



eMotion™

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## Executive Summary

eMotion creates and offers devices that wirelessly connect those who are physically apart but emotionally together in a manner that is simple and safe.

### The eMotion Challenge

Current online social networking sites do not allow children under the age of 14 to become members of their web communities. eMotion recognizes the fact that despite this restriction, some of them will still sign up anyway, even though these sites do not contain age-appropriate content. In addition, parents are not comfortable with their children posting personal information on these existing sites like facebook.com and myspace.com, where they are vulnerable to online predators.

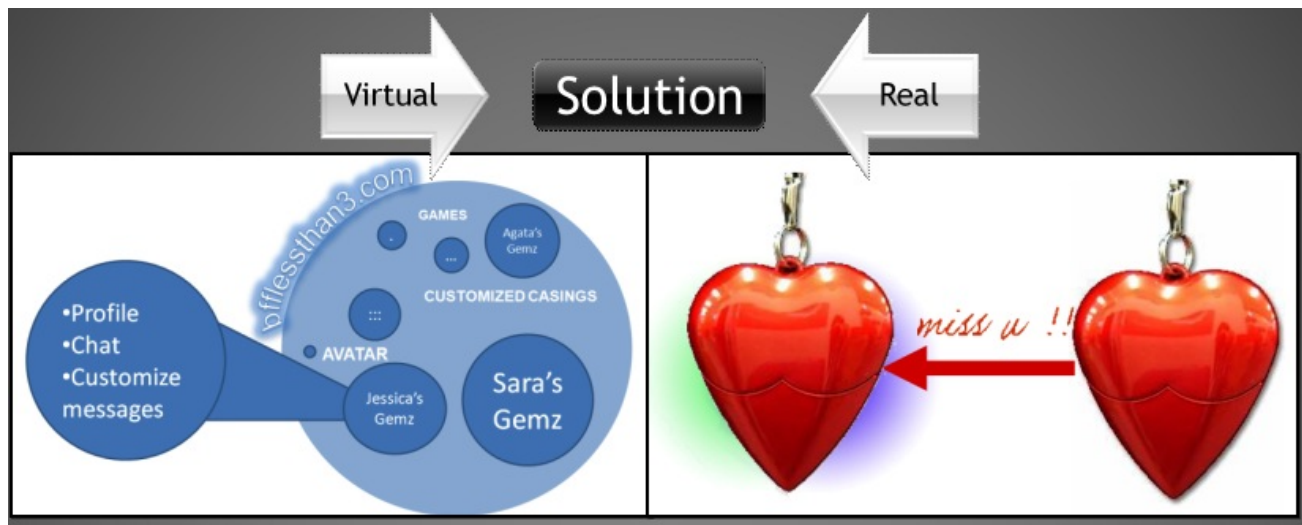
In addition to this issue, there is also a strong lack of physical proximity in current internet communications. Market research shows that 55% of tween girls use the internet as a means of communicating with their friends<sup>1</sup>. eMotion recognizes that this percentage will likely increase over time as internet usage becomes more integrated into daily life. eMotion also recognizes that this means of communication currently fosters relationships that are often distant, virtual, and impersonal. To introduce the human touch to the virtual world, eMotion offers its first product, the BFF<3™ Necklace and the related website [bfflessthan3.com](http://bfflessthan3.com).

### Our Solution

The BFF<3™ Necklace is a completely customizable fashion accessory, wireless communication device, and a gateway to a secure social networking website. The goal of this solution is to balance the communication and lifestyle needs of the tween girls with the parent's desire for safety and positive role modeling for their daughters.

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<sup>1</sup> The U.S. Tweens and Young Teens Market, Packaged Facts. 2005.



### Market Opportunity

The company is targeting tween girls between 8 and 14 years old living in households with a gross income of over \$50,000 per year. There are 8,000,000 tween girls that fit this profile. Of these girls, 55% use the internet to communicate, 40% own a cellular phone, 29% reported using at least three media simultaneously, and 68% like to keep up with the latest fashions. Also, this each girl in this group spends an average of \$110 per month. There is strong demand for communication devices that balance the parent's and the tween's social and communication needs, a balance that to date has been insufficiently addressed in the market.

### Sales Strategy

Initially, sales will be conducted through [www.bfflessthan3.com](http://www.bfflessthan3.com) and in small local retailers that cater to the tween market. Following these efforts, heavy marketing towards larger retailers that cater to the tween girl market will be conducted. These marketing strategies will promote increased visibility and encourage customers to visit retailers and our website in order to purchase the BFF<3™ Necklace. Such marketing strategies include meeting with tween retailer purchasing executives to present our product and its benefits to both the retailers and tween girls. Emphasis will be placed on the replaceable faceplates, a recurring revenue source.



We also plan to create competitions that promote academic achievement, such as writing contests in which tweens submit essays about their best friend or strong friendship. Winners will receive free necklaces and collectible faceplates for themselves and their friends. Following these buzz-generating activities, we expect that early adopters will introduce this product to their best friends and want to use it with them, since a BFF<3™ Necklace holds little value on its own.

### Competition

To illustrate the concept of BFF<3™'s offering, there are two products currently available that cater especially to the younger range of BFF's target market: Webkinz and TyGirlz. These and similar products offer tweens stuffed toys that come to life in a virtual online realm.

There are also products that serve as introductory cellular phones for late preteens and early teenagers. Two such devices, Kajeet and Firefly Mobile, both focus on customization in the form of special stickers and colors appealing to this age group. In addition, parents are afforded some control over incoming and outgoing calls, as well as the amount of texting and voice time allowed.

Between these devices lies the BFF<3 Necklace. BFF comprises the virtual and tangible elements present in the toys but also serves communication functionality needed by these tween girls. There is also the strong element of customization that is critical to tween girl adoption and the security critical to parent's approval. Girls are only able to interact with girls that have synced their necklaces face-to-face.

### Business Model

During its introductory stage, the BFF<3™ Necklace will follow a dual sales model: direct sales through [bfflessthan3.com](http://bfflessthan3.com) and placement with small local retailers. Following this, we will market to retailers whose products have an emphasis on fashion and technology consistent with tween preferences. At this point, we will begin selling BFF<3™ Necklace through larger-scale brick and mortar retailers. The direct sales continue from startup phase through the company website, where inventory and shipping are controlled directly by eMotion. As indirect sales are added, specialized retailers will follow a model of



direct shipments from eMotion's production facilities. Our products will then be sold directly to end customers who visit these retailers.

### Product Status

A functional prototype has been produced and is undergoing various durability tests. The prototype, along with the integral desktop software and online social network, is then set to be beta tested by diverse groups of tweens and parents. We plan to incorporate their feedback into our products and repeat the process until a satisfactory solution is achieved.

### Financials

Capital of \$500,000 is needed to launch the company, with breakeven estimated in the seventh quarter. The company anticipates revenue of over \$700,000 in year three, where a second round of financing may be required for R&D and any marketing initiatives needed upon introduction of our second product. Our burn rate will be approximately \$25,000 per month, due to rent, marketing, and initial production and salary activities.



## Company Overview

### Purpose

Through the use of the BFF<3™ Necklace, eMotion gives tween girls the ability to wirelessly convey their feelings and messages with their best friends with whom they are physically apart, but emotionally connected. This communication exchange is done using a simple and secure fashion accessory.

### History

eMotion was conceived by cofounders Avelo Roy and Ed Suda. The core value dealt with the desire to “convey” touch over the internet, as a means of connecting people who are separated from one another. The original desire was to implement this concept through a “hug jacket,” a jacket that simulated touch over vast distances. eMotion was submitted for the Fall 2006 Business Idea Challenge at Illinois Institute of Technology, placing third overall.

Following this early success, Avelo Roy and Ed Suda continued to research and explore possibilities of touching over the internet. Shortly after, the project faced a major revision, which gave rise to the BFF<3™ Necklace (BFF = Best Friend Forever, <3 resembles a side-ways heart) which was considered to be an alternative means of wirelessly connecting people. The necklace was chosen as the starting point since it entails a simpler set of technical and financial requirements. This project was then developed with a diverse team of seasoned entrepreneurs, a former retail executive, professors, and students.

### Current Status

eMotion™ is currently planning its first sale by April of 2009. The team has developed an initial functioning prototype complete with the necessary software to operate. The current transmission range is approximately 1000 feet, roughly the distance needed to transmit across blocks. Work is currently under way to increase this range through the implementation of mesh networking and lower frequencies to





consume less power, which translates to more available power for distance. eMotion has also entered negotiations to partner with a cellular phone provider to integrate the BFF<3 Necklace with cellular phones, taking advantage of existing global networks. Also, testing is being done to ensure the device is not affected by interference from other devices that use radio frequency as the means of communication. The device is powered using a rechargeable battery that connects via USB to the computer.

Accessory desktop software is currently under design. This feature enables the tween girl users to organize their friends and messages. Also, the website, which is a crucial element to the social-networking aspect of this device, is under professional development.



Currently intellectual property issues are being investigated by the team and its legal advisors. Trademarks have been filed for key terms related to this business, and a patent search is underway. Also, a provisional patent is currently in the process of being filed.

### Overall Strategy and Objectives

The overall strategy is to create a method for people to wirelessly connect with their friends and convey their emotions in an implicit manner over short distances. BFF<3™ Necklace is part of a larger phenomenon which encompasses a community of closely-bound friends who want to share their emotions or predetermined messages. Our website is also a very important part of this phenomenon. We offer an online community where BFF<3™ users can create their own private and protected social networking spaces. Girls are only able to interact with girls that have synced their necklaces in person, minimizing



the risk that online predators pose. In these private spaces, users can add, remove, and organize friends from their personal groups via desktop software.

It is also important to note that our necklace is able to accomplish all of these tasks while being fashion-conscious and customizable. One offering of our product line is customizable faceplates that are attached to the exterior of the hardware case. These faceplates can be customized to reflect the users' favorite color, design, and shape. This fashion angle is critical in our approach to our intended target market, since it allows these girls to identify with a particular group, style, or celebrity while still maintaining individuality.

## Marketing Plan

### Market Overview

The targeted market consists of 8,000,000 tween girls in the United States that have an annual household income of over \$50,000<sup>2</sup>. Of these 8,000,000 tween girls, 55% use the internet to communicate and 18% used the internet to place an order in the last month<sup>3</sup>. Also, 40% of these girls have their own cellular phone. Both of these figures indicate the strong need for remote communication devices at an early age<sup>4</sup>.

Assuming a 15% market penetration (1,200,000 girls) in five years at \$34.99 per unit, BFF<3™ projects sales of \$22.8 million. Assuming each girl then purchases six replaceable faceplates at \$5 each, there will be an additional \$13.8 million in sales. Market research has found that each tween girl spends an average of \$110 per month.<sup>5</sup>

Primary research was also conducted to determine the needs of the tween girl market. A survey of tween girls and their parents uncovered several key points.

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<sup>2</sup> U.S. Census Bureau, <http://factfinder.census.gov/>

<sup>3</sup> The U.S. Tweens and Young Teens Market, Packaged Facts. 2005.

<sup>4</sup> The U.S. Tweens and Young Teens Market, Packaged Facts. 2005.

<sup>5</sup> The U.S. Tweens and Young Teens Market, Packaged Facts. 2005.



**1. Tween girls love to customize devices.**

There is a strong trend toward the marketing of tween accessories and other merchandise which caters to this taste. Market research has determined that these girls strongly desire to fit in with a group while still calling a certain look or style their own.

**2. 68% of the tween girls surveyed said they like to keep up with the latest fashions.**

These findings are addressed by BFF<3™'s offering of personalized and replaceable pendant casings that these girls can purchase on [bfflessthan3.com](http://bfflessthan3.com) for \$5. This satisfies the girl's need to creatively express herself, keep up with the latest fashions, match her diverse wardrobe, or simply identify with a particular group. In addition to this, the replaceable and customizable casings provide a recurring revenue stream with high margins for eMotion.

**3. Parents prefer to monitor their child's internet activity.**

This reflects the reality that in spite of existing safeguards, the internet is still not safe for their daughters to freely browse. Protecting their daughters from these dangers is a top priority. This monitoring takes on an array of forms, from a parent sitting next to her tween daughter while she is online to simply approving certain websites that are considered appropriate for their daughters. It because of this that the BFF<3™ website takes on several measures to make sure daughters are not threatened by strangers.

## Product

The BFF<3 Necklace is a completely customizable fashion accessory, communication device, and gateway to a secure social networking website. This device communicates using patterns of lighting and vibration to allow groups of friends to send secret, encoded messages.



Unit front showing possible replaceable casing



Unit back showing buttons to control who receives the message, message content, sending messages, and on/off.

To gain a better understanding of the BFF<3™ Necklace offering, let's meet Jessica. Jessica is an 11-year-old public middle school student in the Chicago suburbs. She has several friends, a few of which she considers her best friends. Jessica is sitting in the cafeteria eating her lunch when she feels a slight vibration from her BFF<3™ Necklace. She looks down and notices the LED on the left is shining blue. This means the message is from her friend Sara. The light to the right is shining the pattern of blue-yellow-blue, which Jessica knows means "I miss you." She then hits the reply button so that her friend Sara knows Jessica misses her too.

The BFF<3™ Necklace also allows users to send messages to multiple friends simultaneously, illustrated by the next example. Jessica is hanging out at the mall with her BFFs when she suddenly selects her recipient friends and then presses the message button twice to send the message green-blue-green, which her friends know means "Check out that cute guy!"

All of these elements of the BFF<3™ Necklace can be customized at the product offering's affiliate website [bfflessthan3.com](http://bfflessthan3.com). Here Jessica and her friends can hear about the latest fashions, exchange gossip, chat, customize and announce their latest BFF codes to their friends, and customize their own unique casings. All of this activity takes place in a secure, monitored environment. Tween girls can only interact with others on the website if they have synced necklaces together in person. This means these girls are provided with an environment safe from online predators, interacting only with known



friends that are seen in person. This also adds security that parents prefer for such websites, since there is a strong probability that these parents also know the friends their daughter interacts with.

Additionally, each girl defines a unique set of coded messages so only her friends will understand the meaning. This helps protect the girl's safety in the event that a necklace is lost or stolen. The messages witnessed by the finder would be meaningless color patterns.

### Price

On average, tweens spend \$110 per capita each month<sup>6</sup>. In addition, the company's focus group results show that girls typically buy gifts \$25-30 in value for their friends. This market data suggests that the BFF<3™ Necklace can reasonably be sold for \$34.99 MSRP. Our goal is to incorporate fashion accessory add-ons, such as faceplates to boost perceived MSRP and allow this product to have a high bundle value. We will then introduce them to the concept of accessories, a line we will roll out shortly after launch. These accessories are expected to initially consist of chains for the pendant, charm bracelets the BFF<3™ pendant can be placed on, and decorative charms.

For the first year we project our margin to average \$10.00 per unit assuming sales through [www.bfflessthan3.com](http://www.bfflessthan3.com) and small tween retailers. Keeping these facts in mind, we project long term gross margin to be about \$19.50 for online sales and \$9.50 from retailer sales, mainly due to the considerable overhead involved.

Another note is the aforementioned accessory plan including faceplates. eMotion aims to open up an online design channel where tweens can design and purchase faceplates and other accessories for their BFF<3™ Necklace. We are starting exclusively with faceplates and expect about six faceplate purchases per BFF<3™ Necklace purchased, which will boast a larger percent margin of about 50% per faceplate. Later we are planning to introduce charms, premium limited-edition necklace chains and casings, and

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<sup>6</sup> This number includes boys.



other marketing plans. eMotion also plans to introduce gift cards that can be used to purchase these accessories on [www.bfflessthan3.com](http://www.bfflessthan3.com).

### Place

The distribution of the BFF<3™ Necklace will roll out in two phases. First, we will rely on viral marketing as we initially sell products only online and in small local tween retail establishments. In phase two, potential vendors include larger retailers like Justice, followed by a distribution in stores like Best Buy, Target, and other retailers who cater to the tween girls.

### Promotion

The means of promotion are two-fold: traditional media outlets and high visibility sales. The goal of eMotion is to first generate initial buzz about the BFF<3 Necklace through product reviews in tween magazines like Cosmogirl®, YM®, and J-14®. These venues provide free promotion of the device and explain it in a manner that tween girls will appreciate and understand. Also, parents will be targeted through product reviews on local television and radio shows, with the goal of highlighting the safety elements of this device in conjunction with its secure social networking capabilities.

Additionally, eMotion aims to partner up with online tween retailers to share site traffic and acquire limited content. This will be advantageous for all partners involved, and revenue occurs through traffic referral sales and subsequent increases in advertisement revenue. eMotion will also be able to acquire fresh content on a regular basis, complementing the incentive to frequently visit and spend time on [bfflessthan3.com](http://bfflessthan3.com).

The other means of promotion is through high visibility sales, which is the key to penetrating the tween girl market. Market research shows that 70% of purchases are made on the spot, which is conducive to the strong viral elements of this device, since your friends are required to have a necklace for yours to work in any meaningful manner. This takes on the form of mall kiosks, which about 80% of



tween girls visit at least once in any given month<sup>7</sup>. Also, placement in fashion accessory stores frequented by tween girls like Justice® will help strengthen the position of this fashion accessory communication device.

## Operations Plan

### Sales

Product sales will be conducted initially through the company website and subsequently through identified relevant retailers. Our strategy is to move the product initially online and through small local retailers, and then use this to justify the volume needed to generate margins in line with our organizational goals, even through high mark-up retailers.

### Production & Storage

Initially, manufacturing will be contracted domestically. Once business has grown considerably to justify overseas manufacturing, the company will contract with an ISO9001 approved off-shore manufacturer to take advantage of lowered production costs and proximity to component resources. These manufacturers need to ensure ISO9001 quality, and analysis of this quality will be spot-checked and analyzed periodically by the company to improve upon manufacturing processes.

The off-shore manufacturing locations will also host nearby storage facilities for holding temporary inventory intended to meet customer demand. This will be done at cost but will allow a market saturation to be controlled during most periods. Holding inventory will be controlled on a FIFO basis and consist of no more than 4% annual sales to limit overhead costs. Assembly of the finished product will remain domestic.

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<sup>7</sup>

The U.S. Tweens and Young Teens Market, Packaged Facts. 2005.

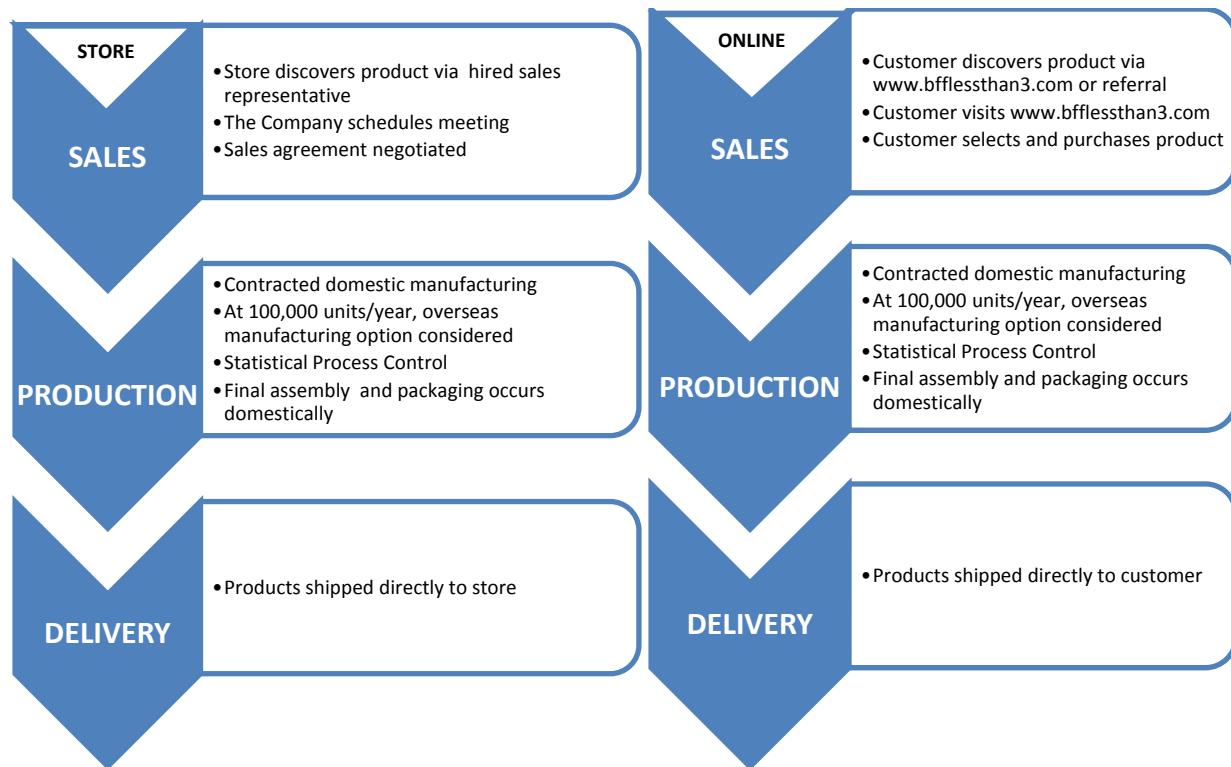
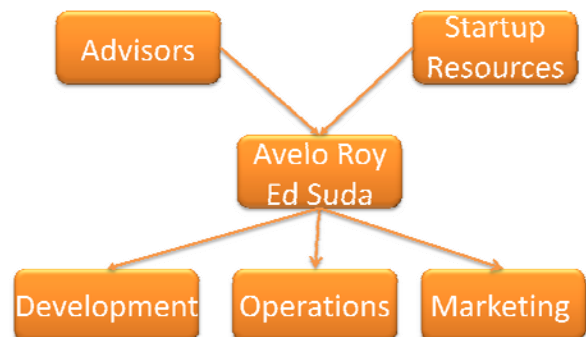


Figure 1. Simplified Operations Plan.

### Current Organizational Structure

eMotion is founded by Avelo Roy and Ed Suda. There is also a very involved group of advisors that includes Nik Rokop, President and CEO of nLake Technology Partners, Dr. David Pistru, Managing Director of Acumen Dynamics LLC, a business consulting firm, Louise Howson, a former executive with Liz Claiborne's tween costume jewelry division, and James Braband, formal advisor and part of a Chicago-based angel investor group that boasts over 250 members.



Additionally, there are numerous start-up resources that the team has identified and utilized to better understand the challenges of the business. The Jules F. Knapp Entrepreneurial Center has been providing assistance with legal issues involved in forming the company and feedback in regards to the



business plan and strategies. eMotion has also been working with a premier Chicago law firm that specializes in IP law.

There are students from many different majors all contributing to make this company a reality, providing their time and efforts to help create the business plan, circuit design, market research, etc.

eMotion is currently in the process of creating a Parent-Teacher Advisory Council, since we understand that the input of these two groups is critical to the BFF<3™ adoption process. The council would serve to provide constant input and feedback on various aspects of the BFF<3™ Necklace, such as the marketing strategy, website content, appearance, security elements, and device platform.

### Human Capital

The company values diverse talent and unified teamwork as a cornerstone of successful business operations. As stated above, the team consists of students from different academic fields, all with a wide array of experiences.

Initially, compensation for management will be equity based, until sufficient revenues enable full compensation of all employees. Additional personnel will be hired at the discretion of the management team and/or groups who hold a significant vested interest as to be determined. Potential areas for growth include marketing, retail relations, and web development. New team members will share the risks and opportunities of this venture. We are consulting with a lawyer specializing in entrepreneurial ventures, and are currently working to protect our intellectual property as is required in every applicable dimension for our core business.

### Management Team

- Avelo Roy (Cofounder)

Avelo Roy is responsible for leading and managing the team. He is also responsible for external communication with potential investors, startup clinic, legal clinic, etc. Roy helps plan and strategize the development of eMotion. Roy is also responsible for informing the advisors about the team's progress



and also where it needs help. Roy is currently pursuing a degree in computer engineering and an entrepreneurship minor.

- **Edward Suda (Cofounder)**

Edward Suda is responsible for helping lead and manage the team as well, focusing on communications, output control, and external communications. Suda helps plan and strategize the development of eMotion. Suda currently is pursuing an architecture degree with an entrepreneurship minor.

- **Alessandro Segre (Lead Product Developer)**

Alessandro Segre is responsible for leading the product development team, overseeing technical outputs, planning and strategizing technical implementations, and pursuing technical communications. Segre is currently pursuing a computer engineering degree.

### **Milestones & Growth Strategies**

The design of the BFF<3™ Necklace has been finalized, resulting in a prototype in late Spring 2008. The coming months will be spent fine-tuning the product based on customer feedback, establishing the website, contacting manufacturers, and negotiating sales agreements with stores. The company projects its first sale to be in April of 2009 to a select group of retailers. Sales are projected to gradually climb to 1,000 units in late 2009 and break 100,000 units in late 2010, closely following initial sales of BFF<3™ Necklaces. Meanwhile, development of the company's second product will be ongoing. The first sale of this second product is projected to occur in October of 2011.

Additional market opportunities are being explored for future product diversification (i.e. military away from their families, senior citizens isolated in assisted living, individuals with autism, etc.).



## Competitor Analysis

To illustrate the concept of BFF<3™'s offering, there are two products currently available that cater especially to the younger range of BFF's target market: Webkinz and TyGirlz. Both of these products offer tweens stuffed toys that come with an access code granting these tweens the ability to



go online and see their dolls virtually come to life. This approach has proven to be extremely popular, with Webkinz alone boasting 3,800,000 hits in April of 2007 alone<sup>8</sup>.

On the older end of the spectrum, there are products that serve as introductory cellular phones for late preteens and early teens. Two such devices, Kajeet and Firefly Mobile, both focus on customization in the form of special stickers and colors appealing to this age group. In addition, parents are afforded some control over incoming and outgoing calls, as well as the amount of texting and voice time allowed.

Between these devices lies the BFF<3™ Necklace. BFF comprises the virtual and tangible elements present in the toys but also serves communication functionality needed by these tween girls. There is also the strong element of customization that is critical to tween girl adoption.

IM Me!® also currently occupies this space. This device affords tween girls the opportunity to instant message each other on a closed, secure network, though its range is severely restricted at 100 ft, compared with BFF<3™ Necklace's range of 1000 ft and growing. Additionally, the IM Me!® is no longer sold at Limited Too and Justice due to poor sales. Based on consumer feedback, the reason for

<sup>8</sup> "Doll Web Sites Drive Girls to Stay Home and Play."  
<http://www.nytimes.com/2007/06/06/technology/06doll.html>



failure seemed to be a lack of product clarity- customers did not understand the product. eMotion is studying this product and its marketing carefully to learn from this complicated device's failure.

### Risks and Mitigation

One of the most immediately recognizable risks associated with this business model is that this venture is currently based on only one product. This aspect to the proposal, coupled with rapidly changing trends, constitutes a significant risk to the success of BFF<3™ Necklace. Our potential competitors face some barriers to entry if they too want to enter the market following the introduction of the BFF<3™ Necklace. These competitors will need to conduct their own market research in order to properly align their product. Once done, it is fairly simple for competitors that offer a similar device for a lower cost to enter the marketplace shortly after the introduction of the BFF<3™ Necklace. eMotion will also lose some control over delivery and quality by outsourcing larger production runs, but will make efforts to stay proactive on potential issues as mentioned with off-shore manufacturing accounts.

### Business Risk Mitigation

To offset the risks associated with the business model, several approaches will be undertaken. The primary asset of the BFF<3™ Necklace is the user experience based on the secure online social network closely connected with the device capabilities. For instance, a group of five friends, after purchasing their necklaces and syncing them so they can “talk” to each other, will be able to create their own exclusive space on our website. This space is completely customizable, offering a place to exchange gossip, post messages to their friends, and post the latest codes for their BFF<3™ Necklaces. There will also be constantly updating content offerings these girls the latest advice, fashion trends, and health news. In this manner, BFF<3™ Necklace aims to distinguish itself by providing the clarity of the social network in both the real and virtual worlds. We already have a domain, [www.bfflessthan3.com](http://www.bfflessthan3.com), created specifically for these purposes.

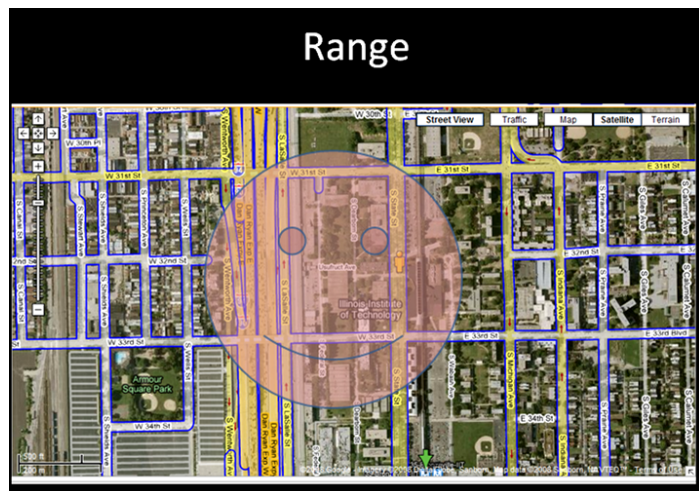
BFF<3™ Necklace's early entry into this market also provides an advantage that will offer some level of protection to this device and corresponding website due to the very nature of this product. For this



product to be of any use to the consumer, several must be purchased within the same circle of friends, meaning that the viral marketing element will offer some mitigation to the risk of comparable devices being sold for lower prices and a potentially similar offering. We are protecting our technology by working with an IP lawyer specializing in entrepreneurial ventures, patenting our methodology and holding all necessary documentation throughout this business formation.

### Product Risk

One of the primary risks identified with the product BFF<3™ Necklace is the limited range of this technology. Currently the team is using radio frequency as the means of communication between necklaces, which has a usable range of about 1000 feet, or about a city block. According to primary market research conducted, this limited range will suit almost all communication needs of the targeted tween girl market and we are actively working to find solutions on boosting this range as much as possible.



Another risk associated with this proposed product is the perceived simplicity of the device. Research has been conducted into Intellectual Property (IP) through searches and feedback from professionals who work with IP, with the common consensus that the technology eMotion is working with is patentable. We are entering the initial phase of patenting the eMotion technology and experience

### Product Risk Mitigation

The technical challenges associated with longer range communication devices are under investigation and will be reflected in other opportunities and products to be developed after the BFF<3™ Necklace. eMotion has entered negotiations with a cellular phone provider to acquire intellectual property that



would allow BFF<3™ to sync with a cellular phone, increasing the range from 1000 ft. to global. Mesh networking, which takes advantage of local densities to increase signal range, is also under investigation.

With this technology, messages would be relayed through any active BFF<3™ unbeknownst to its user; only the destination BFF<3™ would react to these signals.

In order to protect the intellectual property of our device and its network, eMotion is entering the first phases of patenting the BFF<3™ technology and experience. Ultimately, the strategy is to couple the simple technology with a strong, customer-oriented experience that combines the real and virtual realms of any user's circle of friends.

### Market Risk

There is also risk involved in the chosen target market of girls between the ages of eight and 14. This group is very trendy in their tastes, meaning that the most popular product today may be all but forgotten in a short time. Additionally, because this device is a wearable communication device positioned as a fashion accessory, there is an even greater pressure on the potentially short life-cycle of the product design.

Risk is also identified in the very nature of the wearable communication device. Because the cellular phone has achieved a sizable penetration rate among the target demographic, there is the risk that the cellular phone will be perceived as an adequate substitute for the BFF<3™ Necklace™.

### Market Risk Mitigation

The strategy implemented to offset the relatively short lifespan of the fashion accessory market is to create a recurring revenue stream through accessories to the BFF<3™ Necklace™. Currently, this takes on the form of replaceable faceplates that will retail for \$5 per item, in a manner very similar to cellular phone faceplates. Our company's low price point and diverse offerings allow a high level of customization. For example, a tween could own six different faceplates to match various outfits she may wear. Once styles change, she can design and purchase additional faceplates or trade faceplates with her friends. This may give rise to BFF<3™ Necklace faceplate exchange parties where a group of friends gets



together to hang out, trade faceplates, and update codes. This type of exchange is critical to tween culture, and identified as one of the four major elements of tween culture (2008, Motorola). Changing styles also allow BFF<3™ Necklace faceplates to enter the realm of collectibles, a hobby that 64.8% of girls ages 12-14 partake in.<sup>9</sup>

This particular aspect of eMotion strategy also signifies the importance of the website. Here, users will be given the power to custom design their own faceplates tailored to their specific needs, that of their group of friends, or the latest fashion trends in a very similar manner. This concept allows potential customers to submit their own designs with the chance that their designs will be mass-produced.

This approach to the BFF<3™ Necklace serves several functions. First, it allows BFF<3™ Necklace to stay relevant to its target age group, since the design is able to be updated according to any user's changing tastes. Second, these customizable cases translate into the user spending more time on the website and bringing in a larger, recurrent site visitor base. Finally, this approach has a strong appeal to the target market, since levels of customization were indicated as an important element in using the device. In this way, personalization of the device occurs in almost every way possible in both its functional and formal elements.

The fad-oriented nature of this target market also works toward the benefit of the BFF<3™ Necklace. Because this device is just as much a social networking tool for tween girls as it is a fashion accessory, a rapid adoption is expected as a result due to its low cost to the consumer and the need for a girl's friends to purchase their own necklaces in order to communicate. We also have another safety net with IP, because as this fad grows in popularity even the most organized competitor would only be able to enter at the peak or on the downswing of the fad. Any competitor would not affect our profit substantially and we could consider prosecuting them for IP violation if their product too closely resembles our BFF<3™ Necklace.

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<sup>9</sup> The U.S. Tweens and Young Teens Market, Packaged Facts. 2005.

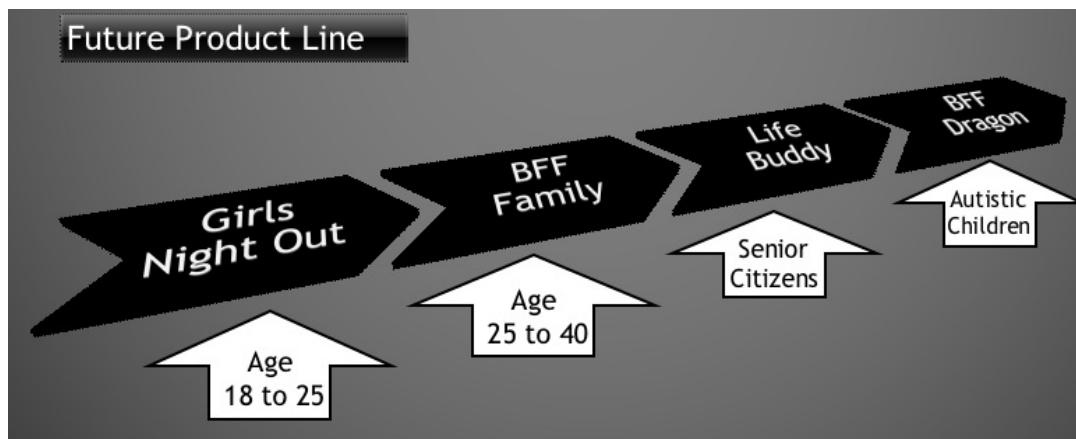


## Growing Up With BFF

The concept of “Growing up with BFF<3” is working toward the idea of the BFF<3™ technology’s form and function evolving with user’s changing needs at different age brackets.

Recognizing that similar communication technology can be applied in various ways, several regions are seen in a person’s BFF life.

The BFF<3™ Necklace is our introductory product reflecting this technology, focusing on the low end of our potential age spectrum. An introduction of products relating to twenty-something year old consumers’ communication is on the drawing board, along with a baby-boomer targeted communication alert system. As we continue to advance our R&D projects, we will be able to accomplish more and more with this technology. eMotion has plans ready to implement different forms of our technology, always staying at the forefront of what it is able to do, adding functionality and improving design and product lifespan in the marketplace. We can utilize a high-end development of this technology to have an eMotion product on the shelf for each member of a family to be able to desire and enjoy.



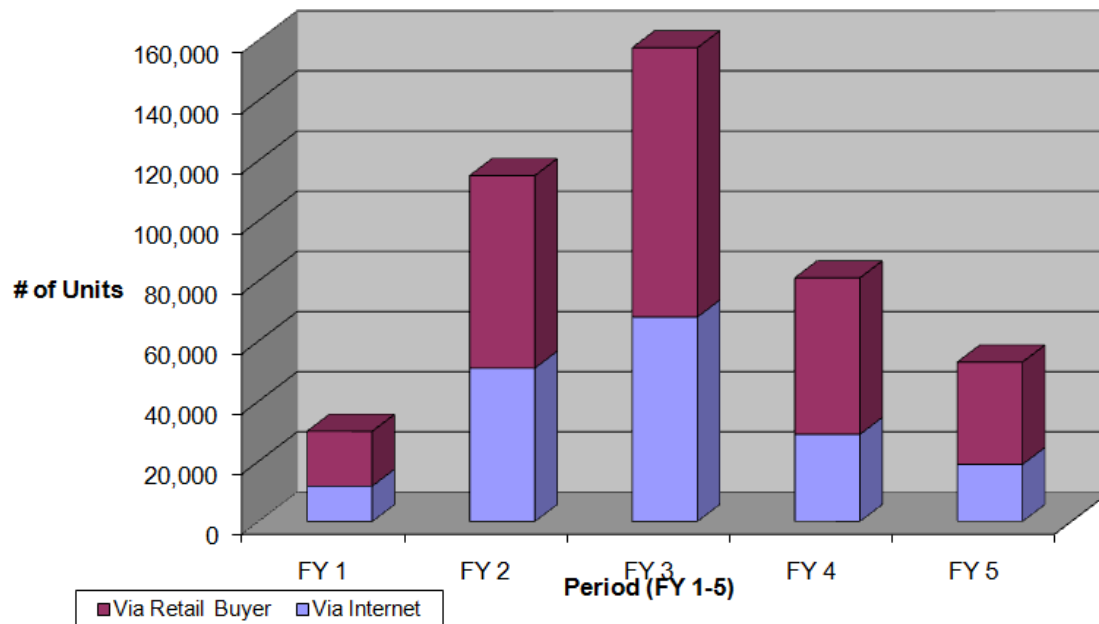


## Financial Projections

Team eMotion's BFF<3™ Necklace is a venture that is currently in the pre-revenue phase. Based on market research however, some detailed revenue projections can be constructed. The following chart shows a three-year outlined projection of net income after taxes.

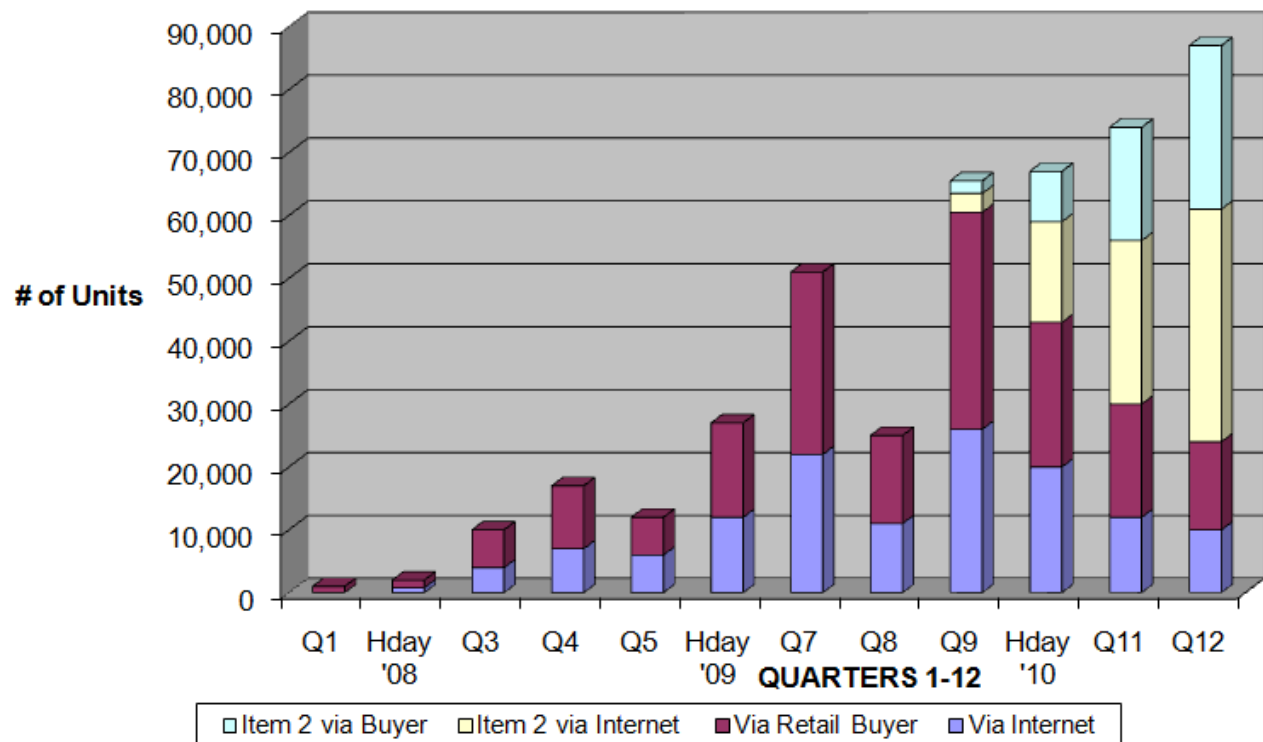
<i>Totals</i>	<i>year 1</i>	<i>year 2</i>	<i>year 3</i>
BFF Device Sales (Internet)	\$412,882	\$1,784,490	\$2,379,320
BFF Device Sales (Retail Buyer)	\$309,400	\$1,088,000	\$1,521,500
Faceplates (Retail Buyer)	\$89,700	\$793,500	\$1,428,300
Faceplates (Our Channel)	\$194,610	\$1,721,550	\$3,098,790
<b>Costs of Goods Sold</b>	(\$602,292)	(\$2,937,674)	(\$4,492,098)
<b>All other Expenses</b>	(\$565,400)	(\$676,150)	(\$527,000)
<b>Earnings Before Interest and Tax</b>	(\$161,100)	\$1,499,626	\$3,408,812
<b>Tax Expense</b>	\$0	\$524,869	\$1,193,084
<b>Net Income</b>	(\$161,100)	\$1,248,848	\$2,215,728

Net income projections are outlined with more detail in the income statement. All values on the net income statement are a product of the projections of unit sales, wages, and expenditures, et al. The following graph shows a distribution of number of units sold online via our [www.bfflessthan3.com](http://www.bfflessthan3.com) website or other Internet retailers, and the number of units sold to retail buyers at wholesale prices for sale in brick and mortar retailers. The second graph breaks the initial three years down into quarters, and displays the introduction of our second product. This product is planned to girls in their twenties, which will be introduced around that time. An important observation to make in this second graph is that the start of decline in BFF<3™ sales around the 9<sup>th</sup> quarter is offset by quantity projections of our second product.



GRAPH #1

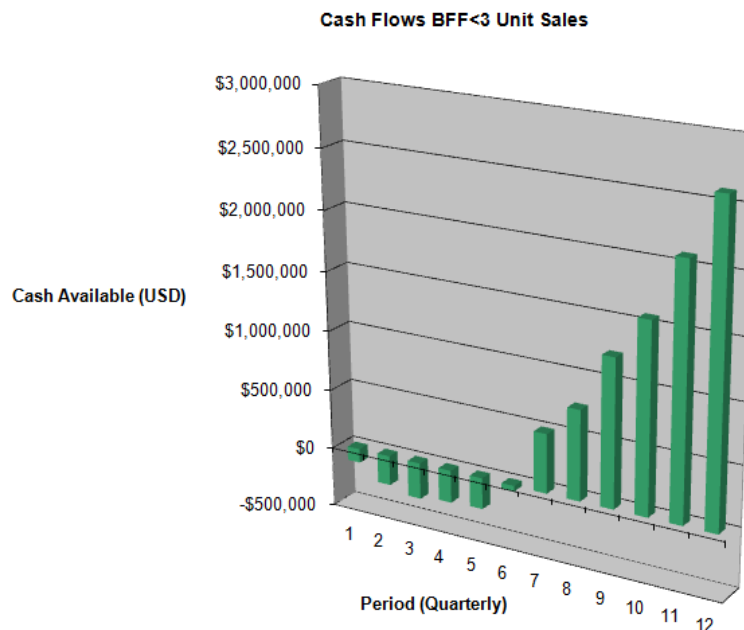
### Units Sold eMotion



GRAPH #2



Cash flow analysis of the BFF<3™ Necklace shows an operating cash flow breakeven for the venture in the 7<sup>th</sup> quarter. It is at this point that there is positive cash on hand. The cash flow statement considers a sunk accounts receivable value of 2% of net sales, assuming that this amount will not be collected in each period. Additionally the cash flow analysis considers purchasing and leasing of property, equipment, and other general administrative costs as are needed.



**GRAPH #3**

The total projection of capital needed for eMotion's BFF<3™ venture is based on a principle of accounting for all times where cash flows are negative. A compilation of these negative cash amounts and a buffer of about \$50,000 place the required capital at \$500,000. These funds needed are to be sought by angel investors, academic donors, venture capitalists, competitions, and other independent fundraising activities in several rounds both initially and after 6 months and 18 months.

### Legal Considerations

We are also taking legal issues into consideration. FCC regulations do not apply to our device because we are only used existing, tested components that have a power output below the minimum amount that requires FCC approval.



All of the program source code is copyright by the members of the team; however, we link with a runtime library which is copyright by an outside entity who has not licensed his work to us. However, we are highly certain that the author of the library will license his software to us under generous terms.

Regarding protection for the actual device, eMotion is investigating a patent that seeks to build off of existing intellectual property related to a pager device, though the technology is altered with this wearable fashion and communication device.

### Exit Strategy

eMotion has several options if it is faced with the decision to cease existence under its current form. The strategy selected will depend on the level of success eMotion achieves.

#### Sell a Stake to Other Investors

eMotion could decide to sell a stake to outside investors, most likely a partner with a complimentary product or service such as a cellular phone carrier or Girl Tech, producer of IM Me!, the tween instant messaging device. This would increase eMotion's funding base, simplify the distribution channel for both products, and dilute potential risk for the company but it would also remove a level of control, possibly reduce margins, and potentially reduce revenues.

#### Sell off the Venture

eMotion may be completely sold off to a competitor or another business if eMotion is established as a viable business with a sizable customer base and identified potential suitors. Potential buyers are similar to the stakeholders mentioned prior.



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