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## Executive Summary

*Organization:* The San Francisco Community Television Corporation (hereinafter CTC) has a 15-year organizational history as the City's signature provider of public access television resources, leadership & training opportunities. It operates a state-of-the-art facility that opened in early 2002 & manages a local cablecast channel that serves as a forum for free speech, information exchange & community-produced content. The public-at-large is welcome to explore various pathways of involvement at the organization, such as CTC membership & certification programs. As a nonprofit, such pathways are generally low-cost and/or subsidized towards community benefit.

*Business Summary:* CTC plans to offer television, video and/or audio production services, documentation & event coverage services to nonprofits, governmental agencies & the educational sector in the San Francisco Bay Area. Services will include project management, creative consulting, and all aspects involved in the planning, production, execution & delivery of a final video or audio product. Pending the specific goals of a production, clients will be offered two sweeping options for production services that have elements that can be provided for in combination: 1) On-site studio production at the CTC facility, or 2) Coverage style services in the field including site-specific preparation, location management & multi-camera field production. Both service areas would engage a track record crew with access to the best of CTC's facility & equipment including: a broadcast quality television studio, remote production packages, an audio room, edit suites & post-production facilities, capacity to assist with deliverables. Please see Appendix B.

*Rationale for Venture:* As a nonprofit, CTC is currently funded almost entirely by cable operator grants administered through the Department of Telecommunications & Information Services (DTIS) of the City & County of San Francisco. Moving forward, CTC is required to develop funding sources separate of the City & County of San Francisco (hereinafter also CCSF), and has set the objective of raising 15% of its operating budget (~\$120,000) independently by FY 2004-2005. In particular, CTC has developed this business venture with such ongoing revenue goals in mind, therefore, the financials proposed herein will demonstrate the potential for CTC to impact on the 15% goal, even amidst a conservative annual scenario.

*Management Team:* In 2002, the CTC staff is very strong on skills sets that are relevant to the proposed venture, and collectively they have over 75 years of combined experience in television, media & technology. Select portions of both Staff and Board weigh in with substantial & applicable experience in related small businesses, startups, and policy settings. And, all on the team have a keenly defined sense of the required knowledge that define effective customer service in media and television. The Board, in particular, provides an added layer of leadership & expertise in key professional & regulatory fields, including media, law, venture capital, finance, and technology. With regard to this venture leveraging CTC's human resources by "borrowing from the nonprofit", it will be key for management on the for-profit side to engage the talents of Staff and Board in ways that sustain mutual benefit,.

*Industry:* CTC projects the addressable market for its services in the San Francisco Bay Area to be just under \$9.5 million (see page 6) At various points in its organizational history, CTC has worked-for-hire among local nonprofits & city government, but usually without a strategic planning component. Over the last business quarter, CTC was hired to create a series of public service announcements for a disability services nonprofit. The helpful timing of this recent work with

“charter customer” has helped to fuel a stronger planning aspect for CTC as well as to clarify its positioning in the local market space. Please see Appendix A, as well as the video enclosure.

*Market Analysis:* CTC conducted 30 survey style interviews with small businesses, professional associations, nonprofits, governmental agencies & educational groups in order to understand where to focus its overall resources. Please see Appendix F. As a result, CTC believes that initially focusing on distance learning applications for nonprofits, the educational sector and governmental agencies makes the most sense for a couple of reasons. First, both interviews & research have shown a growing demand for competitively budgeted video production and event coverage among a range of nonprofit agencies. In any number of settings, this can also involve solving the chief production hurdle of involving distance users, attempting distance delivery and/or creating communications among remote audiences. Second, this focus enables CTC to take full advantage of its already strong relationships with the City & County of San Francisco, local schools and other community & education partners. Finally, given the specialized nature of distance-learning, it is an application that comes with potential for ongoing, project partnerships (i.e., ongoing contract with the San Francisco Library to cover a writer's series.) From there, a satisfied customer base can fuel word-of-mouth quickly and be the harbinger of building relationships with related-themed customers.

*Competition:* Competition for production and event coverage services in general comes from three kinds of businesses: major studios that serve larger corporate clients & events, such as conventions; project-based competitors that typically do not have access to the benefits of a controlled production environment such as TV studio; and cafeteria-style competitors that serve a more savvy, resourceful television producer. CTC will compete most directly with project-based competitors in its business model and customer focus, but CTC will offer access to a studio and provide preferred pricing because such fixed assets already exist.

*Lead Generation and Sales:* CTC will use a small direct sales team and partner with organizations that can provide adjacent, collateral services which help to generate leads and win new customers. CTC will commit to best practices in its direct sales model from the outset by assigning each customer and/or project with an in-house point of contact for the duration of a project. Maintaining this aspect of service will become increasingly important as CTC's for-profit operations grow.

*Financial Summary:* CTC plans to generate revenues of \$54,000 in year 1, \$209,000 in year 2, and \$278,000 in year 3. It expects to lose \$(46,000) in year 1, \$(22,000) in year 2, and make \$7,000 in year three. These net income figures include significant non-cash expenses and expenses of resources that are borrowed from the nonprofit organization. Cash flow is expected to be \$(21,000) in year 1, \$631 in year 2, and \$73,000 in year 3. CTC expects to require \$40,000 of start-up funding.

*Risks:* There are a number of risks to be considered further with the venture. Foremost is the variety of stakeholders that will have a say as to how to use CTC's studio and equipment assets. CTC believes it can manage this risk by keeping various stakeholders apprised at each stage of development of the plan.

During the 1990s, the National Center for Education Statistics at the U.S. Department of Education reported twice on various forms of technology-supported distance education, and their broad impact on nation's schools at grade every level. During the academic year, 1997-1898, Distance Learning saw unprecedented expansion at the college level in every category reported on, in some cases as much as 62%; enrollments in such courses went up; the numbers of course offerings went up; the numbers of degrees and certificates offered went up; the different kinds of delivery and technology being utilized increased; and finally, tuitions and fees earned as a result of such of such programs increased.

Summarized from the NCES Report: Distance Education at Postsecondary Education Institutions available at <http://www.itcnetwork.org/reports.htm>

## Description of the Business

The San Francisco Community Television Corporation (CTC) has a 15-year history as the signature provider of public access television resources, leadership & training opportunities that serve the interest of the City & County of San Francisco. Specifically, CTC's mission is to strengthen the fabric of community life by enabling open communication through public access television and other forms of electronic media. Some of the services CTC offers include:

- Low-cost &/or no-cost training & access to production equipment (television/video/audio), fully equipped studios, editing suites, production & technical support & volunteer facilitation – resources made widely available to the community & offered on a first-come first-serve, non-discriminatory basis. Once trained & certified, those who either live, work, or study in San Francisco can use CTC's equipment & access its organizational resources.
- Television channel time on a local Cable 29 for programs that are produced & submitted by CTC members; collectively, there are over 200 producers at Channel 29 who deliver an average of 7,046 hours of original, local programming annually. Formats and genres vary greatly. CTC welcomes series producers and can provide for one-time special presentations & live call-in.
- Organizational partnerships that make the tools of media and television more widely available to youth through workforce development & vocational training; to students & artists through hands-on, production internships; to community sector leaders and their staffs through targeted trainings and professional development.
- Media literacy opportunities, educational campaigns, & public interest advocacy, especially around telecommunications policies & the future information needs of the broader community.

As a nonprofit organization, CTC has achieved key milestones in the last three years:

- In 2000, the organization completed a strategic plan for expansion and sustainability of the nonprofit, which included a \$1.75 million build out of a state-of-the-art media and technology center located in the heart of San Francisco. The center was completed in early 2002, and now offers the community opportunities to produce & train in a technical setting that is in line with both PBS and commercial television stations in the region. Expanded training programs are enabling a growing number of local citizens & nonprofits to produce their own content.
- Sustained, professional level management & operations of a 24/7 cable TV channel. Playback is managed entirely in-house, and we are cablecasting on local Channel 29 (analog) as part of Comcast's basic, residential cable package. Our content reaches 178,000 households with a viewership potential of 534,000 people across the CCSF.

Coupled with the success of its recent build out, CTC has emerged as a nonprofit leader in telecommunications and media technology in Northern California.

- In order to expand its reach within the community-at-large and to develop a network of producers across human, cultural, and social lines, CTC has entered into partnerships with a number of diverse nonprofit organizations across a range of neighborhoods and community groups. The launch of this area of work coincided with year one of operations at the new facility. The outreach initiative is called THE SAN FRANCISCANS, and is set to unfold over 3 years.

## STUDIO PRODUCTION & EVENT COVERAGE SERVICE

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As a nonprofit, CTC is currently funded almost entirely by cable operator grants administered through the Department of Telecommunication & Information Services (DTIS) of the City & County of San Francisco. Moving forward, CTC is required to develop funding sources separate of the CCSF, and has set the objective of raising 15% of its operating budget (~\$120,000) independently by FY 2005-2006. In particular, CTC has developed the business venture outlined herein with these revenue goals in mind.

CTC's business mission is to offer television/video/audio production services and event coverage services to nonprofits (including schools & universities) and governmental agencies, especially those that have distance-learning initiatives & capacity. The services that CTC would leverage the state-of-the-art equipment and studio build out that CTC has just completed, and the focus on nonprofits and government agencies draws upon relationships that the CTC already has through its current government funding sources and partnership programs. Finally, the choice to focus on distance learning stems from primary research that CTC has conducted which indicates that there is very real, budgeted interest in using television, video and related new media for education & learning. Moreover, potential customers often lack the necessary knowledge base required to execute on these interests.

In the longer term, CTC plans to also offer its services to small businesses and professional associations for uses that encompass marketing collateral development, training & human resources management, infomercial production, music/performance video. And, while the impulse is not to rule out other kinds of service or customers in the first year, CTC will launch the venture with a specific & unified marketing focus that will aid with successful execution. Moreover, CTC has decided to initiate its plan in those areas where there are fewer barriers of entry to the market space & greater synergies with CTC's existing nonprofit network. See Appendix G.

## CTC EXPERTISE

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To execute this plan, CTC draws upon a variety of levels of expertise, since the plan stems from CTC's core capabilities & competencies in the overall fields of television, video & audio production:

*CTC Staff* – The CTC staff has over 75 years of experience in managing television production & creating the processes necessary to efficiently schedule and track usage of critical assets, such as field equipment, the studio, and edit suites. The staff also has a great deal of experience in customer service, training and managing external people, since it is their role to serve as mentors for all of the public access producers who use CTC's year round resources.

*CTC Board* – The CTC Board has relationships with a number of media and business organizations that can facilitate the execution of this plan. Examples of the relationships include the United Way, PBS, local teaching & academia, human & cultural services.

## Industry & Market Analysis

The market for television-quality video production services and event coverage services is one that has traditionally been reserved for large corporations or organizations that have significant expertise in the video arena. However, with the emergence & fast market dissemination of broadband communications, small businesses, nonprofit organizations, and novice customers are gaining interest in these services, and a Telecom savvy service provider can potentially have leading space in this growing market share. And, as the co-mingling of web-based technologies and video-based messaging becomes more commonplace, any number of smaller customers will begin to see how using video can enhance their operations in a variety of unexpected ways, including:

- Increased interactivity & communications between individuals within an organization  
(Training programs, Teleconferencing)
- Increased ability to reach out directly to potential customers, employees, talent  
(Marketing collateral, HR videos, Video resumes, Distance-based teaching & learning opportunities, casting and talent auditions)
- Enhanced services to current customers  
(Distance-based collaboration, 2-way video interaction, customer service)

Nevertheless, organizations that do not have significant expertise in producing television content encounter problems with managing the process and being up-to-date on the usage of complex production and editing equipment. Furthermore, since professional quality content production is often necessary, many customers find it cost effective to outsource this capability to a service provider.

“In the past two decades, there has been significant effort in educational institutions to increase the level of learners’ computer literacy. Systematic & organized efforts in telecommunications literacy, however, have been comparatively insignificant. Increasingly, computers are interdependent with telecommunications networks. It is the computer telecommunications nexus that provided educators unprecedented opportunities for accessing remote information; and connecting to other people across the street or around the world. It has also provided educators an incredible to provide educational information and services to learners at a distance. A KNOWLEDGE OF HOW TELECOMMUNICATIONS NETWORKS WORK IS AS IMPORTANT NOW AS HOW COMPUTERS WORK.”

--Quote by Farhad Saba, Ph D, San Diego State University  
From leading web space on Distance Learning, distance-generator.com

## Addressable Market for Business Venture

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As a point of entry for its services, CTC will target governmental agencies, nonprofit service organizations & the education sector, including community colleges, high schools (both public and private), and professional training organizations. CTC believes the addressable market for distance-based video, related production and event coverage services in the San Francisco Bay Area 11 counties to be estimated at **\$9,478,400**. We derived this number using the following basic assumptions and calculations:

- There are **11,848** governmental organizations, education and training institutions, and nonprofits in the San Francisco Bay Area's 11 counties (Source: smartpages.com.)

- We estimate the 5% of these organizations will be interested in the medium-term in using video services, based on the estimates of business that competitive providers serve in the San Francisco Bay Area = **2,370**. And, that this number multiplied by an expected average fee, per project performed CTC (\$4,000) = the addressable market CTC will enter into.

## CTC's Charter Customer

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CTC's position as the signature provider of public access television & community media in San Francisco has enabled the organization to be the "ear" of potential customers, over time, and occasionally gain access to "charter" customers--both have validated the willingness to pay for video & media production services in both the nonprofit and government customer segments, but a concern for preferred pricing structures. These customers have been key in our gradual development of a palatable plan for fee-based services. They have helped to verify demand for specific services and enabled CTC to hone in on operational plans based real, relayed and projected customer experience.

Comment from the Rose Resnick Lighthouse for the Blind & Visually Impaired, an actual customer:

"The Rose Resnick Lighthouse for the Blind & Visually Impaired in San Francisco is very pleased with the results from our collaboration with CTC. In general, our organization is not in a position to produce media products independently. In order to reach the level of production realized, we necessarily relied upon the promise of comprehensive service and pricing structure that CTC willingly provided to us. As a client, we are extremely satisfied with the service we received, and through this process we continue to find video production services immensely useful for our organization & validate such budget line items to our funders."

-- Greg Kehret, Access to Information & Services Coordinator

Comment from Government sector professional with the Airport Commission of the City & County of San Francisco, a potential customer:

"... the Airport Commission -- like most government offices -- does require some amount of professional video & TV-style coverage throughout the calendar year, either for documentation of services, public programs, events, & community relations/marketing. Therefore, we readily welcome the added expertise & capacity that comes with outsourced production services. The fact that CTC also has its own full service TV studio potentially offered at below commercial market rates is certainly compelling for professionals at work in the Government sector who would like to access the unique messaging tools that come with media/video/audio/television."

-- Kandace Bender, Deputy Airport Director, Communications & Marketing

--See Appendix A for Letters Of Support where the above quotes were originated.

## Industry Analysis

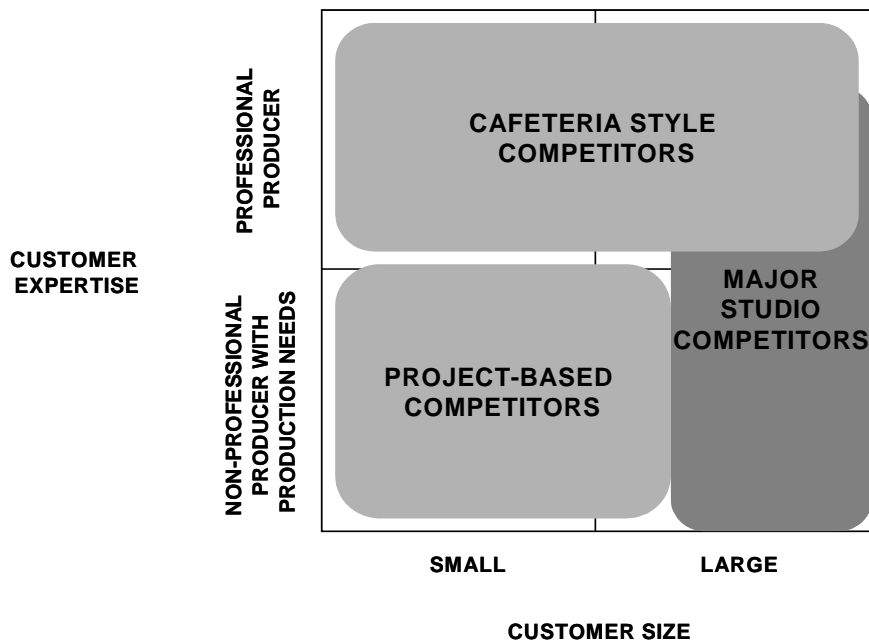
There are a number of options for customers in the market space that are interested in producing video, having it produced and/or covering an event via video. Competitors fall into one of three categories that broadly describe the style in which service is offered to the customer:

*Cafeteria Style Competitors* – These competitors provide equipment and services to more savvy customers that are interested in buying services on a per item basis. They cater to professional producers who have ongoing projects and may or may not already have certain types of equipment. Therefore, these customers are interested in having the ability to select specific pieces of equipment that they need and prefer to manage their projects on their own by selecting staff to execute the project.

*Project-based Competitors* – These competitors provide “project level” production services to small businesses, civic organizations, and individuals that require a team of professionals to deliver video coverage, production, and related services. They typically do not have access to a studio, and, therefore, can not easily deliver certain television quality production values (controlled interiors for lighting & sound) that many producers would require for their program deliverables. These competitors would likely include indoor location partners as part of budget proposals.

*Major Competitors* – These competitors operate major studios with the purpose of running a broadcasting business. In most cases, they will rent their studios, equipment, and services to clients, though this is not their core business. As a result, their customer base tends to be larger corporate clients, political interests, and other major customers. They also tend to be the level of service provider that manages convention sized events, either in part or whole, capable of integrating several kinds of media and technology into a simultaneous (public, on-air, or online) presentation.

The following matrix outlines the competitive landscape based on the three different types of competitors:



The following illustrates the differences between the three categories of competitors:

	<b>CAFETERIA STYLE</b>	<b>PROJECT-BASED</b>	<b>MAJOR STUDIO</b>
CUSTOMER	Professional, often independent	Small business and other non-professional producers	Large corporate clients with significant budget; relatively infrequent usage of studio
NUMBER OF COMPETITORS IN SAN FRANCISCO	15-25 companies	Hundreds of independent contractors; 10-12 organizations	5-7 major studios
EXAMPLE COMPETITORS	VideoCat Productions	Gordon Productions, Bayshore Productions Independent contractor	KQED, KTSF, KRON
PRICING STRATEGY	Everything is priced separately, down to each light and stand	Pricing by the project, with a bundling of services	Pricing by the project – focused on high price point customers
ACCESS TO A STUDIO?	<b>Typically NO</b>	<b>Typically NO</b>	<b>YES</b>

**Conclusion:** CTC will offer services to customers that require project-based production services, since CTC can provide the bundling of services and project management that non-professional customers demand. Moreover, CTC has the advantages that come with the offering of a studio, which few project-based competitors can offer and customers will increasingly appreciate.

## Competitor Profiles

The following is a summary of key players that provide production and event coverage services. We have chosen to provide profiles on:

- KTSF, a major competitor that has driven an initiative to develop production services more aggressively than other competitors in that category
- Gordon Productions and Bayshore Productions, which are project-based competitors in the Bay Area
- VideoCat Productions, which is a cafeteria-style competitor

-- See additional information on these & other competitors in the market space in Appendix D.

Summary of Competitor Profiles 1 & 2

<b>KTSF-TV &amp; STUDIO 26 PRODUCTIONS</b> <b>www.studio26.net</b>	
<b>FOCUS</b>	Provides production services for Asian business customers that are interested in multilingual marketing. They have developed translation services, subtitling, and language capabilities to differentiate themselves within this niche.
<b>REPRESENTATIVE CUSTOMERS</b>	Customers in the International Business sector, Entertainment sector, and Corporate sector, but specific references and customer count unavailable.
<b>DIFFERENTIATION</b>	Focused on a customer segment and its associated needs and have developed market research in this segment to that end.
<b>WHAT MAKES THEM SUCCESSFUL</b>	Leverages the studio assets that they currently operate as a broadcast station.
<b>POTENTIAL THREAT TO CTC VENTURE</b>	Viewed as a minimal threat since they have focused on the Asian market and have significant utilization of their assets in their core broadcasting business. However, they are considered a model for developing CTC's business.

<b>GORDON PRODUCTIONS www.gpvideo.com</b>	
<b>FOCUS</b>	Provides video service announcements that take the place of press releases and delivery via the Internet and satellite. They are focused on the health, biotech, and pharmaceutical markets. (They are positioned as the 'personal shopper' model.)
<b>REPRESENTATIVE CUSTOMERS</b>	More than 40 customers, including American Academy of Ophthalmology, California Medical Association, Dupont, Earth Justice Legal Defense Fund
<b>DIFFERENTIATION</b>	Offers a bundled pricing scheme and soup to nuts, concept to completion style of execution.
<b>WHAT MAKES THEM SUCCESSFUL</b>	They have developed a customer base that values the full-service package that they offer. They also offer satellite uplink capabilities.
<b>POTENTIAL THREAT TO CTC VENTURE</b>	Viewed as a large threat because of their full-service positioning and their customer base in the health industry. They have the ability to expand into distance learning if they make it a priority.

Summary of Competitor Profiles 3 & 4

<b>BAYSHORE PRODUCTIONS <a href="http://www.bayshorestudio.com">www.bayshorestudio.com</a></b>	
<b>FOCUS</b>	Offers a full service sound stage that can double as a TV/Video studio. Model is access and limited crew for price sensitive customer looking for a commercial package of resources. (They are positioned as enabling the 'do-it-yourself' model)
<b>REPRESENTATIVE CUSTOMERS</b>	Not available, but assumed to be independent producers and out of town professional producers
<b>DIFFERENTIATION</b>	Established a number of partners and has a focus on artistic clientele
<b>WHAT MAKES THEM SUCCESSFUL</b>	Low cost positioning for studio and expendables
<b>POTENTIAL THREAT TO CTC VENTURE</b>	Viewed as a medium threat since they have the assets and potential cost structure to expand if they wanted to do so. However, they would sacrifice their positioning in order to expand into distance learning

<b>VIDEOCAT PRODUCTIONS <a href="http://www.videocat.com">www.videocat.com</a></b>	
<b>FOCUS</b>	Provides piece by piece equipment rental, per hour editing services, and per person crew services
<b>REPRESENTATIVE CUSTOMERS</b>	Over 50 customers, including Chris Blanton Productions, The Gap, Circus Circus Hotel, Bill Stephens Productions, Trees Media Group, Desperado Films
<b>DIFFERENTIATION</b>	Offers the greatest flexibility to the savvy customer. Welcomes the independent film producer
<b>WHAT MAKES THEM SUCCESSFUL</b>	They have a focused positioning on independent film
<b>POTENTIAL THREAT TO CTC VENTURE</b>	They are considered a medium threat to CTC since their equipment list is most similar to CTC's field equipment (though they do not have a studio). They are most likely to threaten CTC's more savvy customers or customers that hire an independent film producer to manage a project.

## Market Analysis

CTC underwent a rigorous process to develop a segmentation of the market and our positioning of the services that we will offer in the marketplace. Specifically, the process involved the following:

**Step 1--Brainstorming:** We identified the different possible segments to target & the various uses & applications for our services. We considered under what circumstances we could enter the market space with an emphasis on best practices throughout.

**Step 2: Overview Research:** We conducted over 30 interviews of potential customers in the different segments we had identified, competitors in the San Francisco area, and potential partners. (Overview Research documents are located in Appendix F)

**Step 3: Analysis:** We brought together our combined research on customer needs, competitor offerings, and CTC capabilities to determine where we should focus our resources initially. We also mapped out at what pace we could feasibly diversify service offerings & customer pools, and considered how the costs & strategies around this evolving marketing piece would be altered.

The following section outlines our findings from this research & provides a rationale for the positioning decisions that were made as a result.

## Market Segmentation

CTC segmented the overall market for television/video/audio production services in two ways:

1) By the types of services offered to the customer, & 2) By customer type.

**SERVICES OFFERED:** CTC's core operations allow for the following two categories of service:

- *Event Coverage:* Crew and equipment services that are brought out into the field to capture television/video/audio coverage of a specific event, program, public presentation, etc.
- *Production Services:* Crew, studio, editing, and project management services that are used to create television/video/audio content in-house at the CTC facility.

EXAMPLE USES OF CTC SERVICES	
EVENT COVERAGE & DOCUMENTATION	FULL SCALE PRODUCTION SERVICES
Distance Learning / Course Documents	Video Resumes
Meeting Coverage / Event Coverage	HR and Training Courses
Focus Group Documentation	Creation of Infomercials
Legal Deposition Coverage	Advertising and Marketing Collateral
Video Teleconferencing	Music Demo reels & Music/Performance Video

## CTC: FOCUS ON DISTANCE

Given the market segmentation research we conducted, CTC has decided to focus initially on providing its services to customers that are interested in distance-learning applications as bolded in the above table. Therefore, CTC will focus on providing Bay Area nonprofits and educational institutions with the following: course capture, event coverage, documentation, course development, and training. It will also provide government agencies with related distance learning marketing aids and event coverage.

CTC chose this focus for the following reasons that became apparent during the analysis phase of our market research\*:

*Competitive production houses are not really focused on distance-learning* – While there are a number of production facilities that exist in the San Francisco area we find competitive, most do not focus on distance-learning services for the nonprofit and government sectors. We have determined that this is, in part, due to the specialized competencies needed to deliver these services. As a result, customer/providers such as junior colleges & libraries have been forced to produce in-house, using only those limited tools available within their own audio/visual departments.

*CTC already has relevant relationships* -- As a nonprofit with a host of educational and related community partners, CTC has a network of "friends" across all neighborhoods in San Francisco & thus the relationships to effectively segment out the market with credibility.

*Addressable market of the 21<sup>st</sup> century LEARNING SPACE is larger than that of the other segments & growing at a noticeable pace* – While relatively new to the broader funding scenario, distance-learning applications have 30 years of track record inside the community college system. Nationwide, Distance Learning has gained significant funding from various city, state & federal education sources because it addresses the needs of the home-bound, & the disabled. Further, libraries have benefited greatly from distance learning measures; early on, federal programs contributed to the notion that America's libraries should "be without walls," and welcoming all into literacy. In the 1990s, libraries served as ground zero in America's fight to bridge the digital divide.

*Customers have demonstrated an appreciation for the hybrid aspects of distance media initiatives* -- Since distance initiatives allow for greater reach across communications platforms & borders, strategic handling of such tools can drive new revenues from unexpected licensing opportunities are highly possible if handled strategically. For example, Telecourses presented on Channel 27 by San Francisco City College may also be taken as Teleweb courses (TV & Internet) by students at other Bay Area colleges within the system. And, not surprisingly, most TV-style Telecourses are now incorporating a mandatory Web-Assisted Instructor (an online teaching aid) in order to encourage multi-media literacy on the part of technology newcomers.

*Conclusion:* More and more, these scenarios are likely to involve combining the talents and skills of multiple service providers. As CTC has uncovered the market space that defines distance-learning in the San Francisco Bay Area & beyond, it is clear that such definitions are in flux right now, and that new kinds customers are emerging with service needs, including: home schooling associations, Telemedicine providers & pharmaceutical trainers, certificates programs (vocational training, emergency services, union requirements, citizenship), adult schools, languages, the military, and employee development.

Francine Podeski, Department Chair of the Broadcast Electronic Media Arts Department at San Francisco City College also serves on various state-wide technology & distance learning Boards. She's not surprised by the recent rush to this space at all: "TV & Video as tools for education were abandoned when PBS was abandoned back in the 1970s, and Cable TV began to show great promise as an entertainment market. At the time, unused early distance learning products & equipment were handed down to the libraries & junior colleges for no other reason than such items were available. Further, we were fast becoming the vocational training ground for the vast majority of adults in America who needed more relevant job skills. In truth, distance learning landed in our laps when no one else was paying attention, and because it was early enough, we managed to remain a leader and innovator in the field today. Certainly, when it was possible to mix these aids with the Internet, the notion of distance media as true content emerged in the minds of many educators for the first time."

When asked if there is more room for outsourced producers to "play around" in the space and get paid for it, Ms. Podeski weighed in with an Industry prediction: "In San Francisco, it's the high schools, and start with the private schools. They have the budgets, and often respond to being offered aspects of teaching & learning that are more college-like."

A few moments later, it was confirmed that there are (112) private schools in five Bay Area counties (source: smartpages.com) in the K-12 category ... suddenly, a piece of the available market was in front of us, and a sizeable enough to provide a test market well worth exploring,

**CUSTOMER TYPE:** CTC believes that there are 4 major customer types to be targeted with the above services:

*Small Business:* Businesses with over 25 employees & strong Bay Area brand recognition. Most reported on having an in-house marketing & P.R. department and annual budgeting for print buying, web, direct mail. Many intrigued by the prospects of TV & Radio produced marketing.

*Professional/Trade Associations:* Associations that have a large San Francisco membership base. Many reported on production and marketing needs in conjunction with annual events, such as fundraisers, awards galas.

*Nonprofit Organizations:* Educational, including universities, colleges, and school systems; social, cultural, human & health services.

*Government Agencies and Public Authorities*

PARTIAL LIST OF COMPANIES CONTACTED AS PART OF CTC RESEARCH PERIOD			
Small Business	Professional and Trade Associations	Nonprofit Organizations	Government Agencies and Authorities
Rainbow Foods	Market Street Development Association	Rose Resnick Lighthouse for the Blind & Visually Impaired	Airport Authority of the City and County of San Francisco
Good Vibrations	Pacific Heights Residential Association	Chinese Cultural Foundation	Mayor's Office for Youth in Education and Employment
Real Food Company	American Heart Association	BAVC	Department of Telecommunications and Information Services
Crossroads Trading Company	Center for Student Missions	Beacon Centers	
Joie d'Vivre Hotels	YMCA San Francisco	San Francisco City College	
Tooty Frutti (Gifts)	San Francisco Neighbors Association	SF Public Schools	
Jamba Juice			

After conducting interviews across the customer segments, CTC learned the interests of each segment in the different types of services that are offered, as illustrated in this table:

	<b>SMALL BUSINESSES</b>	<b>Professional &amp; Trade Associations</b>	<b>Nonprofits</b>	<b>Government</b>
<b>Event Production</b>	N/A	Meeting Coverage Event Coverage	<b>Distance-learning course capture</b> <b>Event Coverage</b>	<b>Distance-Learning Marketing Aids</b> <b>Event Coverage</b>
<b>Production Services</b>	Marketing Collateral Training Music/Performance	Marketing Collateral	<b>Distance-learning course development</b> <b>Training</b> Video Resumes	Training Teleconferencing

## MARKETING PLAN

CTC has developed the following positioning statement for its offering:

CTC will provide event coverage and production services to nonprofit organizations and government agencies that are interested in developing distance learning capabilities. Specifically, CTC will provide 1) crew, equipment, and editing to cover live events, such as classroom discussions and public debates, and 2) crew, studio, equipment, project management, and editing to develop specialized content that is produced out of the CTC studio and meant for distribution channels. Unlike small production companies and in-house efforts at junior colleges or libraries, CTC can offer cablecasting space expertise and a bundles set of services that covers “concept to completion,” with attractive pricing that leverages already existing assets.

### Product Description

CTC offers two types of broader services: 1) Event Coverage, & 2) Production Services. The following scenarios illustrate likely situations in which customers are expected to require our services & the possible scope of the services we will offer (please note that some of the scenarios are fictional or amplified, and are provided to illustrate the parameters of our service offering; see comments throughout):

#### Event Coverage – Use of Crew and Equipment in the Field

- *Documentation of Public Event, Nonprofit* – The Commonwealth Club, a nonprofit with a major San Francisco presence, is hosting an event where Colin Powell is speaking on trade opportunities with China. In order to ensure that the maximum number of Commonwealth Club members can benefit from the event, CTC is hired to provide event coverage. CTC provides site investigation & planning, crew and equipment to record the event, and editing services towards delivery of a mutually agreed to finished version whereby. In this scenario, presentation of the finished program on Channel 29 is not required by either party. Should there be interest for this, such programming

will require further scrutiny of CTC programming policies and constraints moving forward.

*Note.* This sort of event is recorded twice monthly on KQED FM radio. CTC can explore this for TV space.

- *Documentation of a Public Event, Government* – The Airport Authority of the City and County of San Francisco is holding a ribbon-cutting for the opening of the hallmark International Terminal at San Francisco Airport. In order to both document the event and highlight it for the public. CTC is hired to provide event coverage. CTC provides crew and equipment to record the event and addresses the special technical aspects and budget item associate with real-time editing and live presentation of the event on Channel 29.

*Note.* This scenario is based on a series of inquiries earlier this year made by the communications arm of the San Francisco International Airport.

- *Distance Learning Course Capture, Nonprofit* – The City College of San Francisco’s most popular course is, Emergency Medical Training, is perennially oversubscribed. CTC is hired to provide coverage of the course so that it can be captured for students that are not able to take the class. CTC provides the crew, equipment, and editing services to package the course content in a video curriculum that the college and professor feel is appropriate to disseminate to distance-based students.

*Note.* In response to the national crisis around the shortage of nurses, distance learning courses that support such training are being funded regularly and made more easily available. Health care as a field is one of the fast growing Distance Learning content areas. (San Francisco City College, Distance Learning Department.)

#### **Production Services – Use of Crew and Equipment in the Studio**

- *Outreach Assistance and Training* – The City of San Francisco has an ongoing effort to provide job training and assistance to a number of communities within the city working with the Private Industry Council. One of these communities is the disabled and home-bound community that may not have the ability to travel frequently to a training and assistance center. CTC is hired to produce a series of video workshops for disseminating civic content to the disabled community. CTC provides the crew, equipment, studio, editing, and project management services to enable this content to be produced. It can also, if desired, provide the cablecasting space necessary to deliver the content to the disabled community.
- *Public Service Education, Nonprofit* – Stop Aids Project needs to develop a series of public service announcements to gain awareness for AIDS prevention. They have their own cameras and can handle shooting field segments independently. CTC is hired to work for indoor, studio segments only, and we tailor editing and project management services down to a consulting role that is billed by the hour.

#### **PRICING STRATEGY**

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CTC’s pricing strategy is comprised of two elements:

- *CTC has decided to provide all-inclusive pricing, rather than cafeteria-style pricing* – Our discussions with customers whose core focus is outside of television production unearthed a desire for a one-stop shop packaging of resources and services and estimates for projects based on their particular

needs. Many providers in the marketplace cater to expert producers and charge for “each light, grip, and stand” on a piecemeal basis; this is called billing for expendables. While this is advantageous to the expert producer that might own his or her own equipment, it does not serve the customer who is interested in outsourcing their television production requirements.

- *CTC developed a tiered pricing structure to allow nonprofits to get preferred pricing, thus keeping with the social mission of the CTC* – Through its work in public access, CTC emphasizes the empowerment of individuals and communities towards having their voice in the media. Therefore, providing preferred pricing to nonprofits would enable CTC to keep in alignment with this overall vision. Nevertheless, CTC will set in place the proper tracking processes to ensure that projects taken on with preferred pricing are contributing to the profits of this endeavor.
- CTC will provide customers with pricing using an up-front consultation to determine the customer’s needs & the following pricing are early guidelines for determining project estimates.

	<b>CTC Pricing</b>	<b>Gordon Productions</b>	<b>Bayshore Productions</b>	<b>VideoCat Productions</b>
TV Studio – Commercial	\$7000 / day	\$10,000 / day	\$2500 / day without crew*	NA
TV Studio – Preferred	\$5500 / day	NA	NA	NA
Field Event Production – Commercial	\$2200 / day	\$10,000 / day	NA	\$2700 / day
Field Event Production – Preferred	\$2000 / day	NA	NA	NA
Editing Services	\$75 / hour	\$150 / hour	Not Offered	\$115 / hour

CTC’s price comparisons are tentatively based on providing equipment, studio access, and crew to support the production’s success. Further competitive pricing research and rate cards are available in Appendix E. **Such research and conversation will continue at CTC in house, and plans to implement several focus groups on pricing issues would unfold as part of the next phase.**

### Distribution and Awareness Plan

CTC’s distribution & awareness plan will require partnerships on two levels:

- 1) Channel partners that increase awareness of the services that CTC offers, &
- 2) Execution partners that will allow CTC to deliver services cost effectively.

#### **Channel Partners**

There are a number of organizations that provide adjacent services to the event coverage and full-scale production services that CTC will offer. CTC plans to partner with at least one organization in each of these groups in order to expand its reach. CTC believes that channel partnerships will be successful when a referral fee is

offered to organizations that refer leads that eventually become customers. These partnership opportunities fall into the following three categories of adjacent services:

- *Content Distributors* – Distributors are often used by distance learning initiatives to expand the reach of the content that they have generated and gain access to additional content for their own audiences. An example of a partner that the CTC would pursue is the Community College Satellite Network, a Southern California Based distribution hub.
- *Content Developers* – Developers are often hired to script, compile, and edit content before it is actually produced in a studio, such as the one that CTC offers. Since development of the content typically precedes production, we believe that partnerships with associations that offer these services will be our top priority among partnerships. Examples of organizations that facilitate content development are SF Works and Beacon Centers (an After-School program already working with CTC to develop content.)
- *Content Development Funding Sources* – Many nonprofits seek funding sources for the content development that they undertake. Partnering with these organizations can also build on CTC's community network. Examples of these organizations include the Foundation arm of salesforce.com.

### **Execution Partners**

CTC plans to staff its venture minimally, especially at the outset, in order to deliver the services that are involved in event coverage and studio production. Therefore, some key current relationships that CTC will use to deploy services to customers will include partners for staffing projects that are sold. Specifically, CTC has the following relationships already that will enable efficient execution:

- *CTC Nonprofit Staff* – The CTC staff is a highly trained and qualified resource with respect to both television production and CTC's specific equipment. While this staff is not assumed to be involved with this endeavor's for-profit projects on an ongoing basis, they can be tapped for occasional projects.
- *Public Access Producers* – The CTC has a network of over 200 producers that produce programs for the public access television station. These producers staff their own production efforts and have a vast informal network of consultants and contractors that are available for project execution, if necessary.
- *San Francisco Mayor's Office of Community Development* – Since CTC currently receives its funding through the CCSF, it has developed extensive relationships within city & county government. These relationships could be leveraged to provide work force development & training opportunities for San Franciscans that can aid in the production of projects.

### **Sales Strategy**

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CTC believes that there are two key elements to its sales strategy for garnering customers. First, a focused system for generating and qualifying leads needs to be in place in order to ensure that we are efficiently utilizing resources that are spent on sales efforts. Second, allocating responsibility for customer satisfaction is necessary for enabling CTC to sell ongoing projects. In light of these elements, CTC envisions

having a commission-based direct sales force (starting with one sales person) that is accountable for lead generation, lead qualification, and account management aspects of sales. This person/people will report directly to the Executive Director.

### **Lead Generation and Qualification**

CTC believes that specific qualification of leads will be essential to ensuring that we are focused in our sales efforts. Some of the parameters that would qualify a lead are:

- Is the customer a nonprofit or government agency?
- Is the customer interested in distance learning or disseminating information to a wide audience of users? If so, in what circumstances.
- Does the customer have a budget to implement a multimedia campaign?

### **Account Management**

We currently believe that the sales person should be responsible for customer satisfaction, ensuring that the sales person is involved throughout the entire time line of the customer's event or production project. Furthermore, it enables the sales person to present him or herself as an ongoing contact for project development. CTC needs to investigate further different sales processes that have worked for organizations such as ours. Therefore, we plan to look at how account management has been conducted at other nonprofits in order to refine our business plan.

Note: As part of sales & account management, CTC is considering the possible launch of a PBS style underwriting & sponsorships program to support various program presentations on Channel 29. No determination has been made as to how such efforts would relate financially to CTC's nonprofit side or vice-versa. Preliminary discussions have included the important point a structure could be put in place whereby both the for-profit and nonprofit could receive earned income for such sales successes, based solely on their appropriate contributions to sales. Please see Appendix G for more information.

## Communications Plan

In its initial stages, CTC does not expect to spend a great deal of money in outbound communications or PR. It's communications plan will focus on:

- 1) providing the sales force with the proper collateral (brochures, press kits, etc.) and endorsements (prior customers references, project case studies) to win customers.
- 2) using CTC's current resources (public service announcements on the public access channel in a capacity that is allowed).
- 3) setting up a process for managing leads that are generated through channel partner referrals, word-of-mouth, and public service announcements on the public access channel.

CTC believes that initial marketing resources will be spent on a direct sales model, and the communications plan will support that strategy. However, once CTC has developed an ongoing customer base, it may decide to test various forms of promotions and mailings to expand the communications piece.

## Research and Development Needs

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The major research and development needs for the organization lie in:

- Ongoing equipment purchase in order to ensure that our facilities are state-of-the-art. The CTC's production studio was just built in 2002, and the ongoing maintenance of our equipment will keep us competitive.
- Training of permanent staff on current and new equipment operations, as well as project management and client management skills.

## Performance Benchmarks

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CTC has been delivered a mandate by the CCSF to develop 15% of its operating budget through sources outside of the City of San Francisco by FY 2004-2005. This is the most prominent milestone with which to rate our performance. Nevertheless, we have developed the following list of performance benchmarks to evaluate the performance of this endeavor as well as the services that we provide to our customers:

### Organizational Goals

- Completion of 15 customer projects in 2003
- Completion of 60 customer projects in 2004
- Delivery of funding to CTC in the following timeline:

	Percentage of CTC Operating Budget Generated
2005	7% (~\$60,000)
2006	15%

### Customer Goals

- Completion of every project on time, on estimated budget
- 90% customer satisfaction for the services rendered according to post project survey that will be distributed to customers

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## Management Plan

CTC has seasoned professionals in the fields of television production, media and partnership building, finance, and business management. This expertise comes from both its staff, which will be involved in executing this business plan initially and overseeing its success once it requires outside management; and its board, which will be integral in this plan's partnership, lead generation, and finance strategies. The following are summaries of key personnel who have taken the lead on this project. Résumés for the entire team are included in Appendix D.

### Staff

- *Zane Blaney* is the Executive Director of the San Francisco Community Television Corporation. He served as a founding member of the CTC's Board of

Directors in 1988 and was elected to the Chair and President positions before being named Executive Director in 1991. Mr. Blaney has nearly 40 years of combined experience in commercial & nonprofit radio, and PEG Access television. Currently, he manages the day-to-day operations of CTC, its cable access channel, and all aspects of fund development & strategic planning. From 1993 to 1999, he oversaw CTC's direct involvement in the creation and operations of the City and County of San Francisco's government cable access channel including the installation of full service television facilities in six government buildings. Since 1999, his primary role has been to lead CTC through an unprecedented period of growth. Notably, Mr. Blaney managed all aspects of the construction project for a new \$2 million public access production, post-production & cablecast facility which is now open and located on Market Street in the heart of San Francisco. Mr. Blaney has also served as Chair of the Telecommunications Policy Committee of the City and County of San Francisco and was a founding member and past director of Western Public Radio at Fort Mason Center.

- *Aaron Vinck* has served as Assistant Director of the San Francisco Community Television Corporation since 1997. In this capacity, he oversees all aspects of the CTC's business operations. His areas of responsibility include: fiscal management, human resources & personnel administration, government & other contractual compliance, public and confidential record keeping, & actively serving as liaison to the CTC Board of Directors & standing committees. As second-in-command of the CTC, he supervises key programs, operations and training staff in their efforts to meet the goals for the organization. Mr. Vinck has worked in PEG Access management since 1989 and has held key positions at Davis Community Television & American Cabling Communications, Inc. He has served as both Treasurer and Vice-Chair on the Western States Regional Board of Directors of the National Alliance of Community Media representing the concerns of California, Nevada, Hawaii, Arizona, and New Mexico & Colorado.
- *Marc Smolowitz* joined CTC as a consultant in development in May, 2002, and he was recently brought on staff to unleash the organization's Development Department. Mr. Smolowitz is an award winning media, film & TV professional who has strived for continuing, cross sector partnerships that bridge the interest of for-profit businesses & nonprofit organizations. Notably, he was President & Founder of a successful, niche market film company, Turbulent Arts, Inc. (1995-2000), which at its peak ranked as the 26<sup>th</sup> largest theatrical film company in the nation, and the 14<sup>th</sup> largest among independents (source: The Hollywood Reporter; 1998). During this period, Mr. Smolowitz served as producer, distributor &/or sales agent on seventeen (17) films & television that were financed through global equity partnerships, TV co-productions/pre-sales, & various domestic nonprofit strategies. Elsewhere, he served as Executive Director for Petaluma Community Access Television, as Programming Coordinator for the prestigious San Francisco International Film Festival, and as the founding Film & Video Programmer of the Sacramento Festival of Cinema. Since its launch in 1993, Mr. Smolowitz has provided key services to IFFCON, the renown International Film Financing Conference—first as staff (Conference Manager, 3 yrs.); thereafter, as an Industry Advisor (Board of Directors, 5 yrs.). Today, he has settled in to the nonprofit sector as a fundraising & marketing consultant for small-to-midsize organizations involved with media, technology, public advocacy & the arts. He holds a B.A. in Film/Video: Production, Theory & Criticism from the University of California, Santa Cruz.

## **Board Members**

- *Ellison Horne* is a twenty-year veteran of the independent TV & video movement who has effectively used both mediums to support hundreds of artists & nonprofit organizations tell their story, educate the public, and increase their capacity. Mr. Horne has curated both exhibitions and public forums at various conferences across the country, and he has lectured on a range of professional subjects at San Francisco State University and the University of California's Extension School in Berkeley & San Francisco. Currently, with funding from Rockefeller Foundation, The David and Lucile Packard Foundation, The San Francisco Foundation, The United Way, & PBS, Mr. Horne is developing an original genre media presentation called Celebrating Solutions! Set to unfold as a live, televised Town Hall event in September 2003, the program's range of components combine nationwide television, radio, print media and the Internet to strengthen communities and help build social capital through greater public engagement. Celebrating Solutions! will serve as an official program of National Civic Participation Week. As well as serving for many years on the Board of Directors for Bayshore Child Care Services in Daly City California, Mr. Horne is currently President of the Board of Directors for the San Francisco Community Television Corporation, which recently built the City's first state of the art public access television studio and community media center.
- *Jim Calhoun* is currently a member of the Board of Directors for the San Francisco Community Television Corporation and serves on its Finance, Development & Outreach Committees. Notably, he is founder and Principal of Auspicious Systems LLC, a thriving intellectual property brokerage firm based in San Francisco. Mr. Calhoun and his team structure deals on behalf of the company's diverse roster of clients, helping turn recovered assets into new opportunities for business development. A software-industry veteran, he has been heavily involved in technology, business development, and marketing decisions related to more than a half-dozen well-documented products, which helped high-growth companies generate more than \$40 million in revenue. Mr. Calhoun is a successful investor who is actively engaged as a philanthropic supporter of San Francisco's nonprofit sector. He holds a degree in Journalism from the University of Missouri.
- *Pankaj Amin* is currently a member of the Board of Directors for the San Francisco Community Television Corporation and serves on its Development & Outreach Committees. Notably, he is founder and President of Southern Cross Ventures, a venture capital firm that pursues investment and active management opportunities in the middle-market health and business services sectors. Previously, Mr. Amin held various marketing and sales positions at enterprise software companies; Moai and Model N. Mr. Amin also served as an associate in equity research at Goldman, Sachs & Co. and was an advisor to the telecommunications industry while working as a Consultant at Booz-Allen & Hamilton. Mr. Amin received a BS in electrical engineering from Princeton University with Honors and a MBA from the Harvard Business School.

## Staffing Plan

The CTC has reviewed the staffing of some of the competitive providers in Northern California, including VideoCat, KTSF, and Gordon Productions. The staffing for these players ranges from 4 – 8 full-time professionals devoted to the event coverage and full-scale production efforts that they offer to customers. Given that these competitors are operating at a steady-state level, we believe that we can operate with approximately 5 full-time equivalent staff once the endeavor is fully

running. Before then, CTC plans to draw from its nonprofit staff on a part-time basis for some of its activities.

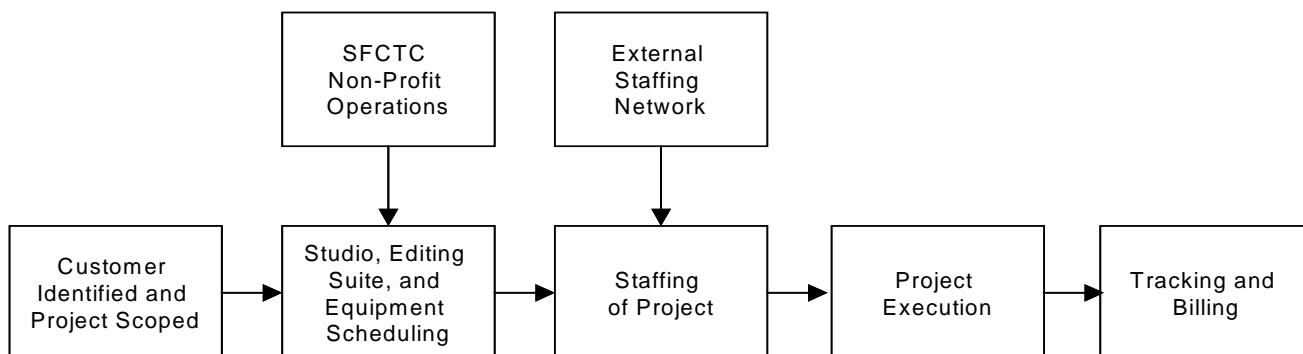
We see the staffing for the endeavor growing according to the following table (with expected compensation indicated at the bottom):

The following table (with expected compensation indicated at the bottom)

	<b>Executive</b>	<b>Sales</b>	<b>Production Mgmt.</b>	<b>Production Staff</b>	<b>Accounting/HR/Billing</b>
Year 1	Borrowed from NP	1 Full Time	2 Part Time	Borrowed from NP	Borrowed from NP
Year 2	Borrowed from NP	2 Full Time	2 Full Time	Contracted	1 Part Time
Year 3	Borrowed from NP	2 Full Time	2 Full Time	Contracted	1 Part Time
Compensation	\$65,000 (assumed expensing) in	10% of revenues booked	\$30,000	Outsourced at \$25 per hour	\$30,000

## OPERATIONS PLAN

CTC feels that the process flow from identifying a customer and scoping out the requested project to delivering a produced video and billing the customer for work completed involves a number of steps both internally and externally as broadly outlined in the diagram below. This operations plan will cover the high level plan for the CTC to manage the various aspects of the process.



### Studio, Editing Suite, and Equipment Scheduling

Once a customer has been identified and their projects needs are understood, CTC needs to determine the studio, editing, and equipment needs to deliver the requested project. From this needs assessment, CTC can determine when these resources will

be available. CTC currently manages a complex equipment and studio scheduling process to enable over **XX** independent San Francisco producers to book time to use the various assets that are offered. This same scheduling system can be extended to CTC's for-profit initiatives in order to manage the complexity of ensuring that resources are available when needed.

The following considerations need to be factored into the overall scheduling process:

- *Assets were developed for CTC's nonprofit, public access efforts; therefore scheduling of equipment can not encroach upon this mission* – Since the production studio, editing suites, and field equipment were funded for our public access mission, priority for these resources needs to be given to the producers that use the equipment to develop programming for the public access television channel that the CTC operates. However, since the utilization of these assets is under 50%, it is possible to schedule equipment usage to deliver for-profit customer projects in a timely manner.
- *The customer must sign off on this aspect of the project in advance* – CTC envisions sign off for each step of the process so that both the CTC and the customer can prepare various teams and resources for the production efficiently.

### Project Staffing

The second element toward preparing for production is determining the staffing level needed to complete a customer's project. Once this assessment has been made, CTC will approach various partners, including internal staff, its producer network, and city agencies as needed, to staff a project appropriately for the production.

The following considerations need to be factored into the staffing process:

- *A clear contract for services must be in place with external staffing resources* – External staffing resources are critical to the execution of the project and efficient use of CTC's studio and production resources, and the customer will incur costs associated with the production a number of levels. Therefore, it is important to have a clear understanding of when, where, how long, and what type of services will be needed.
- *The customer must sign off on this aspect of the project in advance* – CTC envisions sign off for each step of the process so that both the CTC and the customer can prepare various teams and resources for the production efficiently.

### Tracking and Billing

Once a project is completed, billing and tracking of the different projects will be necessary for a variety of efforts:

- *CTC will need to get paid* – CTC will ask for 50% of the production fees for services rendered up front with the remainder to be paid upon completion of the project. Therefore, the billing system that is set up will need to track a number of projects and the various accounts receivable from different customers. CTC expects that much of this billing and tracking can be done with current software and manual processes for at least the first year of operation since the number of projects planned is small enough to not warrant an investment in technology initially. However, an up front understanding of what our goals are from a billing

and tracking perspective will enable CTC to invest prudently when the need arises.

- *CTC will want to track customer satisfaction* – CTC envisions asking each customer to complete a survey once they have completed a project. This survey will be used to manage compensation, set our goals for upcoming periods, and gain insight into ways in which CTC can improve its service to its customers on an ongoing basis.
- *CTC will need to communicate to the CCSF its efforts* – CTC has a mandate to raise 15% of its operating budget by 2005, and the billing and tracking systems that are created will need to support delivering critical information to the CCSF regarding our operations and results.
- *CTC will want visibility into its costs* – CTC will manage significant “visible” (staffing, editing, project management services) and “invisible” (use of studio, use of nonprofit staff time) costs to embark on this endeavor. Therefore, an appropriate system will incorporate the various types of costs in order to give CTC a picture for how to manage its cost structure on an ongoing basis.

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## FINANCIAL PLAN

### Capital Needs

CTC compiled a most likely scenario projections for the business venture, using fairly conservative revenue goals in Year 1 and Year 2 and expensing an amortized portion of studio and equipment assets that already belong to the nonprofit. From this analysis, we determined the following:

*CTC will need to raise approximately \$40,000 in up-front funding* – The funding that CTC needs to raise will be used toward: 1) developing its position in the marketplace and to jump-start sales and marketing efforts, 2) create the necessary sales and marketing collateral that would be used to support the sales process, 3) cover staff expenses for the operation as it is ramping up.

*CTC envisions looking to a number of possible sources for its funding* – CTC plans to raise funding for this venture from a number of possible sources: 1) A Major Donor Campaign that works towards cultivating a LEADERSHIP & PHILANTHROPY COUNCIL that can cultivate new groups of like-minded philanthropists in support of CTC’s larger fund development goals, etc. 2) An Underwriter’s Campaign & Sponsorship Push that involves having a fundraising presence on Channel 29. 3) Engagement with recently expanding opportunities among social and venture philanthropy.

### Summary of Financial Performance

CTC’s financial projections have yielded a number of observations regarding the business:

- *Gross margins are high for the business at above 70%* – Since the services that CTC is looking to provide have variable costs in terms of the expensing of assets that already belong to the nonprofit and hiring of contract labor for delivering a majority of the direct labor for the project, CTC can maintain high gross margins.

- *Operating Margins are expected to be negative for 6 quarters, but are expected to stabilize at around 18%* - CTC believes that G&A and sales and marketing will be the major cost elements to the business. Specifically, the business assumes a 10% (of revenue) commission for the sales force and a 5% (of revenue) referral fee paid to channel partners. These costs are significant. Nevertheless, they are still variable with respect to revenues. The driver for negative operating margins for the initial 6 quarters is the full-time staffing costs for operating this business, since these costs are not contingent upon sales. G&A costs as a percentage of revenue are 250% of revenue in the business's first quarter, but stabilize at 41% of revenues. For this reason, CTC needs maintain a fairly lean staffing structure for this operation.
- *The standalone business is expected to breakeven in Quarter 7* – Given the cost of ramping up sales and the fixed cost associated with staffing a lean production (considering that staff that are borrowed from the nonprofit are expensed for the portion of their time associated with the business venture) we believe the business has a breakeven in the middle of its second year.
- *Cash flow positive is expected in Quarter 5, slightly better than breakeven* – CTC assumed that both the assets of the nonprofit (studio, equipment) and the staff for the nonprofit are expensed at an amortized rate on the income statement. Given that these are non-cash expenses for the overall organization, the cash flow for the company is improved by this consideration. These expenses are slightly larger than the capital equipment investment assumptions, which affect the business's cash flow in the opposite manner. Therefore, the business is expected to be cash flow positive slightly ahead of breakeven.

### Assumptions for Financial Projections

A number of assumptions were taken into consideration in developing the financial statements that follow. Since assumptions often drive financial statement projections, we are highlighting these assumptions below:

#### **Income Statement**

- *Revenues from Full-scale Production Projects:* 1 project is expected in Quarter 1, ramping up to 10 per quarter in Quarter 12. Each project is assumed to involve a 10-hour booking of the studio.
- *Revenues from Event Production:* 1 project is expected in Quarter 1, ramping up to 10 per quarter in Quarter 12. Each project is assumed to involve 10 hours of on-site work.
- *Customer Mix:* 70% of customers are assumed to be commercial, while 30% are assumed to be given preferred pricing.
- *COGS for Studio:* The studio is expensed at \$100 per hour based on estimate of cost and useful life from the nonprofit's build out.
- *Staffing per project:* A team of 2 full-time staff and 3 contracted staff are assumed per project.
- *Contract Staff Pricing:* Contract staff is expected to cost \$25 per hour.
- *Sales Commissions:* Sales people are compensated 10% of revenues.
- *Partner Referral Fees:* Partners are given 5% of revenues for referring a client, and 30% of clients are assumed to be referred by partners.

- *Marketing Support:* \$1000 per quarter is expected to be spent on miscellaneous marketing expenses.
- *Full Time Staff Expensing:* Full Time staff for the business are weighted by a factor of 1.5 to include benefits, taxes, and overhead. (while this may be slightly lower than average, we believe it is appropriate given that most operations would occur in the nonprofit's studio, which is expensed separately, and on site)
- *Capital Investment:* Approximately 3% of revenues is expected to be spent on capital investments. This may be low in the beginning, but it ends up being slightly higher than expected in Year 3. We believe this is a fair assumption since CTC just completed a brand new build out of its equipment and studio in 2002.
- *Interest and Taxes:* Assumed to be 25% of earning before interest and taxes.

### **Balance Sheet**

- *Capital Investments:* Assumed to be made at the beginning of each year.
- *Accounts Payable:* All salaries and expenses are expected to be paid out in the quarter that they are incurred.
- *Accounts Receivable:* Revenues are expected to be collected 50% in the quarter that they are booked and 50% in the subsequent quarter. This assumption was made because CTC envisions charging 50% for a project up front and 50% upon completion of the project.

### **Statement of Cash Flows**

- *Cash Collections:* 50% of revenues booked in a quarter are collected in that quarter; the remaining 50% is collected in the following quarter.
- *Expenses:* All expenses incur a cash outflow in the quarter that they are expensed.
- *Studio Expenses:* Studio expenses on the income statement do not have a cash outflow since this expense is associated with a build out that has already occurred.
- *Staff:* Borrowed management and staff from the Nonprofit do not have any incremental cash outflow since these people are on the nonprofit payroll.
- *Capital Investments:* Investments are made at the beginning of the year and depreciated over the rest of the year.
- *Financing:* This line item is used to determine the cash flow needs to keep endeavor with positive net cash throughout its first 6 quarters of negative cash flow.

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## **PROJECTIONS**

CTC's current projections for the endeavor are provided on the following 3 pages, outlining the following:

- Income Statement
- Balance Sheet

-- Statement of Cash Flows





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## Risk Assessment and Contingency Plan

There are a number of risks associated with the venture that CTC is considering. The following highlights some these risks and our plans for mitigating these risks.

### Risk Descriptions

- *There are a number of different stakeholders whose buy in will be a part of the business venture's success* – CTC deals with a number of stakeholders that have a part in making public access a reality: 1) The CCSF, 2) The producers on the public access channel, 3) The cable operator for San Francisco; previously AT&T and now Comcast as a result of a recent Corporate merger & 4) the regional and national PEG Access Television Industries. Each stakeholder group will perceive the business plan in different ways:
  - *City & County of San Francisco* – The CCSF has welcomed CTC's initiative to develop public access revenue streams outside of city funding, as demonstrated in the letter provided in Appendix A. However, obtaining buy-in from city officials is critical at each stage of the project in order to ensure that the city's resources are being used toward the spirit of public access for which it was provided.
  - *The Producers on the public access channel* – The producers themselves may see the use of resources for for-profit purposes as an encroachment on the resources of which they once had sole use. However, keeping the producers aware of CTC's budget goals and objectives, including the need to develop outside funding sources, and communicating the notion that CTC's for-profit efforts ultimately support the enhanced availability of public access for producers will be key in managing this stakeholder risk.
  - *AT&T/Comcast* – AT&T has just merged with Comcast, and the uncertainty associated with Comcast's perception of this venture is a definite risk to be managed as the players from Comcast and the possibly changed relationship between CTC and AT&T/Comcast is better understood. Comcast is not expected to expense building or opening their own local studio with similar capabilities.
  - *PEG Access Regional & National TV Industries* –The notion of using a public access TV station for anything for-profit or commercial has been under explored by our colleagues. Our move to do so may be received with mix reaction. We have tracked in detail which players in the Industry have provided production services or sold sponsorships & under what circumstances. These few stations will serve as existing templates for how CTC can present our new business in ways that emphasize our ultimate goal: to sustain public access in San Francisco. As our client base may evolve in ways that will position CTC as the first public access center to move into a truly "commercial" space, we will seek to offer our work to the PEG Industry as a tool kit that can be used for their own long term funding concerns.
- *Marketing and Sales may not meet projected expectations* – Despite our best efforts to understand demand, work with charter customers, and plan for an effective sales strategy, CTC may not meet its sales goals as outlined in this plan. This has two repercussions. First, it increases the amount of start-up funding necessary to run the business until it is self-sustaining. For example, a 20% shortfall in sales across each quarter of the venture's first three years would result in an additional \$8000 of needed start-up funds. Second, a shortfall in sales would affect the overall staffing capability that the venture would be able to maintain. Since we are operating at a fairly lean level, this would mean that the venture would have to borrow more heavily on the nonprofit, which would affect services that are provided to public access.

- *Scheduling of studio resources may make it difficult to serve all customers in their needed time frame* – The production studio is a limited asset with a number of players that need access to it. Therefore, customers that we serve may periodically not be able to use the studio when it is available. Thus far, this has not been an issue, but it could become an issue for customers that are on a tight timeline to complete a project. CTC will track how many of its customers have scheduling difficulties and revise its sales projections accordingly. Furthermore, CTC will investigate ways in which it can make the use of the studio more efficient when the studio is difficult to schedule.

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## NEXT STEPS

There are a number of next steps associated with the business planning process and the execution of our plan that we plan to complete over the next few months.

### Action Items

- *CTC needs to delve deeper into the distance learning space and the different customers and uses of television services for these customers.*
- *CTC will conduct a focus group with potential customers in the distance learning space. Customers will include organizations in education, nonprofit, and government.*
- *CTC needs to identify a target customer list based on its more detailed segmentation of distance learning.*
- *CTC will have completed projects for its second charter customer. It needs to develop its operational plan based on the experience it gains from that project.*
- *CTC needs to approach its initial partner targets and formulate a more specific list of partner possibilities. It also needs to complete due diligence on the structure of these partnerships and ways to make them successful.*

*CTC needs to identify the specific job descriptions of the people that would staff this endeavor. CTC also needs to identify the experience necessary to from this staff for hiring purposes.*