

The Company: Company, Inc.

Market Overview and Market Opportunities

Travelers on the go need access to timely, accurate information to make good purchase decisions before spending the funds set aside for their trips. However, merchants who provide products and services to these mobile customers are unable to get their message to the traveler in time to influence the decision. A business opportunity therefore exists to reach customers with informational and advertising content via portable hand-held devices, such as personal digital assistants (PDAs) and content-enabled cellular telephones.

The Company's goal is to put the *Company* software and content into the hands of some of the 1 billion traveling consumers in the US every year and, thereby, enable merchants to reach these consumers with informational content and advertising in order to capture a piece of the \$1.5 billion these travelers spend everyday during their trip. (See Travel Industry Association of America table below.)

Forecast for the U.S. Travel and Tourism Industry						
	1996	1997	1998	1999	2000	2001
Total U.S. Person-Trips (millions)	994.2	1,026.60	1,064.90	1,081.80	1,097.10	1,116.30
Percent Change	-0.10%	3.30%	3.70%	1.60%	1.40%	1.70%
Total International Visitors (millions)	46.5	47.8	48.8	50.4	52.2	54.1
Percent Change	7.30%	2.80%	2.30%	3.20%	3.50%	3.80%
Travel Price Inflation	168.1	173.7	178.2	185.4	192	198.1
Percent Change	3.70%	3.40%	2.60%	4.10%	3.50%	3.20%
Travel Expenditures (billions)						
U.S. Residents	\$382.60	\$408.20	\$434.40	\$459.10	\$482.10	\$506.20
Percent Change	6.10%	6.70%	6.40%	5.70%	5.00%	5.00%
International Visitors*	\$69.80	\$73.30	\$81.10	\$87.50	\$94.30	\$101.50
Percent Change	10.00%	5.00%	10.70%	7.90%	7.80%	7.60%
Total Travel Expenditures (billions)	\$452.40	\$481.50	\$515.50	\$546.60	\$576.40	\$607.70
Percent Change	6.70%	6.40%	7.10%	6.00%	5.50%	5.40%

Sources: TIA's Forecasting Models (U.S. Resident Forecasts and Travel Price Inflation)
Tourism Industries/ITA (International Visitor Forecasts)
Note: * includes spending within the U.S. only.

From The Travel Industry Association of America's (TIA) "Economic Review of Travel In America 1998"

The business opportunity for making a PDA connection between the traveler and the local merchant has yet to be addressed by mainstream computer or Internet solutions. Most travelers are still being inadequately serviced by in-hotel publications. There is no hand-held competitor that has any significant market share of the in-hotel market, which is segmented geographically, making it easier to penetrate.

The Company's strategy initially focuses on penetrating the Orange County region, and then involves rapid expansion into major travel destination markets throughout California and the U.S. Most Company customers will be merchants with a regional presence and for whatever regional market *Company* units are deployed, these regional merchants are projected to account for over 80% of Company revenue.

Company offers these regional businesses a new more efficient and effective tool for delivering their message to potential travel patrons. Every retail and service business that seeks a share of the travelers' spending dollars can and should take advantage of Company's service. In Orange County, Census Bureau figures indicate that there are 23,000 businesses that could possibly service the traveler market. These businesses are highly visible and will be easy for Company salespeople to identify and contact. Also, many of these businesses employ less than 100 people who can make quick purchase decisions on-site, without having to consult with senior management off-site.

These regional businesses will be featured in the Company's PDAs, both in terms of information content categorizing and describing their services, and in the form of customized advertising. The Company's primary revenue source is derived from the sale of advertising space. Advertising

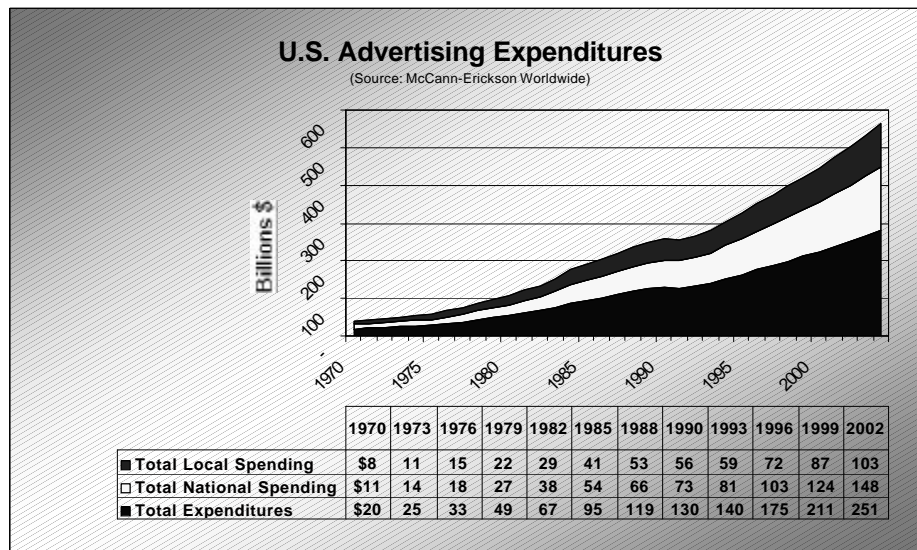
expenditures in the US were estimated at \$198 billion in 1998. (See McCann-Erickson chart on the following page.) This represents the amount of money advertisers were willing to spend to promote their products, using the many available mediums like television, radio, interactive, print, and outdoor advertising. Based on relative economic indicators, local advertising in Orange County is estimated to be a \$1 billion market and growing strong.

Of particular importance to Company is the growth of interactive or electronic media advertising, fueled in large part by the Internet. Whereas the electronic media industry hardly existed before 1995, it hit \$1 billion in quarterly spending in 1999, \$2 billion per quarter less than a year later, and its growth is accelerating, according to a report by the Internet Advertising Bureau. The Company believes that growth rates in the hand-held advertising market will be more consistent with growth rates in Internet advertising than with traditional media, thus, raising prospects for the Company whose business model emphasizes both e-content and e-commerce.

The Business of the Company

Company’s software currently utilizes the Windows CE operating system that runs on standard hand-held platforms. The Company will initially provide travelers with content that has been loaded on to generic PDAs offline. The Company anticipates allocating a portion of the proceeds of this Offering to further the development of its software that will make this content directly available online through third-party PDAs utilizing new wired and wireless technologies that run standard internet browser or Company software.

Delivering useful and timely local information to travelers, however, is only an indirect method of serving Company’s primary customers: merchants with a presence in a local region. These merchants have a need for a better method of reaching travelers who are already targeted customers and PDAs are the newest media that enables merchants to reach travelers with a specific and timely advertising message than that afforded by traditional local advertising media. The business of Company, therefore, is to capture a piece of the approximately \$70 billion revenue stream spent by merchants on local advertising out of the approximately \$175 billion spent by merchants annually in the U.S. (See McCann-Erickson chart on the following page).



(From McCann-Erikson’s “Estimated Annual U.S. Advertising Spending Details 1935-1997”)

Most small business retailers have an established or discretionary budget for advertising campaigns focused on their local market or they are already spending budgeted levels for in-hotel publications. Given the low entry price of advertising on a Company, the Company believes it can quickly become a line item expense on their budgets.

However, more and more, these merchants take the form of chains and franchises with regional or national buying power, involving representation by advertising agencies that buy strictly on audience metrics. These advertising agencies, as the gatekeepers to the merchant's advertising dollars, are important strategic relationships for Company. Therefore, establishing a base of e-commerce traffic statistics that can be presented to these agencies is a business strategy that Company will be pursuing.

Other gatekeepers to the merchant's advertising dollars include the property managers of major shopping malls. The Company's market research indicates that these property managers are very willing to introduce Company to their tenants. Focusing on merchants in the major shopping malls will be another business strategy the Company will pursue.

Additionally, during later expansion stages, Company will target national merchandisers that do not necessarily have a local presence, yet want to communicate their message to the traveler. These companies are typically building brand awareness and are not necessarily interested in prompting an immediate purchase. National merchandisers will be offered "premium pages" on the *Company*, which will be the advertising equivalent to the exposure that these advertisers are accustomed to getting on the front and back covers on a magazine.

Delivering digital content, or e-content, provides Company with a tremendous advantage. Unlike static print advertising, Company can control content in nearly real-time, making information such as daily events, much more accurate and timely. Current hardware platforms enable Company to deliver on average four pages of customized graphical content on 300 merchants, which is typically comprised of a business' message and logo, a "call-to-action" product or service description, a freeway map and a street-level map. This format provides the traveler with all pertinent details on the merchant, while also presenting the information in an eye-catching manner that both captures the traveler's attention and empowers him to make a purchasing decision.

Strategic Relationships

Currently, Company has two important strategic relationships and it is actively seeking additional business relationships that can advance Company's business plan. First, beginning in 1998, Company forged a working relationship with [REDACTED], a Washington state based Microsoft Windows CE Authorized System Integrator. Working closely with Steve Holmes, [REDACTED] has been responsible for most of the development of the existing Company viewer software, which is that portion that runs on the PDA. [REDACTED] will remain a key resource for the Company and its anticipated Development Team in its planned efforts to design and deploy later versions of Company software that, ultimately, will take advantage of the ever-improving wired and wireless hardware platforms to improve the functionality and feature set of the *Company*. Releases of later versions of Company software are scheduled to parallel the timing of Company's multi-staged targeting of advertising merchants.

Second, the Company entered into a Content Licensing Agreement in June 2000, with [REDACTED], a publisher of well-known, travel books that are distributed in more than 2,000 fine hotels in over 30 major markets across the nation. [REDACTED] also operates www.[REDACTED].com, an Internet website that likewise provides city-centric travel guide information for the desktop web user. [REDACTED].com offers extensive up-to-date travel information on dining, sightseeing, recreation, arts, nightlife and shopping in America's great cities. In a December 1999, independent research study, [REDACTED].com, topped a list of the Internet's many city guides, rated according to unique features, interface and content. Under the agreement, the Company licenses certain [REDACTED] content for display on *Company* devices

Obtaining this content from [REDACTED] will enable the Company management and sales force to focus on building the base of hotels distributing *Company* devices which, in turn, will drive revenue from larger advertisers willing to spend increasing amounts for exposure on *Company* devices.

Company management intends to continue building this relationship and believes that the possibility exists for each company to someday market their respective products and services in a complimentary fashion, in effect expanding the Company's product line.

Marketing Plan

Company's technology and application software is capable of displaying content for and being deployed in many different industries, e.g. educational markets, real estate markets, and foreign language markets. However, Company has intentionally focused on a single market – the traveler market – so that a leading market share can be achieved. The Company is also focusing on building a successful business model in one region – Orange County – that can be quickly applied in additional regions.

According to U.S. Bureau of the Census figures, there are over 70,000 business establishments in Orange County, of which 40,500 (56.8%) are in retail trade and service sectors. Standard Industrial Classification ("SIC") codes have been used to narrow these businesses to those that potentially service the travel industry and, therefore, would be interested in advertising their services to traveling consumers. There are 23,000 (32% of total) such establishments, most of which employ less than 100 employees.

Within a five-year period, the Company's goal is to establish enough advertising accounts to capture a significant share of the advertising spending done by these 23,000 Orange County travel-related businesses. In order to effectively reach these businesses, the Company's marketing plan will entail approaching them and their advertising agency representatives in different ways.

Regional Advertising Marketing. Local and regional businesses are primarily interested in having their ads generate immediate sales. For them, the decision whether to place an ad will be made by the business owner or an internal marketing officer or manager.

Marketing to the local and regional advertiser will be accomplished primarily through direct contact, starting with a direct mail campaign. The Company's Vice President – Sales, through his/her Remote Sales Teams, will be responsible for developing a coordinated effort to market to these accounts. Once some level of recognition is achieved, merchants will then be contacted additionally via press releases, media coverage, and trade shows.

On an ongoing basis, Company intends to provide its advertisers with regular advertising audience reports that enable them to quantify what they are getting for their ad dollar and encourage their loyalty to Company. Advertisers can also be made aware of upcoming events in the area, such as when a special trade show is coming into town, and given the opportunity to place a special ad.

The ability to place timely advertising is a distinct advantage offered by Company, not available to the advertiser in other mediums. Company management believes strongly that this proactive approach will result in additional orders and up-charges. The Company also has plans to make this communication available to the Merchants interactively through the Company.com website.

National Advertising Marketing. National customers are distinguished by having an outside advertising agency responsible for designing and placing ad campaigns. Each region is expected to have no more than 20 such premium page advertisers. This number will be purposefully limited in order to maintain a balance between content the traveler is looking for ("pull" content), versus content that the traveler is not ("push" content).

Marketing to national prospects will be accomplished primarily by promoting Company to advertising agencies. The Company's Vice President – Sales, through his/her National Accounts staff will be responsible for developing a coordinated effort to establish direct contact with the major agencies.

Agencies buy advertising based upon audience demographics and exposure. Until such time as Company has developed a track record of its audience, the Company will primarily focus on special project promotions. Many large advertisers have discretionary budgets for special promotional campaigns that do not go through normal agency channels. Co-op product advertising budgets are an example.

Company salespeople will need to make direct contact with advertisers that have these discretionary budgets, versus their agencies. The most likely candidates are those that are already spending money to reach the traveler, like credit card companies, travel companies, airlines, and rental car agencies.

Business Convention Advertising Marketing. While the bulk of travel is done for pleasure, there is nonetheless a large market opportunity in business conventions and its related travel. Conventions are handled in many cases by a meeting planner who is responsible for making the appropriate travel and accommodation arrangements. These meeting planners will be approached by the Company's Vice President – Sales, through his/her National Accounts staff, to elicit their support in distributing PDAs to the conventioners. Information specific to the convention can be created and deployed in PDAs, providing a free service to both the meeting planner and the conventioners.

Major corporations typically allocate very large budgets for advertising at these conventions. This is typically accomplished by sponsoring an event, an activity, or providing customized promotional merchandise to be given away to the conventioners. It is anticipated that these sponsors will buy space in PDAs on a single-event short duration basis. These targeted ads should be a much higher margin product for the Company.

Advertising Sales Strategy. The primary tool for selling Company ads, beyond the Company itself, is the Company's media kit. Media kits are standard industry information packages that present the relevant details and benefits of advertising with any particular publication. The Company's media kit will be used for presenting national and local advertisers alike. It consists of the target coverage area, local audience statistics, benefits of advertising, rate card, contract, design forms, etc. – all presented professionally in one package.

The media kit will point out a number of important advertising facts. First, the *Company* user, who fits the well-established traveler profile, is virtually assured to buy something within hours or even minutes of viewing *Company* content, whether it is a meal, tickets to an event, or a shopping excursion. Second, the *Company* audience completely turns over approximately every three days (the average visitor stay as reported by the Anaheim/Orange County Visitor & Convention Bureau), providing a 120-fold increase in audience. Third, the audience has given *Company* permission to deliver the ads and in fact wants to view them, whereas most other advertising is intrusive. Fourth, every *Company* user is in the vicinity and is therefore a potential patron, unlike the Internet that attracts viewers from around the world, most with no chance of becoming a patron.

The media kit will also explain why advertising in a *Company* is the best vehicle for delivering an advertiser's message. The *Company* sales team will also be communicating the message that advertising in a *Company* is essentially necessary if a business wants to validate its existence among cutting-edge advertisers.

For selling to local and regional customers, the *Company*'s strategy is to build small, highly qualified teams of sales representatives. For Orange County and similar sized regions, there will be one Sales Manager and two or three Salespeople. Salespeople will be compensated with a base salary and a commission. *Company* management believes that in order to attract and retain highly skilled salespeople experienced in selling advertising, they must be offered an above average compensation plan that meets or exceeds basic needs and yet provides sufficient incentive for salespeople to exceed their quotas and targeted compensation.

Hotel Marketing. Company has established a ranking system that identifies the most desirable hotels in which the Company would like to see *PDA*s distributed. These hotels are ranked according to their geographical location, number of rooms, and their general level of quality.

Beginning in Orange County, the Company has plans to seed up to 5,000 *PDA*s into approximately 60 top hotel facilities during the next three-years. (This represents only 10% of the approximately 50,000 total available hotel rooms in Orange Country.) On an annual basis, assuming each *Company* was used by a different traveling party every 3 days (the approximate average room turnover), then *PDA*s would be used by 600,000 visitors per year in Orange County. Considering that the average number of persons per room is 1.7, Company could have an audience as large as 1,000,000 visitors per year in Orange County alone.

The Company has thus far approached hotel properties on an individual basis at the General Manager level. Our challenge has been in convincing the hotels' General Managers to take on the role of proactively distributing *PDA*s to their guests. These General Managers have the responsibility and the authority to approve working with Company. To penetrate these relationships, Company will focus on the benefits that the Company offers in relation to in-room and rack publications, as well as exploiting the synergies that exist in the tightly knit hotel industry. A successful working relationship with one hotel in a chain will provide an easy introduction to other hotels in the same chain and to a certain degree across hotel chains as well.

The Company has plans to approach major hotel chains, such as Marriott, Hilton, Starwood, and Hyatt, at the corporate level in order to solicit their participation in placing *PDA*s directly into the rooms of many of their properties. In effect, the Company would contract to rent a small space in each room of several of a chain's properties in which to place a *Company*. This master hotel strategy has the added advantage of reducing the Company's distribution costs and allowing accelerated market penetration enabling it to approach larger national advertisers sooner.

In either case, the Company must convince each property that:

- Distribution of *PDA*s will not interfere with the hotel operations;
- The front desk clerks and/or his concierge staff will not be burdened with significant extra work when checking in/out *PDA*s;
- The hotel will not be responsible for lost, stolen, or damaged *PDA*s;
- *PDA*s are a great tool that his staff can use when helping guests; and
- *PDA*s are a great service for hotel guests.

Operational results have been encouraging. General Managers have generally been very supportive of Company's efforts. (See the Table below for a list of sites contracted to distribute *PDA*s to their patrons.) Servicing hotel guests is a priority for General Managers. If guest demand for *PDA*s is sufficient, hotels will distribute *PDA*s on that basis alone.

General Managers will also be interested if they understand that distributing *PDA*s can save them money and produce additional hotel revenue. This can be accomplished by providing every hotel with two or three complimentary *Company* display pages that provide the guests with real-time information specific to the hotel in which they are staying, and with compensating the hotel for placement or distribution of *PDA*s. The Company has thus far been compensating hotels and their staff on a "per check-out" basis for distributing *PDA*s. The Company will in all likelihood need to engage hotel employees with marketing incentives to keep them motivated to actively distribute *PDA*s to the guests. While the Company has been utilizing cash incentives to date, it has plans to offer more elaborate longer-lasting incentives comprised of gifts and other non-cash rewards. The Company anticipates that some of these non-cash rewards will be taken in lieu of payment from certain advertising customers in a barter type transaction.

**PDA Distribution Sites
as of January 10, 2001**

<u>Anaheim Area</u>	<u>Buena Park Area</u>	<u>Irvine Area</u>
Anaheim Visitor's Center	Courtyard by Marriott	DoubleTree Irvine
Best Western Park Place Inn	Fairfield Inn Buena Park	La Quinta
Best Western Stovall's Inn	La Quinta	Marriott Irvine
Best Western Stovall's Inn	Marriott Fullerton	Omni Rent-a-Car
Carousel Inn & Suites	Radisson Inn Buena Park	
DoubleTree Orange	Residence Inn La Mirada	
Fairfield Inn Anaheim		
Go Rent-A-Van	<u>Costa Mesa Area</u>	<u>Newport Beach Area</u>
Hilton Garden Inn	Country Inn & Suites	A1 United Car Rental
Omni Rent-a-Car	Embassy Suites	Go Rent-A-Van
Residence Inn Orange	Hilton Costa Mesa	Marriott Newport Beach
	Woolley's Petite Suites	Sutton Place
	Wyndham Costa Mesa	

Traveler Marketing. The demand by travelers for PDAs will be the best barometer for determining the participation level of both hotels and business advertisers. The Company's research indicates that most travelers do not have access to a PDA. The sheer number of travelers versus the relatively low market penetration of these new hand-held devices (an estimated 5 million units shipped in 1999, of which Palm Computing commanded an estimated 70% market share¹ and an estimated 9.4 million units shipped in 2000.²) suggests that this is the case. Furthermore, the majority (over 70%) of travel in the US is for pleasure. This suggest that some of the hand-held devices, those purchased for business related application, will be carried disproportionately less often during travel. As a result, the vast majority of travelers that would be interested in obtaining information on a hand-held mobile device presently do not own or have access to a PDA.

Person Trips by Main Purpose and Type of Trip for the United States: 1995				
Main purpose of trip	Weekend trip			Not a weekend trip
	Total	1-2 nights	3-5 nights	
Number (thousands)				
All person trips*	441,385	252,581	188,804	559,934
Business	65,531	32,358	33,172	159,304
Pleasure	320,877	186,219	134,659	309,233
Visit friends and relatives	178,589	104,438	74,151	152,166
Leisure	142,288	81,781	60,508	157,067
Personal business	54,974	34,004	20,970	91,364
Percent				
All person trips*	100.0	100.0	100.0	100.0
Business	14.8	12.8	17.6	28.5
Pleasure	72.7	73.7	71.3	55.2
Visit friends and relatives	40.5	41.3	39.3	27.2
Leisure	32.2	32.4	32.0	28.1
Personal business	12.5	13.5	11.1	16.3
*Includes other means of transportation not shown separately. Source: 1995 American Travel Survey: U.S. Department of Transportation, Bureau of Transportation Statistics				

¹ According to International Data Corp. as reported by CNET News.com, "Young handheld market set to triple, report says" December 23, 1999.

² According to Gartner Group as reported on ZDNET.COM, "2000: The year PDAs grew up" December 31, 2000

The best opportunity for marketing to the traveling user will be within the hotel. Hotels will vary in how they promote PDAs to their guests. Smaller hotels will rely on their Front Desk staff to promote to their guests during check-in. Larger hotels cannot afford to slow down check-in time for guests; therefore, they will rely on the Concierge and Bell staff, as well as informational brochures. Depending on the hotel, Company can use appropriately suited techniques, including check-in brochures, in-room tent cards and brochures, in-room TV advertising, and Concierge brochures and displays.

As the Company is able to negotiate master contracts with hotel properties at the corporate level, and introduce PDAs directly into rooms, marketing to the traveler will consist of the *Company* itself and the literature accompanying the unit. The Company intends to develop an attractive stand to hold the *Company* on display in each room. The display will need to be tasteful and discrete to blend well with as many room decors as possible.

The budget permitting, Company will also advertise in airline magazines, in airport terminals, as well as in taxi and other shuttle services. This will give the traveler early exposure to Company and reinforce any marketing efforts within the hotel. Additionally, Company plans to coordinate with several advertisers holding free drawings or giving out prize awards to *Company* users.

Market Penetration. The Company's bottom line success ultimately depends on whether the traveler actually uses the *Company* to make purchasing decisions. Very few other pure advertising vehicles can actually show that the user even noticed an ad, much less acted upon it. In contrast, the Company intends to supplement the advertisers' intuitive sense of audience response by providing these merchants with consumer usage data, in order to demonstrate whether a particular *Company* page was, in fact, viewed and therefore capable of influencing a purchase decision. The collection of this data will be anonymous to protect users' privacy and is currently in beta testing.

The Company's sales goal is to have over 800 active advertisers in Orange County within 5 years. At an approximate average of \$6,000 annually per advertiser, this represents \$5 million in annual advertising based revenue for the Orange County area.

Future Developments

Company plans to evolve its business model using strategies employed very successfully by the cellular telephone companies in order to reap ongoing service benefits. At present, the business model calls for seeding hotels with hand-held units, generically called PDAs, to be made available to guests free-of-charge. As hand-held market penetration increases in general, Company will rely less on this seeding strategy and more on enhanced content and services.

Company is dedicated to establishing a close, loyal relationship with our customers. The Company intends to do this by proactively marketing its products and services to them, and by offering enhanced services and add-on products. Future planned services, like e-commerce enabled account access, will benefit both customers and Company, by providing customers with an efficient method to manage their account, while allowing Company to lower costs of customer maintenance.

The first and current phase of the Company's software is very similar to an Internet browser, but with its own built-in search engine. In essence, the Company is utilizing hand-held hardware built by others in order to put small websites into the hands of travelers. Like successful Internet sites, the Company's audience, the traveler, is attracted to its content. Company's differentiating niche is that the content it makes available includes highly visual graphics as well as text. Users are more drawn to the content and remember it longer. Advertisers are more compelled to pay to have their business image conveyed to a potential customer than just a text listing of their name, address, and phone number.

To compliment the *Company* service, the Company has been developing its website (currently in beta) to enable users to preview and download the *Company* graphical content to their own PDA. The Company has plans to port its software and service to other popular hand-held platforms, such as the

Palm OS. The Company plans to offer customers the opportunity to have their message delivered to these platforms as an enhanced service.

The Company is also carefully watching the ongoing development of the wireless industry, particularly as it relates to wireless data access. While most of the latest developments in wireless involve access to data and the Internet in particular, it will be some time before the technology allows for the efficient delivery of the highly visual content Company is providing. However, the Company strategy involves delivering content to as many popular standard platforms as possible, including the text only platforms of today's wireless infrastructure. The Company has plans to leverage its database by enabling a text only message (which is associated with the graphical image content) to be accessible via today's wireless devices.

The Company believes that its strategy will enable it to gain a strong foothold in the marketplace by the time the wireless infrastructure progresses sufficiently to deliver the highly visual images of the Company's current content.

Assuming funds under this Offering are raised; Company's sales force aggressively establishes advertising accounts with national and regional merchants; and the Company's development and marketing teams produce exciting new products, content and services, the Company believes it can achieve its goal of garnering a reasonable share of the in-hotel advertising market within a five-year time period.

Competition

Businesses looking to reach the traveler do not often use the more obvious forms of advertising. For the most part, many traditional forms are just far too expensive for smaller merchants. TV and radio can be very costly to produce and air. More importantly there is not enough time for these publications to attract a patron during his stay. Travelers are only available on average for 3 days. The best publications to reach the traveler are those that can be put directly into the travelers' hands. These are the in-hotel publications.

The Company's research shows that there are many players in the Orange County in-hotel publication business. The print media format used by the competition takes all forms of traditional print magazines and newspapers. Where these publications differ from one another is in the quality of the materials they use. Some publications use throwaway newsprint while others use very high quality hardbound paper, while most use average quality. The higher quality publications are typically more expensive and are published less frequently.

Each publication also has its own style and content preference. Some like *the Four Seasons Hotel & Resort Magazine*, which is published exclusively for the Four Seasons Hotels, is very concentrated on higher income content. Others, like the Visitor Guides published by the visitor and convention bureaus, focus more on travelers coming to the area, not on those who are already here. Others like the *Orange County – The Annual Edition* have large sections devoted to restaurants that take the form of paid editorial, also known as "advertorial." The publications using less expensive paper, like *Welcome Southern California*, *TV Monthly* and *Inn Room Visitor* tend to have a high concentration of tear-out coupons. One publication as it names suggests contains coupons only – *The Coupon Book*.

As a way to differentiate their product from the competition, a couple of publications offer hotels a direct benefit. For example, *TV Monthly* includes a local TV schedule. Smaller hotels can save printing TV schedules by putting *TV Monthly* in the rooms. *The Guest Informant* will customize their publication for the hotel. They will customize the cover and the inside section specifically for the hotel. This too saves the hotel printing costs. *Guest Informant* and *Where Magazine* differentiate themselves by having their circulation audited by recognized bureaus. Most do not. These traditional magazine style publications are distributed directly in hotels and other traveler hot spots. Some are distributed directly in hotel rooms.

Another form of print media that is used is an individually printed advertiser brochure. These are mostly 3" x 9" heavy stock brochures that are printed by the thousands and then placed in coupon racks in hotel lobbies. Many of these offer coupon incentives to the traveler. There are also smaller 2" x 3" 4-fold versions specifically for restaurants, which have the menu printed inside. These are also placed in racks. The primary strength of these publications lies in their traditional and familiar format. Hotel personnel and travelers alike are used to seeing these types of publications.

The publications that use less expensive materials also have an added advantage. They are not concerned with travelers removing the publication from the room; in fact they prefer it. One reason this is advantageous is because it means they have a lower cost of production. More importantly, though, is that they have a greater opportunity of being used by the traveler than the hardbound publications. Hardbound publishers actually print in their publications a notice asking the guest not to remove the book from the room. With only 3 days in which to deliver the message, this works against them. In this regard, the less expensive publications can be more practical for the traveler and more effective for the advertiser.

Hardbound book publications offer the benefit of a stronger impression, since the book contains higher quality and probably full-color messages. They count on appealing to buyer emotions and the advertiser's ego, and have been quite successful doing so.

The individual brochures are popular and effective. Travelers can pick and choose the ones they are interested in and take them back to their room for perusal. The brochures are more attractive than the newsprint publications, but not as appealing as the hardbound book advertisement. The traveler can carry them throughout the day, but they cannot carry enough brochures to equal the information in the newsprint publications.

The Yellow Pages are somewhat of an exception in the printed medium arena. They are more affordable than other traditional media, such as radio and TV, and most every hotel room has a copy. They use lesser quality material, but they are too big to take out of the room, so they do not really fall into either camp. Their primary target is the local resident, not the traveler. They have become so ubiquitous over the years that they have come to serve the traveler somewhat, although not intentionally. They represent a good source of reference, but the lack of targeted audience and the annual publishing cycle make them less effective as a means of proactively attracting travelers.

Some years back, electronic kiosks were introduced into hotel lobbies. They have been proven useful information centers, but they have not been successful as an advertising medium. The reason is simple – they can only service one person at a time, and that person must be in front of the kiosk. Kiosks represent only one copy of the publication and effectively an audience of only one. There just is not enough exposure potential to effectively compete with other publications.

There are few barriers to entry for new publications. There are no unusual regulatory or licensing issues. The biggest barrier is in gaining enough prepublication ads to complete a full issue, and then finding a way to successfully compete among the numerous publications.

In spite of the numerous publications, there has been stability in the travel publication industry. Certified Folder Display Service, Inc., a publisher of rack-style brochures has been in business since 1899. *Guest Informant* has been publishing since 1937, and is in 2,000 finer properties in over 30 major geographic markets. *Where Magazine* has been publishing since 1936, and reports to be in 3,000 lodging establishments in over 40 major cities. *TravelHost* has been publishing since 1970 and reports to be in over 5,000 hotels.

Finally, the Internet has generated a lot of general excitement and features numerous local and city guide web sites. However, travel information displayed on the Internet suffers from the same disadvantage inherent in other traditional media. In short, the Internet sites do not put information and content in the hands of the traveler during the 3 days when it is most important. The Internet is very

good for pre-travel research and in making airline and other travel arrangements. However, very few people travel with laptops and only a minor percentage of hotels currently offer Internet access. Even when the majority of hotels offer Internet access, or when wireless Internet access is widely available at useable bandwidths, people will still need a personal digit assistant or hand-held device to display the information.

There are several companies beginning to make their web content available for download to PDA owners. The business models range from subscription based to advertising supported. Vindigio, Inc. for example is advertiser supported with rates ranging from \$22 CPM (cost per thousand exposures) to \$90 CPM (according to their sales literature). OnTheRoad.com and PortableInternet.com are subscription based, charging between \$20 and \$100 per city. All these are 'database' style content guides, meaning the primary merchant listings are text-based only. Most offer additional features for the user. Vindigio for example offers listed directions to the desired location, based on the user entering the address of his/her current location. Vindigio and others offer reviews and ratings of the listed establishments. The majority of these are offered on the Palm platform, some exclusively.

Company believes that its implementation of a standard PDA device with proprietary software and content not only has numerous competitive advantages over the existing competition, but the continued development of cutting-edge solutions will enable the Company to maintain a competitive position as the hand-held market matures. The highly visual graphic content of Company is more appealing to advertisers and user alike. Our business model puts each device into multiple hands rather than relying solely on the limited number of device owners to download content from the Internet. Convenience and ease of use make PDAs attractive to the masses, rather than just the technology literate. Company believes it will be in a dominant position with the regional merchants, have significant customer relationships, enjoy brand recognition, and possess the technological resources to implement the kind of information access the traveler will demand by the time the market matures.

Business Expenses

Content Creation: Aside from the original expenses associated with creating the Company source code, the Company expects content creation associated with merchant accounts to actually pay for itself through setup and account maintenance fees. Each new advertiser account is expected to take approximately 2 hours to setup initially. Beyond this, minor changes to an advertiser's content can be made in only minutes.

PDA Acquisition and Market Seeding: The cost to seed and blanket the market with hand-held devices is a significant cost. Currently, Company is able to acquire generic PDA units at less than \$175 per unit. To reduce the large capital outlay required for the Southern California region, the Company is considering selling the devices as well as approaching PDA providers as potential strategic partners. Since each unit is projected to get as many as 120 three-day demos by travelers, Company will be exploring ways of encouraging PDA providers to deploy demonstration or promotional devices.

Unit Maintenance: There are no moving parts in the *Company* units and the batteries are rechargeable, therefore, maintenance is expected to be low and is budgeted at \$1.00 per month per unit. While units will be lost and damaged, such expenses are projected as minimal. Guests that do not return units or return damaged units, will either forfeit their unit deposit and/or their credit card held by the hotel will be charged accordingly. (Company will of course use its discretion in deciding whether to charge a guest for a lost unit in order to keep guest and hotel relations strong.) While all units will be fully depreciated and may be replaced after only three years of use, they are built to last longer.

Distribution: A percentage of gross sales have been allocated to expenses associated with getting *Company* units into the hands of travelers and other users. Under current operations, a portion of this goes directly to hotels, and/or their staff, to incentivize them to 'check-out' PDAs to their guests. If and

when master contracts can be negotiated with major hotel chains at the corporate level, this fee will likely become a fixed 'rental' fee paid only to the hotel for the placement of *PDA*s in rooms.

Selling: For any given region, net new sales are projected to start out at 5 per week, and then decrease to about 1.5 per week. The Company is planning to place 3 sales consultants into any given region in order to accomplish these goals. While Management believes this projected sales model is conservative, it does assume that sales costs will be reduced to the extent gross sales exceed projections.