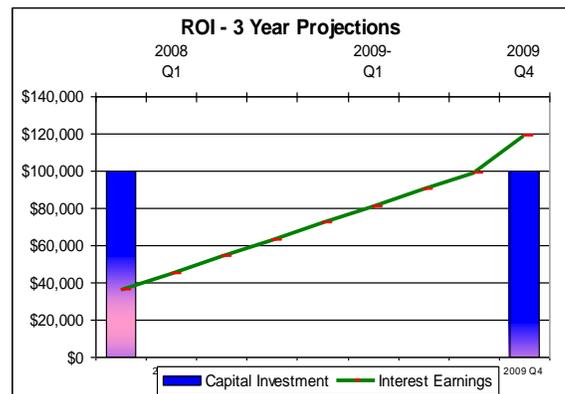
The investment projections for the first three years are shown below.

Sales, Income & Break Even



Graph 12a

Return on Investment – 3 year projection



Graph 12b

The graphs above show the break even to income analysis and the ability to return the full investment. It can be noticed in Graph 12a that break even occurs within three months. By the end of year one with 370 signs in place a total of 517ads must be sold to break even (an average of 7 ads per installed sign). Thus the 9% quarterly interest payments can be paid without difficulty throughout the three year period.

It is relevant to mention that the projected pay-back is 3 years. Graph 12b illustrates how all interest may be paid and the principal investment returned by the fourth quarter 2009 resulting in a ROI of approximately 50%.

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