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Executive Summary

Opportunity
Plagued by back pain from ill-fitting baby carriers, and frustrated by how fashion fades away with the birth of a child, today’s parents are faced with baby carriers that solely provide utility. While many baby gear segments are experiencing 200 to 300 percent growth with the infusion of fashion and innovation, the $175 million baby carrier market is playing the part of the wallflower. Still waiting for its time in the spotlight. BusinessWeek recently profiled our target market, dubbed “Yoga Mamas”, and identified them as the new darlings of Wall Street. These moms want to extend their lifestyles to their babies, and will flock to a fashionable and functional baby carrier.

Baby Carrier Cocoon System
Leveraging the Yoga Mamas’ desire to keep pace with fashion trends, DUO’s Baby Carrier Cocoon System allows mothers to buy a baby Cocoon as they would with the season’s most popular handbag or any other fashion accessory. The wide assortment of Cocoons all fit the ergonomic parent harness, designed to eliminate the fundamental problems of discomfort with existing carriers. While our competitors use one-size-fits-all models, the DUO harness is designed to fit a range of torso sizes, with Cocoons to fit each infant developmental stage.

Value Proposition
No matter their income, Yoga Mamas spend like lottery winners on their babies and toddlers. In the process, they’re revolutionizing the baby-products market and forcing manufacturers and retailers of all sizes to adjust (Christopher Plameri, “In Pursuit of the Yoga Mom,” BusinessWeek, Nov 7, 2005). DUO’s Baby Carrier Cocoon System appeals to these mothers, who are the megaphones of their generation. Yoga Mamas will buy the CuddleBug and Cocoons not simply because they love how they work, but because they combine aesthetics and function into head-turner products. This validates these moms’ positions as smart, young, and hip consumers; not the soccer moms their predecessors aspired to be.

Marketing Strategy
In order to position DUO as a luxurious and exclusive brand, and to align with Yoga Mamas’ consumer behavior and active social lifestyles, our marketing strategy will focus on celebrity placement, affiliate marketing, and creating evangelists who will flaunt this market-changing design.

Competitive Advantage
As members of the target market, DUO’s managers know their customers, and know how to bridge the gaps left by the front packs on the market today. With a commitment to on-going innovation and smart, simple designs, DUO will continue to flip category expectations with unique features and styles. The stroller market revolution proved that mature brands are unable to successfully respond and rebrand to keep pace with changing trends.

Management
Supported by the broad array of experts on our Advisory Board, DUO’s management will include its founding members who bring experience in management, innovation, marketing, technology, manufacturing and sales.

Financial
In year 5 DUO will have $20.6 million in revenues from our baby carrier system, individual Cocoons and harnesses. Our profit margin in year 5 is 41 percent. We will break even in year 2 and remain profitable through year 5.

Funding
DUO requires $300,000 in seed stage funding and $1.9 million in funding over the first 2 years. These funds will be used to support operations, with a focus on marketing and public relations. DUO will obtain seed stage funding from the founders, family and friends. We will seek the remaining $1.9 million from a venture capital firm. We plan to be acquired by a mature baby gear company, such as Maclaren, in year 5.

**Company Overview**

Innovative and fashion-conscious DUO, a baby gear company with plans to incorporate a C-corporation in Delaware, will locate its corporate headquarters and distribution center in Boulder, Colorado.

**Mission Statement**

Through the use of innovative design, fashionable, durable materials, and clever details, DUO seeks to meet parents’ needs of functionality, flexibility and style. DUO gives the new generation of parents the freedom to remain young and adventurous with chic products that express their modern family lifestyle.

**History and Current Status**

Despite buying the most expensive and most comfortable front pack baby carrier in the market, Mette Moffett found herself frustrated by lower back pain from carrying her baby boy, and annoyed by the struggle to adjust the harness every time her much taller husband had to wear it. Motivated by her frustration, Moffett developed the Baby Carrier Cocoon System in the fall of 2005. Fellow classmates, Susan Traube, Jessica Packard, and Seth Murray conducted research within the baby carrier industry and identified a clear lack of ergonomically-designed carriers that placed the baby’s weight on the parent’s hips. They also learned that existing baby carriers failed to offer any fashionable, stylish, or up-gradable options. Typical choices today include navy blue, black and denim, and do not provide the ability to personalize the carrier in any way.

As research continued, Moffett, Traube, Packard and Murray began to develop the CuddleBug, an ergonomically-designed, fashionable and trendy baby carrier system that ultimately was the seed for the growth of DUO, a baby gear company. The four founding members of DUO now intend to transform their initial idea that stemmed from one mom’s frustrations into a phenomenon that will change the way Yoga Mamas see baby carriers today.

**Objectives**

With a thorough understanding of our target market, the Yoga Mamas, DUO intends to fill the gap in the current baby carrier industry by offering a product that solves mothers’ frustrations and enables them to extend their lifestyles to their babies. Just as the Bugaboo stroller has transformed its industry with growth rates reaching 300 percent, DUO will revolutionize the mature baby carrier industry with exciting, functional products, and catch stagnant competitors off guard. DUO plans to capture 10 percent of the market in Year 5. As a growth company with revenues of $20.6 million in Year 5, DUO’s exit strategy is acquisition by a mature baby gear company, such as Maclaren.

**Product Description**

DUO’s Baby Carrier Cocoon System differentiates itself from existing baby carrier products on the market by offering a simple harness system with a variety of Cocoons in an array of fabrics. Customers’ first purchase will include one harness and one Cocoon. Additional Cocoons may be purchased as separate accessories, and they will be designed with both infant developmental stages and fashion trends in mind. Additional harnesses are available for parents who fall outside the 5’2” to 6’2” height range.
**Features and Benefits**

The foundation of DUO’s baby carrier is ergonomic design. Its rigid back coupled with a solid hip belt enables the baby’s weight to shift to the parent’s hips, unlike other carriers that solely place the weight on the shoulders. The suspension will be designed similarly to that of high-end backpacks. The harness will be constructed of high-tech fabrics and top-grade thermo-molded foams. The comfort can be maintained and established for the child and parent by using adjustable shoulder and waist belt suspension, allowing the harness to fit a variety of body frames.

The Cocoon is essentially a suit the baby will wear, keeping the baby more securely fastened and more comfortable than competing carriers. The Cocoon safely attaches and detaches to the parent harness, with high-strength and easily adjustable buckles designed for one-handed operation. This unique idea not only solves the problem of having to secure the baby in a harness while holding the precious little one at chest height with one hand, but it also allows for gentle detachment of the sleeping infant.

DUO’s Cocoon line will expand each season with additional fabric and color choices, styles and fabric weights to match changing fashion trends and weather. Yoga Mamas will consider Cocoons like they do handbags—as fashion accessories—and will therefore update them on a regular basis. Cocoons will come in two sizes (newborn to four months, and four to six months) to fit growing babies to fit each infant developmental stage, including the CuddleBug Cocoon for newborns and the Curious Cocoon for older infants facing the world.

Cocoons will be complete with unexpected attributes such as a rain hood for the baby, a pocket for car keys, a hydration pack and head support for newborns.

Survey results of 109 participants found that up to 54 percent suffered from lower back, neck, and shoulder discomfort from their carriers. 33 to 37 percent said they were concerned with their baby’s safety, were disappointed in the limited selection of colors, and felt their carrier was difficult to use.

The DUO Baby Carrier Cocoon System concept offers a solution to all of these problems.

<table>
<thead>
<tr>
<th>Features</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ergonomic design</td>
<td>Eliminates back and shoulder pain so parents feel more comfortable while carrying their baby.</td>
</tr>
<tr>
<td>Cocoons</td>
<td>Allow parents to more easily attach and detach baby from harness, eliminating fear of straining arms, dropping or tightly squeezing baby.</td>
</tr>
<tr>
<td>Multiple Cocoons</td>
<td>Parents maintain a look that can be seasonally updated to provide the feeling that they are on the leading edge of fashion. Babies are happier and more comfortable in Cocoons specifically designed to fit their current developmental stage.</td>
</tr>
<tr>
<td>Unexpected Attributes</td>
<td>Convenient features allow parents to keep important items, like keys, easily accessible. This saves time and energy spent preparing to get out the door.</td>
</tr>
</tbody>
</table>

Based on qualitative consumer surveys, we’ve heard the following:

- “It’s impossible to get my baby out of a front pack by myself. His foot gets caught and my hands are busy lifting him out. It would be great to have a system in which I could unhook him without needing three hands.” (Debbie Federspiel)
“I like the Baby Björn as it allows me to keep my child close to me, but I hate that the product is so short-lived. My son grew so fast, he only fit into it for a few months. A convertible option would have been cool to have for different stages of my son’s growth.” (Deb Markwith)

**Patent Protection**

A design and utility patent will be filed in the spring of 2006 for the Baby Carrier Cocoon System as research and conversations with industry experts has shown the design is original and useful.

**Stage of Development**

The CuddleBug concept sketch has been shown to industry product experts and designers such as Rio and Jason Belaire (backpack designers from Mountain Smith), and Jim Clements (co-designer of Sherpani and Deuter packs). The CuddleBug is in the conceptual stage; initial safety and design research has been conducted. The appropriate contacts and resources have been made to begin designing, prototyping, and testing.

**Market and Industry Analysis**

**Market Size and Growth**

The market in which DUO is competing is made up of people who want to buy a baby carrier either for themselves, someone in their own family, or as a gift. One-third of parents buy baby carriers. In 2004, 1.2 million units were sold. (Bengt Lager, President of Regal Lager, former distributor of Baby Björn)

While there were 4,109,000 births in the United States from April 2004 to April 2005, the segment we are considering is made up of new (i.e. first birth) mothers (National Vital Statistics, Report April 2005). We are considering new mothers and fathers because typically, parents who have previously purchased a baby carrier for their first child will use the same carrier for additional new children.

In 2003 there were 1.6 million babies born in the U.S. to generation X and Y new (i.e. first birth) mothers aged 15 to 39. Birth trends show that new mothers are getting older: the first birth average age increased by almost an entire year from 2002 to 2003, and first birth rates for women aged 30-34 years, 35-39 years and 40-44 years increased substantially in 2003 by 7, 12 and 11 percent respectively. (National Vital Statistics Report, 2004).

<table>
<thead>
<tr>
<th>Segment Description</th>
<th>Size</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents of New Child</td>
<td>4.109 Million</td>
<td>13-14%</td>
</tr>
<tr>
<td>First-birth Mothers</td>
<td>1.6 Million</td>
<td>7-12%</td>
</tr>
<tr>
<td>First-birth Fathers</td>
<td>1.6 Million</td>
<td>7-12%</td>
</tr>
<tr>
<td>Gift buyers</td>
<td>96 Million</td>
<td>7-12%</td>
</tr>
</tbody>
</table>

Because women make 80 percent of buying decisions, marketing strategies will focus on them.

Packaged Facts, a research firm in Maryland, estimates that sales of furnishings and gear for babies, such as strollers and car seats, will jump from $7.2 billion in 1998 to $11.3 billion in 2007 (Davies, Jennifer, “Oh Baby!,” San Diego Union Tribune, October 17, 2004). Based on recall numbers from Baby Björn, and sales numbers of baby carrier suppliers, the total annual market size in the U.S. for carriers (both front and back) is $175 million with segments growing as much as 20 percent.
Market Drivers
Currently, there are a number of positive trends driving our market. The most positive trend affecting our market is that older, more affluent couples are having babies. This, along with a baby boom among celebrities, has led to an increase in luxury products aimed at infants and toddlers. Startup companies offering luxury baby items say they are experiencing sales growth in the triple digits (Davies).

Bugaboo strollers that retail between $700-$1,000 provide an example of a company that understands how to win over Yoga Mamas with a wholly unexpected and innovative design. Bugaboo charges a premium while maintaining a 300 percent growth rate. In one Boulder boutique alone, a Bugaboo stroller is sold every day. (Eliza DeBoom, Owner of Hello Mommy.)

The U.S. birthrate is expected to increase through 2010. Today’s women are having more children now than at any point in almost 30 years.

The one-size-fits-all model is out of date. Partly as a result of the Internet, customers today are better informed, better educated, and are willing to make their own decisions. They want to be seen and treated as individuals, and are willing to pay for mass customization. “Have it your way” solutions are the way companies are differentiating their products from those of their competitors.

Today’s successful companies are those that are committing research and development to products that meet the needs of their customers. No longer are companies developing products that they “think” customers will need; instead consumers guide the innovation process. Understanding consumers’ needs is critical for DUO, as we must design a carrier to meet the needs of new parents, both for parents’ comfort and for their baby’s comfort and safety.

Another trend that directly affects our market is that new parents mind-sets are a lot edgier than they used to be. “Once [hip kids’ clothing] becomes more widely available, people are going to buy it,” (Pennington, April Y., “Designer Babies”, Entrepreneur, September 2005).

Target Market
Initially, our target market will focus on Yoga Mamas in Los Angeles, New York, San Francisco and Chicago. We’ve focused on these areas primarily because they are centers of high fashion, home to urban, adventurous parents, and provide an immediate storefront for marketing activities. Typically, parents in these areas are older and spend a larger percentage of their family income on their children (U.S. Mom Market Report, November 2003).

In these geographic locations, for a family with a household income between $42,000-$71,000, husband-wife families typically spend $10,200-$10,620 annually per child age 0-2. For those families with income over $71,000, the annual expenditure per child age 0-2 is approximately $14,820-$15,370 (U.S. Mom Market Report).

Based on these numbers, we will target Yoga Mamas who typically have household incomes above $50,000. These middle- and upper-income mothers are more style- and brand-conscious than moms in previous generations. No matter their income, they spend extravagantly on their babies and toddlers, even though they wouldn’t necessarily buy luxury goods for themselves. In the process, they are revolutionizing the baby-products market and forcing manufacturers and retailers of all sizes to adjust (Plameri, Christopher, “In Hot Pursuit of Yoga Mama,” BusinessWeek, November 7, 2005).
Families that purchase our baby carrier product will have active, on-the-go lifestyles and will have tried many different activities including yoga and “strollercizing”. They are focused on fashionable and fit pregnancies and on the fitness and well-being of their offspring. They extend their own lifestyle to their child, buying organic food and clothing, and premium-priced beauty products.

Yoga Mamas rationalize their investments because they see themselves as trendsetters buying hip, well-built, and functional products. Owners of our Baby Carrier Cocoon System will convince others to buy the carrier, because not only do they love how it functions, but also they want you to know that they are forward thinking. They convince others to follow their lead, which is critical in our marketing efforts. Word-of-mouth is the most effective communication channel among moms.

Industry Overview
The business is classified in the non-toy product segment of the “Game, Toy, and Children’s Vehicle Manufacturing” industry. According to the Juvenile Products Manufacturers Association (JPMA), sales in this non-toy segment totaled $5.75 billion in the US in 2001. Concerns about product safety were among the chief factors driving innovation and competition.

Baby carriers are most often sold through value added resellers (VARs) and independent distributors. The U.S. sales of the three major players, Baby Björn, Chicco and Infantino are shown below. While many smaller players sell directly to their customers, none of the major brands do.

<table>
<thead>
<tr>
<th>Baby Carrier Company</th>
<th>U.S. Distribution</th>
<th>VARs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Björn Sweden</td>
<td>BabySwede LLC Cleveland, OH</td>
<td>▪ Major Chains (Babies’R’Us, Target)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Multiple Online Stores (BabyAge, BabyUniverse, Little Folks, The Baby Bungalow, and more)</td>
</tr>
<tr>
<td>Chicco Spain</td>
<td>Chicco USA Bound Brook, NJ</td>
<td>▪ Major Chains (Babies’R’Us, Target)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Multiple Online Stores (BabyUniverse, Little Folks, and more)</td>
</tr>
<tr>
<td>Infantino U.S.</td>
<td>Direct to VARs</td>
<td>▪ Major Chains (Walmart, Kmart, Sears, JCPenney, Target, Babies’R’Us)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Online (BabyCenter, GeniusBabies, and more)</td>
</tr>
</tbody>
</table>

Competitive Bases
Baby carriers compete primarily on comfort and safety. Consumers often describe a safe carrier as a quality carrier. When speaking of comfort, consumers are most often referring to the parent’s comfort.

JPMA has developed a certification program that tests products including baby carriers, high chairs, strollers and carriages, for compliance with the American Society for Testing and Materials (ASTM) standards and issues a certification seal after the product passes rigorous testing.

Baby Björn, which developed its first carrier in 1973, started with a simple design. As time has passed, carriers have become more complex due to safety concerns. Safety issues include ensuring the baby will not fall out of the carrier, is well-supported and well positioned; and the fabrics are non-toxic and nonflammable.
Size of Competitors
Baby Björn may own as much as 25 to 30 percent of the front pack baby carrier market. Along with Infantino, Chicco and Evenflo, the four companies are likely to own over 50 percent of the market—judging by observation and recall information. A competitive matrix is available for reference in the Appendix.

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenues/Headcount</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Björn</td>
<td>$30 million (2003/2004) 61 employees</td>
<td>Significant leader of high-end baby carrier market. They have other baby and toddler products, which are not very prevalent in the U.S. market.</td>
</tr>
<tr>
<td>Evenflo</td>
<td>$17.2 million (2002) 130 employees</td>
<td>Significant presence in low-end market with its Snuggli carrier.</td>
</tr>
<tr>
<td>Chicco</td>
<td>$120 million (2003) 380 employees</td>
<td>Chicco’s carrier is new to market in the U.S.</td>
</tr>
<tr>
<td>Dorel Juvenile Segment</td>
<td>$760,000 in (2004) $670,000 in (2003)</td>
<td>Dorel has just one carrier, and its share of the segment is small, but growing nonetheless.</td>
</tr>
<tr>
<td>Infantino</td>
<td>Unknown</td>
<td>Infantino used to be a division of Dorel, but it was sold off in 2001 so Dorel could focus on their core products. Infantino has at least nine different carriers.</td>
</tr>
</tbody>
</table>
Relative Positioning
The following value-innovation chart shows how DUO’s product is positioned relative to Baby Björn. For each product attribute, the chart shows the level of value each brand offers. Overall, it is clear that DUO will add significantly more value to the market than our competitor.

DUO’s Competitive Advantages
As members of the target market, DUO’s managers know their customers, and know how to bridge the gaps left by the front packs on the market today. With a commitment to on-going innovation and smart, simple designs, DUO will continue to flip category expectations with unique features and styles. The stroller market revolution proved that mature brands are unable to successfully respond and rebrand to keep pace with changing trends. Our sustainable competitive advantages are:

<table>
<thead>
<tr>
<th>Market Savvy</th>
<th>o  We represent the target market (Yoga Moms and New Dads).</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>o  We are connected to the target market.</td>
</tr>
<tr>
<td></td>
<td>o  We are tuned-in to paradigm shifts (i.e. Soccer Moms to Yoga Moms, and Gen X to Gen Y).</td>
</tr>
<tr>
<td>Continuous Innovation</td>
<td>o  We are continually identifying gaps in the market</td>
</tr>
<tr>
<td></td>
<td>o  We are committed to a proactive approach to innovation</td>
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</table>
Design

<p>| | |</p>
<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td>o  Commitment to be on the forefront of fashion and set trends</td>
<td></td>
</tr>
<tr>
<td>o  Products that create evangelists</td>
<td></td>
</tr>
</tbody>
</table>

**Degree of Rivalry & Response to Competition**

While the baby gear industry is described as fiercely competitive, the top five brands each own their own niche within the market. The remaining market is made up of homegrown products that pose little threat to larger players.

While the market is crowded, the degree of rivalry is low and market response to new entries into the market is nonchalant. Baby gear is rarely offered at a discount, especially in the premium division. Furthermore, the best-selling Baby Björn has not been duplicated, as other carriers have chosen to remain in their own niche.

**Channels of Distribution**

Initially, DUO will reach its customers through select baby boutiques in New York, Chicago, San Francisco and Los Angeles. These cities are centers of high fashion, home to urban, adventurous parents, and provide an immediate storefront for marketing activities.

A select list of boutiques is included in the Appendix, but a few examples include Children’s Wonderland and Dragonfly DuLou in Los Angeles, and Giggle in New York.

These boutiques make their buying decisions based on what they find at three tradeshows including ABC Kids, JPMA and Kind + Jugend. According to Elize DeBoom of Hello Mommy, boutique retailers choose their products based on who has the strongest marketing appeal, and “…who has the best booth.”

DUO will also target select online retailers such as www.baby-outfitters.com, www.babystyle.com and www.luxurylivingchannel.com. These sites only offer a few choices of baby carriers, which is ideal for the Yoga Mama audience that does not want to spend time browsing. Yoga Mamas are seekers and want to be able to make decisions quickly from a narrow group of choices. A full list of potential online
retailers is available in the Appendix. Most often, the appropriate online retail sites for our product are those owned by the boutiques we will target, thus eliminating the risk for cannibalization.

**Marketing Plan**

**Customer Research**
From September through November 2005, DUO conducted a survey targeting Yoga Mamas and dads within our target markets. Of the 109 responses, the following conclusions can be drawn:

- 41 percent of respondents have experienced lower back discomfort from existing baby carriers. 39 percent have experienced neck discomfort and 54 percent have experienced shoulder discomfort. 37 percent have concern over their baby’s comfort.
- 33 percent of respondents felt there are limited color choices available for current baby carriers on the market.
- One respondent commented, “One thing I dislike about infant carriers is how ergonomically incorrect they are. My arms and neck kill all the time….”
- 40 percent of respondents bought or plan to buy their baby carrier online.
- Of four factors including style, ergonomic design, quality and price; ergonomic design and quality were the highest valued.
- 88 percent say word-of-mouth is how they hear about new products. 74 percent say they received their information online.
- 92 percent of respondents have a household income over $50,000.
- When asked if they would purchase a baby carrier that is fashionable, ergonomically designed, and premium priced with brand caché, one respondent said, “Yes, I would consider it…would have to try to see if the comfort was what it claimed to be first - and look to word of mouth from those who have tried it already.” Another answered, “Yes, if it fits all of those things, I would buy it.”

**Target Market Strategy**
Within the baby carrier industry, purchases are primarily made based on word-of-mouth among family members, friends and peers. Hollywood moms are also playing a major role in influencing purchases and trends within the baby industry (Davies). Retailers have an influence because they choose the products they put into their stores, based on decisions they make at tradeshows. Maintaining good rapport with retailers is important in order for them to serve as advocates of DUO’s products.

Yoga Mamas, an emerging class of women, are revolutionizing the baby products market and forcing manufacturers and retailers of all sizes to adjust. “This group is influencing other moms who have money and plenty of moms who don’t,” says Timothy Dowd, a senior analyst at the market research firm Packaged Facts. “Yoga Mom is pumping up sales across the board.”

The popularity of Bugaboo strollers is a prime example of Yoga Mamas’ love for ergonomic design and brand caché. To date, no company has capitalized on the need for a fashion-forward, ergonomically designed baby carrier that is premium priced. Bigger spending is fed by an attitudinal change toward motherhood. Pricier items are displacing lower end products because mothers want the best for their babies. Yoga Mamas must see the benefits in what they purchase, and once they do, they will convince others to buy the product as well.

**Positioning**
Fashion-conscious DUO, a baby gear company, provides a revolutionary, ergonomically designed baby carrier for moms with active lifestyles who crave red carpet style and personality, and the very best for their baby.

DUO intends to do for the baby carrier market what Bugaboo did for the stroller market. Bugaboo became a phenomenon because it flipped category perceptions and offered a completely unexpected design compared to existing strollers. Today, Bugaboo strollers are pervasive. Currently, there is not a baby carrier on the market that is both fashionable and trendy, and ergonomically designed. The baby carrier market to date has been based solely on utility.

Product Strategy
Because DUO will provide a superior product, providing superior customer service to both customers and retailers is critical. DUO will do this by hiring three dedicated customer service employees available 24/7 for customer and retailer support. DUO will also provide a list of Frequently Asked Questions on our website for immediate questions. Initially, DUO will supply a buy-back policy for retailers to ensure they feel comfortable with DUO, to establish rapport, and to build our company’s reputation.

Our customer service staff will manage warranties and repairs. We will ship a new product to a customer if they have a valid warranty. It is important to have the warranties in-house so we can see product problems immediately and assess the risk of what is on the market and of what we are about to sell.

Future product offerings will leverage our position as fashion-forward innovators, and may include diaper bags and maternity apparel, depending on gaps available for value innovation.

Pricing Strategy
DUO’s Baby Carrier Cocoon System will be premium priced to establish exclusivity and brand caché. Customers will initially purchase a system consisting of one parent harness and one Cocoon priced at $180. Moms will buy additional Cocoons, priced at $80, as baby grows and as new seasons bring new
fashion trends. Additional harnesses are offered at $100 to fit especially small or large frames. Existing baby carriers are priced from $20 to $175.

According to Robin Koval, CMO of Kaplan Thayer Group, in order to retain a brand’s strength, “There always has to be some sense of scarcity and of being out of reach.” Our pricing strategy achieves this. Michael Silverstein, co-author of Trading Up, has said that today’s consumers are skeptical of marketing smoke. They demand true quality and functionality from premium products and services.

While DUO must engage Yoga Mamas’ emotions by offering a sort of status symbol, the ergonomic design will supply the function and quality they seek beyond simply a brand name.

E-Commerce
Yoga Mamas are not easily reached through traditional media. They have little leisure time; they may or may not work outside of the home, and on top of that, they are continually shuttling children to appointments and play dates. According to BusinessWeek, Web sites like www.babycenter.com and parent magazines like Brain, Child have climbing site traffic and circulation. Building awareness and brand caché through e-commerce is critical, as Yoga Mamas stay connected to friends and family via technology. Online marketing is also the most cost-effective means to reach mothers. A viral campaign targeting chatgroups and blogs on sites such as www.poshtots.com, www.shoppingmommies.com and www.bluesuitmoms.com will be part of our marketing efforts.

Communication Strategy
Joe Trippi, the campaign manager for Howard Dean, was quoted in BusinessWeek as saying, “When a campaign gets [a Yoga Mom] as an advocate, it’s really getting a message to dozens more. The Yoga mom is the center of the megaphone today.”
To create evangelists who publicly discuss their investment in DUO products, DUO will hire a public relations firm and commit substantial financial resources to PR.

Ashley Kamen of Ogilvy Public Relations suggested the following outline for an initial PR push:

- Ramp up budget of $40,000 for development of plan, press materials, press kit including folders and collateral materials, media list development, messaging, media training for spokespeople;
- Retainer of $20,000 for each month following for ongoing projects and execution of plan;
- Plan would include viral marketing campaign, proactive and reactive media pitching including gift guides of celebrity weekly magazines, and women and parenting publications such as Cookie, Brain, Child and Real Simple, and celebrity product placement on television shows such as Desperate Housewives.
- Incremental projects would include:
  - Backstage Creations, a celebrity product placement agency, which allows corporate clients to personally introduce products to celebrities during movie and TV production. Cost is $10,000 per event plus the cost of products as gifts.
  - Media training: $5,000 for a ½ day session.
  - Satellite media tour: ranges from $10,000 - $25,000
  - Audio News Release: ranges from $10,000 - $25,000
  - Celebrity endorsement: could range up to $100,000, but there is an option to work with publicist. DUO would gift the product to a new mom such as Jennifer Garner and ask for permission to use celebrity’s name and photograph associated with product.
  - Tradeshow booths: $25,000 - $100,000 per event.

DUO will not focus investment on advertising, as Yoga Mamas are “seekers, not browsers,” and do not typically pay attention to advertising whether in publications or on television.

The visual identity of DUO’s products within target boutiques is also critical. Yoga Mamas want the opportunity to try on products so samples will be available for this purpose. In addition, carriers will be displayed on mannequin torsos with dolls serving as babies.

**Sales Strategy**

DUO’s sales strategy includes hiring sales representatives dedicated to pursuing sales as an integrated extension of the company’s marketing strategy, and to cultivating relationships with boutiques in our target cities. They will travel to stores to view product displays, train store representative to fit the carrier, answer questions for retailers, and compare sales across stores to ensure DUO is taking advantage of the best retail locations.

DUO will also offer favorable terms for retailers in order to build rapport and keep them happy. Options include a buy-back policy, volume discounts, payment incentives, a customer service line, and strategic partnering to share sales data and/or host events.

**Operations Plan**

DUO’s products will be produced with contract manufacturing in Taichung, Taiwan. The operations model will, first and foremost, add value to customers by ensuring attention to detail.

**Operations Strategy**
DUO’s operations will focus on providing well-made goods constructed of high-tech fabrics and industrial sewing thread. DUO plans to leverage its existing relationship with DOTS Manufacturing, a Taiwanese company experienced with the manufacturing of high-end climbing harnesses. DUO will contract the manufacturing to DOTS and ship the goods through Expeditors, a Denver-based freight company, or FedEx®. Expeditors will deliver the goods to DUO’s distribution center in Boulder, Colorado. From there DUO will ship the goods directly to retailers.

In order to achieve the highest level of quality assurance possible, DUO will assume responsibility for the implementation of Total Quality Management (TQM) by developing thorough production manuals, efficient response to flaws and setting error reduction benchmarks.

**Contract Manufacturing**
Over the past two years, Seth Murray of DUO has worked extensively with DOTS through his current employer, Great Trango Holdings, Inc. DUO’s established relationship with DOTS will enable the company to efficiently set-up its manufacturing operations.

Understanding the goals of each party is a critical factor in maintaining an effective contract manufacturing relationship. DOTS’ goals are to understand the product specifications, and to establish and maintain a fair price. DUO’s goal is the on-time arrival of goods that meet product specifications at the agreed upon price.

**International Shipping**
DUO will use FedEx® International Priority or Expeditors to air-ship goods from DOTS to DUO’s warehouse in Boulder, CO. FedEx® will be used for shipments under 100 kilograms and Expeditors will be used for shipments over 100 kilograms. Both FedEx® and Expeditors’ prices will be between $3.00 and $3.75 per kilogram, and they will process and charge DUO a 7 percent duty under Classification #6307909889.

**DUO Headquarters**
DUO will have one facility to conduct design, order fulfillment, customer service, sales, and marketing. This facility will have experienced and professional staff to add value to its customers through a well-made product, unexpected design, customer satisfaction, and brand caché.

DUO will de-emphasize cost, timeliness, and flexibility. Because DUO plans to be an exclusive, luxury brand, supplying products at low costs to customers does not align with the DUO brand. DUO’s operations strategy will win in the marketplace with an emphasis on:

- High priority on manufacturing with minimal defects
- Implement Six Sigma quality level to reduce process variation
- Knowledgeable and competent customer service
- Retailer and end-user satisfaction through high retailer margins

**Scope of Operations**
DUO’s operations will be set up to optimize each step of the operational requirements. Below is a chart outlining the in-house and outsourced operations:

<table>
<thead>
<tr>
<th>In-House</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service</td>
<td>By controlling customer service and support, DUO will manage order</td>
</tr>
<tr>
<td></td>
<td>fulfillment and all customer interactions directly so as to ensure</td>
</tr>
<tr>
<td></td>
<td>prompt and knowledgeable service.</td>
</tr>
<tr>
<td>Buying and Quality Assurance</td>
<td>To deliver on-time and well-constructed goods, DUO will manage the</td>
</tr>
<tr>
<td></td>
<td>buying process and oversee programs to decrease manufacturing defects.</td>
</tr>
<tr>
<td>Product Development Engineering</td>
<td>DUO will control the development and design process to ensure a well-</td>
</tr>
<tr>
<td></td>
<td>made product that aligns with the DUO brand and provides the fashionable</td>
</tr>
<tr>
<td></td>
<td>and trendy look that customers desire.</td>
</tr>
<tr>
<td>Bookkeeping</td>
<td>DUO will manage its own bookkeeping in order to maintain financial</td>
</tr>
<tr>
<td></td>
<td>success of the company by remaining close to our numbers.</td>
</tr>
<tr>
<td>Warehouse Management</td>
<td>DUO will manage order fulfillment from its Boulder-based warehouse to</td>
</tr>
<tr>
<td></td>
<td>maintain a tight grasp on sales and inventory numbers.</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>To foster growth, manage the DUO brand and create buzz, DUO will</td>
</tr>
<tr>
<td></td>
<td>manage its sales and marketing, as well managing the relationship with</td>
</tr>
<tr>
<td></td>
<td>its PR agency.</td>
</tr>
<tr>
<td>Warranty Service</td>
<td>To gain product knowledge and continually improve product quality, DUO</td>
</tr>
<tr>
<td></td>
<td>will manage its warranty service and returns.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outsourced</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>DUO will outsource manufacturing to DOTS and manufacture well-made</td>
</tr>
<tr>
<td></td>
<td>goods at a low cost in order to retain high margins.</td>
</tr>
<tr>
<td>Fashion Consulting</td>
<td>To stay on top of fashion trends, DUO will outsource fashion consulting</td>
</tr>
<tr>
<td></td>
<td>for expert advice and know-how.</td>
</tr>
<tr>
<td>Graphic Design</td>
<td>DUO will outsource graphic design and website development to create a</td>
</tr>
<tr>
<td></td>
<td>professional look for the company and brand.</td>
</tr>
<tr>
<td>Public Relations</td>
<td>DUO will outsource PR to an agency with experience in celebrity</td>
</tr>
<tr>
<td></td>
<td>placement, marketing to women and parents, and affiliate marketing.</td>
</tr>
<tr>
<td>Tech Support</td>
<td>DUO will outsource tech support because it will not require a full</td>
</tr>
<tr>
<td></td>
<td>time position in the first year. Tech support will not be a service</td>
</tr>
<tr>
<td></td>
<td>we need 24 hours a day so we will not need to hire a full-time</td>
</tr>
<tr>
<td></td>
<td>employee for this role.</td>
</tr>
</tbody>
</table>

**Ongoing Operations**

Based on advice from Angie O’Connell, President of Boulder-based Great Trango Holdings, Inc, a company with an operations model similar to DUO, DUO will operate in a 4,800 square foot facility for $48,000 annually in Boulder, Colorado. The location in the Northeastern outskirts of Boulder was chosen because it offers a low cost 3,000 ft² warehouse and enough space to hold 10 employees. The Colorado Front Range location close proximity to the Denver-metro area offers an avenue to find the experienced and professional employees DUO will hire to meet its operational requirements. The warehouse has a loading dock and 16 foot high ceilings to accommodate room for additional inventory. DUO requires the following capital assets:
• $30,000 for start-up capital assets (computers, CRM and MRP software, furniture, hardware, etc.) for a functional facility;

• Warehouse equipment in year 1 will include a reconditioned forklift at $7,000 and a shelving system at $5,000;

• $15,000 for initial CRM and MRP software

A list of the required employees and their salaries is included in the Appendix. DUO understands the necessity of hiring qualified and professional employees to ensure our success.

DUO will receive six shipments each year from DOTS Manufacturing, which will include 3 shipments each of the Spring and Fall collections. DOTS needs six to eight weeks to produce, ship, and deliver an order to DUO. In year five, DUO plans to sell 152,000 CuddleBugs and 114,000 additional Cocoons. Each shipment size will be approximately 10,000 units.

DOTS will deliver the finished product and handle the sourcing for material and fasteners. Our graphic designer will work with DUO and DOTS to design the packaging.

DUO contracts will set net 30 terms for DOTS, and will state net 30 at a minimum for retailers. We will work with retailers individually to negotiate terms that are appropriate.

**Development Plan**

A development plan by quarter is available in the appendix.

| 2006 | • Incorporate DUO in Delaware  
| | • Apply for trademarks  
| | • Secure seed financing  
| | • Establish design lab and office  
| | • Develop and test prototype carrier system  
| | • File patents  
| | • Attend industry trade shows (JPMA, ABC Kids, Kind und Jungen)  
| | • Sign reseller agreements with 75 VARs in NY, LA, SF, Chicago  
| | • Develop Fall 2006 Collection  
| | • Develop and launch PR/Marketing campaigns  
| | • Roll out Fall 2006 Collections  
| | • Sell 750 systems, 563 additional cocoons, and 113 additional harnesses  
| | • Develop Spring and Fall 2007 Collections  
| 2007 | • Secure early stage financing ($1.9 million)  
| | • Develop and launch PR/Marketing campaigns  
| | • Roll out Spring Collection  
| | • Attend industry trade shows (JPMA, ABC Kids, Kind und Jungen)  
| | • Expand reseller agreements to 700 VARs  
| | • Develop Spring and Fall 2008 Collections  
| | • Move manufacturing to DOTS, Taiwan  
| | • Roll out Fall 2007 Collection  
| | • Sell 18,000 carrier systems, 13,500 additional cocoons, and 2700 additional harnesses  
| 2008 | • Recruit CEO and CFO  

CONFIDENTIAL: DUO Business Plan 18
- Development and launch PR/Marketing campaign
- Roll out Spring Collection
- Develop International Strategy
- Attend industry trade shows (JPMA, ABC Kids, Kind und Jungen, CIFFKIDS)
- Expand reseller agreements to 1,100 VARs
- Develop Spring and Fall 2009 Collections
- Roll-out Fall 2008 Collection
- Sell 55,000 carrier systems, 41,250 additional cocoons, and 8250 additional harnesses.

Management Plan

Please refer to the Organization Chart in the Appendix.

Company Organization

DUO plans to incorporate a C-corporation with 100 million authorized shares. The four founders—Mette Moffett (20 percent), Seth Murray (10 percent), Jessica Packard (20 percent), and Susan Traube (20 percent)—will own a combined total of 70 million shares. The remaining 30 million shares will be available for stock options and future ownership of investors in the company, which will be allocated upon approval of the board of directors.

Initially, there will be eight board member seats assigned to Moffett, Murray, Packard, Traube, and four seats designated for investors. Moffett will serve as the chairman of the board until a CEO has been recruited. The role of the board will be to set the strategy and ensure the overall financial health and corporate responsibilities of the company.

DUO’s board of advisors brings together a wide array of domain experts ranging from pediatricians to European fashion experts. Potential members have been identified and include:

- Pediatrician, University of Colorado Family Medicine
- Obstetrician, University of Colorado Hospital
- Pediatric Safety Expert, The Children’s Hospital
- Baby Carrier Industry Expert, Founder of a national baby gear company
- Fashion Expert, New York
- Fabric Expert, Munthe + Simonson, Copenhagen
- Fashion Expert, Ministry of Business and Economic Affairs, Copenhagen
- Manufacturing Expert, Founder of a luggage company
- Public Relations, President, GroundFloor Media
- Legal Counsel, CU Entrepreneurial Law Clinic
- Liability Insurance Expert, Taggart & Associates

Management Team

The Management Team will be made up of the following positions. DUO will look to fill the roles CEO, COO, VP of Human Resources, Sales Director and Customer Service Director, as that expertise does not currently exist within our existing team. Resumes are included in the Appendix for reference.

President/Chief Operations Officer
With demonstrated success in healthcare management in the non-profit sector, Susan Traube brings a depth of experience in many disciplines. She brings over seven years of experiences in operations and management at Planned Parenthood, an organization that works intimately with women including mothers and their children.

**VP Strategic Innovation/Chief Technology Officer**
As the inventor of the DUO Baby Carrier Cocoon system, Mette Moffett brings creativity and the ability to think outside the box. Trained in strategic innovation and business creation at the Aarhus School of Business in Denmark, coupled with an entrepreneurship-focused MBA, Moffett will pursue continuous and relentless innovation. As a mother, Moffett intimately understands our target market and the pain points that exist transporting your child in existing carriers.

**VP Marketing & Sales**
Jessica Packard brings five years of public relations and marketing experience within fashion, high technology and healthcare. Her experience includes working in the PR department for Pierre Cardin in Paris and 4 years of agency experience for healthcare and corporate clients in New York and San Francisco. In her current position at The Children’s Hospital in Denver, Colorado, she has learned firsthand how to target parents of children, and mothers in particular.

**VP Manufacturing & Quality Assurance**
Seth Murray brings six years of experience in domestic and international manufacturing, as well as with procedures and quality assurance. He has an extensive background in the outdoor industry and manufacturing of climbing equipment, and has traveled to Asia several times to oversee quality assurance programs. As a father and a mechanical engineer, he has a thorough understanding of children and the dynamics involved when carrying them in carriers.

**Chief Executive Officer—TBD**
Once DUO has been incorporated, our search for a chief executive officer will begin. We will specifically be looking for a “Level 5 Leader” (as defined by Jim Collins) capable of building and growing a great company, rather than a good one, even if that means replacing the entire management team.

**Chief Financial Officer—TBD**
Given DUO’s interest in leveraging angel investments in order to obtain rapid growth, it is essential that we quickly hire a diligent and experienced chief financial officer to ensure financial health and responsibility across the venture.

**VP Organizational Development and Human Resources—TBD**
The position will be responsible for the continuous evaluation of the company’s organizational health and growth trajectory, and the need for additional human resources as the company grows. DUO will search for an individual with a successful track record in organization development in a start-up company.

### Financial Plan

**Key Assumptions**

<table>
<thead>
<tr>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Prices remain constant</td>
</tr>
<tr>
<td>• DOTS will give a discount in Year 3 when we reach 20,000 units</td>
</tr>
<tr>
<td>• DOTS will be able to accommodate smaller orders without additional charges in Year 1 and 2</td>
</tr>
</tbody>
</table>
Discounts to retailer are 44% on carrier system, 50% on Cocoon and 60% on harness. Our Profit margins are –106%, 39%, 47%, 45%, 41% in Years 1 through 5.

**Cost of Revenue**
- Cost to manufacture, package and ship system is $50, reduces to $45 in Year 3
- Cost to manufacture, package and ship cocoon is $20
- Cost to manufacture, package and ship harness is $30
- DOTS will purchase all material and fasteners
- Major indirect expenses include rent, utilities and software management

**Sales & Marketing Expense**
- VP of Marketing in Year 1 salary $80,000 to $135,000 in Year 5
- 2 Marketing Managers 1 starting in Year 2, 2 starting in Year 3 at $60,000
- Sales Manager in Year 1 salary $80,000
- Sales starting in Year 3 at $60,000
- PR expense is detailed in the Marketing Plan
- Customer acquisition costs are $528, $39, $24, $22, and $20 in Years 1 through 5
- 3% commission for sales representative
- Trade shows cost $5,000-$7,000 plus travel, minimum of 3 per year
- Booth cost is $35,000 in Year 1 and $50,000 in Year 4
- Advertising and Promotion will be done almost entirely in PR

**Research and Development**
- Contract Product Engineer in Year 1 at $20,000, hired in Year 2
- Contract Designer in Year 1, hired in Year 2 at $64,000
- Expenses are 1% of revenue

**G & A Expenses**
- Expenses are 4% of revenue
- Liability and Legal are key expenses
- CEO and CFO hired in Year 5
- President at $80,000 in Year 1
- Accountant and Secretarial in Year 2

**Extraordinary Income and Expenses**
- Legal fees of $35,000 for start-up in Year 1

**Tax Rate**
- 39%

**Capital Expenditures**
- Reconditioned forklift $7,000, with 7 year depreciation rate
- Warehouse shelving $5,000 in Year 1 and $15,000 in Year 3
- CRM software $10,000, with 3 year depreciation rate
- MRP software $10,000, with 3 year depreciation rate
- Computers $20,000, with 3 year depreciation rate
- Office Furniture $5,000 in Year 1, $10,000 in Year 2

**Working Capital**
- Accounts receivable are 47 days outstanding in Year 1 and 40 in Year 5
- Inventory turns 8 times per year in Year 5 with 43 days
Accounts payable are at 5%

Funding
- $300,000 in seed funding from friends and family with 80% IRR
- $600,000 in VC funding with 60% IRR Year 1
- $1 million in VC funding with 50% IRR Year 2

### Summary of Financial Projections

#### Years 1 to 5

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary Financials ($)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>102,000</td>
<td>2,448,000</td>
<td>7,480,000</td>
<td>12,512,000</td>
<td>20,672,000</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>(109,010)</td>
<td>968,585</td>
<td>3,513,082</td>
<td>5,698,545</td>
<td>8,543,361</td>
</tr>
<tr>
<td>EBIT</td>
<td>(755,680)</td>
<td>(222,655)</td>
<td>1,061,177</td>
<td>2,258,917</td>
<td>3,559,365</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(738,403)</td>
<td>(185,910)</td>
<td>1,153,503</td>
<td>2,386,521</td>
<td>3,748,127</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>(755,680)</td>
<td>(222,655)</td>
<td>1,029,175</td>
<td>1,386,297</td>
<td>2,190,519</td>
</tr>
<tr>
<td>Net Cash from Operating Activities</td>
<td>(801,112)</td>
<td>(710,720)</td>
<td>(20,355)</td>
<td>180,340</td>
<td>977,067</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>60,945</td>
<td>70,992</td>
<td>189,600</td>
<td>185,120</td>
<td>266,720</td>
</tr>
<tr>
<td>Interest Income/(Expense)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>37,943</td>
<td>256,231</td>
<td>46,276</td>
<td>41,496</td>
<td>751,843</td>
</tr>
<tr>
<td>Total Equity</td>
<td>(455,680)</td>
<td>(678,336)</td>
<td>350,840</td>
<td>1,737,137</td>
<td>3,927,656</td>
</tr>
<tr>
<td>Total Debt</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Growth**
- Revenue Growth Rate - CAGR: 2300% 206% 67% 65%
- Net Earnings Growth Rate - CAGR: Nil Nil 34.7% 58.0%

**Ratios**
- Current Ratio: 6.5 5.8 3.9 4.0 4.5
- Debt to Capital (LT Debt + Equity): 0.0 0.0 0.0 0.0 0.0

**Profitability**
- Gross Profit %: -106.9% 39.6% 47.0% 45.5% 41.3%
- Operating Expenses %: 599.7% 48.7% 32.8% 27.5% 24.1%
- Net Earnings %: -740.9% -9.1% 13.8% 11.1% 10.6%

**Returns**
- Return on Assets: -464.5% -20.3% 40.2% 31.8% 31.2%
- Return on Equity: -523.6% -24.2% 52.8% 41.5% 39.6%
- Return on Capital (LT Debt + Equity): -523.6% -24.2% 52.8% 41.5% 39.6%

**Market Penetration Rate**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Market</td>
<td>300000</td>
<td>0.25%</td>
<td>3%</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Secondary Market</td>
<td>900000</td>
<td>1%</td>
<td>3%</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>International Market</td>
<td>400000</td>
<td>0.5%</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Total Penetration</td>
<td>400000</td>
<td>0.25%</td>
<td>1.3%</td>
<td>3.4%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

**Risks**

**Macro-economic Conditions**

CONFIDENTIAL: DUO Business Plan
DUO makes luxury products, which generally do well when the economy is strong. Our target market’s spending behavior is closely tied to their level of disposable income, which is affected by macro-economic conditions.

DUO’s vision is to leverage innovation and fashion to add value to our target market. Regardless of macro-economic conditions, we will relentlessly search for areas in which we can add value.

**Liability**
DUO’s products involve children and we all know they are the most precious assets of every parent. Should anything happen to a baby while being carried in DUO’s CuddleBug, the company could potentially face a liability suit.

Understanding the need for liability insurance that fits our company is the reason we are planning to include a liability insurance expert on our advisory board. In general, our philosophy towards product manufacturing is to implement thorough quality assurance programs from the design process to actual manufacturing, making sure that our products are safe and of the highest possible quality.

**Competitor Response**
We expect that our competitors will try to follow and copy our ideas and success, and that they (with more resources) could potentially be a threat to us.

While we are going to file both utility and design patents for protection, we will not rely on those to protect us from competition. Rather, we are going to continue to find areas in which we can find more opportunities for inventing new value.

- Competitor response—dominant competitors
- Liability—children’s safety
- Design—not able to deliver on promised benefits
- Scalability of operations
- Window of opportunity—Should it be right now?
- Macroeconomic conditions—slowdown will hurt level of disposable income; luxury goods versus basic goods are the first to be impacted.

**Funding Requirements**
DUO will require $300,000 in Seed funding from the founders, friends and family. In Year 1 we will seek funding of $600,000 with a commitment for $1 million in funding for year 2 from a Venture Capital firm that specializes in consumer products. We will not seek debt financing, but will establish a line of credit in Year 3 to be used in the event of a cash shortage.

**Offering**
- **Seed Stage:** $300,000 of common stock for a total 15% share
- **Start-up:** $1.6 million of preferred stock for a total 30% share

DUO will seek to be acquired in Year 5 by another baby gear or consumer products company. Similar to Maclaren’s acquisition of the baby carrier manufacturer, Theodore Bean in 2004. As detailed in our
financials, our high growth and healthy profit margins will provide investors with IRR’s of 87% for seed stage investors and 81% and 47% for Round A and Round B’s investments respectively.

Sources of Funds
Initial funds will be raised from founders, friends and family, venture capital and revenues from product sales.

Uses of Funds
Uses of funds are detailed in the financials. Our major expenses are our production costs and our marketing and public relations costs.
Customer Survey Methodology and Results

In order to confirm a gap in the baby carrier industry, and determine whether people would be willing to buy DUO’s CuddleBug product, DUO conducted a survey of 109 individuals via Survey Monkey. Complete survey data, including answers to all open-ended questions, is available upon request. Included below are some highlights:

<table>
<thead>
<tr>
<th>Are you considering buying or have you bought a baby carrier in the last 4 years?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Considering buying</td>
</tr>
<tr>
<td>Will not buy</td>
</tr>
<tr>
<td>Not sure</td>
</tr>
<tr>
<td>Have bought. (specify brand and model)</td>
</tr>
<tr>
<td>Total Respondents</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If you have used a baby carrier in the past did you experience any of the following problems or concerns?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>Lower back discomfort</td>
</tr>
<tr>
<td>Neck discomfort</td>
</tr>
<tr>
<td>Shoulder discomfort</td>
</tr>
<tr>
<td>Concerned with baby's comfort</td>
</tr>
<tr>
<td>Concerned with baby's safety</td>
</tr>
<tr>
<td>Lack of style</td>
</tr>
<tr>
<td>Limited color choices</td>
</tr>
<tr>
<td>Difficult to use</td>
</tr>
<tr>
<td>Total Respondents</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rank these features of a baby carrier in order of importance (1=most important 4=least important):</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>Style</td>
</tr>
<tr>
<td>Ergonomic Design</td>
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<tr>
<td>Quality</td>
</tr>
<tr>
<td>Price</td>
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<tr>
<td>Total Respondents</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>How do you learn about baby gear products?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online (websites, chat groups, retail sites, etc.)</td>
</tr>
<tr>
<td>Word of mouth</td>
</tr>
<tr>
<td>Newspaper/magazine</td>
</tr>
<tr>
<td>Television/radio</td>
</tr>
<tr>
<td>Catalogs</td>
</tr>
<tr>
<td>Other (please specify)</td>
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<tr>
<td>Total Respondents</td>
</tr>
</tbody>
</table>
# DUO Company

## Personnel

### Years 1 to 5

<table>
<thead>
<tr>
<th>($</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
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<tbody>
<tr>
<td><strong>Sales &amp; Marketing</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>VP of Marketing</td>
<td>80,000</td>
<td>85,600</td>
<td>91,592</td>
<td>110,000</td>
<td>135,000</td>
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<tr>
<td>Marketing Manager</td>
<td>60,000</td>
<td>64,200</td>
<td>73,830</td>
<td>88,596</td>
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<tr>
<td>Marketing Manager</td>
<td>60,000</td>
<td>64,200</td>
<td>68,694</td>
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<tr>
<td>Sales Manager</td>
<td>80,000</td>
<td>85,600</td>
<td>91,592</td>
<td>105,331</td>
<td>126,397</td>
</tr>
<tr>
<td>Sales</td>
<td>60,000</td>
<td>64,200</td>
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<tr>
<td>Customer service</td>
<td>40,000</td>
<td>42,000</td>
<td>132,300</td>
<td>138,915</td>
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<td>Tech support</td>
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<td>Tech support</td>
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<tr>
<td>Tech support</td>
<td>55,000</td>
<td>60,000</td>
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<tr>
<td><strong>Research and Development</strong></td>
<td></td>
<td></td>
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<tr>
<td>Product Engineer</td>
<td>20,000</td>
<td>64,200</td>
<td>68,694</td>
<td>73,503</td>
<td>78,648</td>
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<tr>
<td>Designer</td>
<td>40,000</td>
<td>64,200</td>
<td>68,694</td>
<td>73,503</td>
<td>78,648</td>
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<tr>
<td><strong>General &amp; Administration</strong></td>
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<tr>
<td>CEO</td>
<td>80,000</td>
<td>85,600</td>
<td>91,592</td>
<td>105,331</td>
<td>126,397</td>
</tr>
<tr>
<td>President/COO</td>
<td>80,000</td>
<td>85,600</td>
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<tr>
<td>Chief Financial Officer</td>
<td>80,500</td>
<td>100,000</td>
<td>125,000</td>
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<tr>
<td>Accounting</td>
<td>45,000</td>
<td>50,000</td>
<td>53,500</td>
<td>57,245</td>
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<td>Secretarial</td>
<td>30,000</td>
<td>32,100</td>
<td>34,347</td>
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<td>Clerks and admin personnel</td>
<td>25,000</td>
<td>26,750</td>
<td>52,000</td>
<td>55,640</td>
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<td><strong>Cost of Revenue</strong></td>
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<tr>
<td><strong>Manufacturing Personnel</strong></td>
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<tr>
<td>Operations Manager</td>
<td>50,000</td>
<td>53,500</td>
<td>57,245</td>
<td>61,252</td>
<td>65,540</td>
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<tr>
<td>Buyer and Quality Assurance</td>
<td>50,000</td>
<td>53,500</td>
<td>57,245</td>
<td>61,252</td>
<td>65,540</td>
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<td><strong>Hourly Personnel</strong></td>
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<td>Number of employees</td>
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<td>2</td>
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<td>4</td>
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<td>Company</td>
<td>Carriers Offered</td>
<td>Price Range</td>
<td>Resellers</td>
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<td>-----------------</td>
<td>--------------------------------------------------</td>
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<tr>
<td>Baby Björn</td>
<td>• Original Carrier</td>
<td>$80-$130</td>
<td>Large retailers</td>
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<tr>
<td></td>
<td>• Active Carrier</td>
<td></td>
<td>Children’s specialty stores</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Online stores</td>
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<tr>
<td>Chicco</td>
<td>• Smart Support</td>
<td>$60</td>
<td>Large retailers</td>
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<td></td>
<td></td>
<td></td>
<td>Online stores</td>
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</tr>
<tr>
<td>Infantino</td>
<td>• EasyRider</td>
<td>$15-$35</td>
<td>Large retailers</td>
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<td></td>
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<tr>
<td></td>
<td>• Bandana</td>
<td></td>
<td>Online stores</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• CozyRider</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• EuroRider</td>
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<tr>
<td></td>
<td>• GoGoRider</td>
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<td>EvenFlo (Snugli Brand)</td>
<td>• Classic</td>
<td>$20-$40</td>
<td>Large retailers</td>
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<td>• Comfort Vent</td>
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<td>Online stores</td>
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<tr>
<td></td>
<td>• City Sport</td>
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<tr>
<td>Maclaren</td>
<td>• Baby Carrier</td>
<td>$70</td>
<td>Children’s specialty stores</td>
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<td></td>
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<td></td>
<td>Online stores</td>
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<td></td>
<td></td>
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<td>Direct online sales</td>
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<tr>
<td>Kelty</td>
<td>• Kangaroo</td>
<td>$65-80</td>
<td>Outdoor specialty stores</td>
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<td></td>
<td>• Wallaby</td>
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<td></td>
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<td>Sherpani</td>
<td>• Infant Carrier</td>
<td>$90</td>
<td>Sport specialty stores</td>
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</table>
EDUCATION

Masters of Science: Engineering Management  May 2006 (exp.)
UNIVERSITY OF COLORADO AT BOULDER

Bachelor of Science: Mechanical Engineering  2000
UNIVERSITY OF COLORADO AT BOULDER
- Biomedical Engineering Certificate

SKILLS
AutoCAD   SolidWorks   Machining (Lathe, Mill and CNC Mill)
Cosmos (FEA)   Microsoft Office   Instron

WORK EXPERIENCE

GREAT TRANGO HOLDINGS, INC. Boulder, Colorado
Engineer/Project Manager/Buyer  January 2003 - Present
Manage the quality, design, and purchasing of 200 climbing hardware products from 18 domestic and five international manufacturers. Work closely with the president and brand manager on strategic planning. Awarded and managed the development of five patents.

Worked with president to assess manufacturing and set up collaborative designs. Designed, fabricated prototypes, tested, and set up manufacturing for two new products: B52 and Cinch.

SPLITTER GEAR, INC. Boulder, Colorado
Engineer/President  October 2000 - Present
Raised $60,000 of capital. Worked with two vice-presidents to plan, operate, design and patent new products. Set up manufacturing of ten products by providing part and assembly drawings for contract manufacturing. Featured in eight publications including the Denver Post, Rocky Mountain News, Rock and Ice Magazine, and Daily Camera.

UNIVERSITY OF COLORADO Boulder, Colorado
CAD/CAM Teaching Assistant  January 2001 – May 2001
Taught workshops about SolidWorks to eight classes of undergraduate students. Worked in the ITLL manufacturing facility. Taught students how to fabricate prototypes, and how to use SolidWorks and Cosmos Finite Element Analysis.

Teaching Assistant  August 2000 – December 2000
Assisted students with project development, and writing grant proposals.
JESSICA N. PACKARD
1000 Maxwell Avenue, #24, Boulder, Colorado 80304
415.819.0131 jessica.packard@colorado.edu

Education

MBA Candidate: Emphasis in Marketing                        Expected Graduation: May 2006
UNIVERSITY OF COLORADO AT BOULDER, LEEDS SCHOOL OF BUSINESS, Boulder, Colorado

• President, Leeds School of Business Marketing Club
• MBA Association Vice-President of Social Activities
• Member of National Association of Women MBAs
• Marketing/PR Committee Co-Chair for Barney Ford Diversity Benefit

Bachelor of Arts Degree: International Political Economy/International Affairs 2000
THE COLORADO COLLEGE, Colorado Springs, Colorado

• Minored in Contemporary French Studies
• Spent one semester studying at Boston University in Paris, France
• Officer of Kappa Alpha Theta, four years

Experience

THE CHILDREN’S HOSPITAL, Denver, Colorado                June 2005 - Present
Marketing Intern
Managing the launch of new Internet initiative to consumer audience. Creating process for company-wide collateral development. Implemented parenting seminar series. Planned three radio remote events at satellite locations. Participated in strategic planning for name change of satellite locations.

PEPPERCOM, INC., San Francisco, California            July 2003 - July 2004
Senior Account Executive
Responsible for strategic program development and execution including press material development, positioning, and media and analyst outreach for six clients within the healthcare, technology and finance industries. Managed Account Executives, Junior Account Executives and Interns. Collaborated directly with senior management on agency publicity initiatives. Planned and executed local, regional and national events as member of event promotions team

Account Executive                                         March 2001 - June 2003
Developed and executed media relations programs for five clients in a variety of industries specifically including healthcare, technology, publishing and finance. Drafted press releases, bylined articles and pitch letters, and created proposals for co-branded surveys and speaking engagements. Worked directly with senior team members to conduct positioning and media training initiatives. Oversaw junior staff including Junior Account Executives and Interns.

Junior Account Executive
Handled a variety of proactive and reactive media relations functions: Drafted pitch letters, developed target media and analyst lists, and created proposals for speaking engagements and tradeshows. Monitored daily news, conducted industry research, and prepared monthly status reports and clip books. Worked directly with senior management for new business outreach initiative.

MEMORIAL HOSPITAL, Colorado Springs, Colorado         September 1999 – May 2000
Public Relations Intern
Prepared press releases, coordinated research for media presentations, and publicized private and civic events. Collaborated with producers and reporters to schedule interviews. Served as liaison between patients, local businesses and media. Supported events including a fundraiser for the United Way, the International Pediatric Trauma Conference (mailing to 500), and a major blood drive that generated 200% of the prior year’s participation.
### Retailers

#### Chicago:
- Bean Sprout
- Cella
- Child in You
- Honeycomb
- Lollie
- Madison & Friends
- Psycho Baby

#### Los Angeles
- Children’s Wonderland
- Dragonfly DuLou
- Flicka
- LifeSize @ Fred Segal
- Neiman Marcus
- Right Start
- Tiny Treasures for Tots
- Traveling Tikes

#### San Francisco
- Baby One
- CitiKids Baby News
- Dottie Doolittle
- Giggle
- Kids Only
- Lavish
- Mon Petit Bijou
- MudPie
- Pumpkin
- Right Start

#### New York
- Albees
- The Apartment
- Baby Chic
- Buybuy Baby
- Estella
- FAO
- Little Folks
- Oh Baby Gifts, Inc.
- Planet Kids

#### Online Retailers
- [www.baby-outfitters.com](http://www.baby-outfitters.com)
- [www.babyage.com](http://www.babyage.com)
- [www.babyandmeboutique.com](http://www.babyandmeboutique.com)
- [www.babystyle.com](http://www.babystyle.com)
- [www.barebabies.com](http://www.barebabies.com)
- [www.egiggle.com](http://www.egiggle.com)
- [www.luxurylivingchannel.com](http://www.luxurylivingchannel.com)
- [www.neimanmarcus.com](http://www.neimanmarcus.com)
## Development Plan

### Overall Goals

<table>
<thead>
<tr>
<th>Year</th>
<th>Goals</th>
</tr>
</thead>
</table>
| **2006** | • Incorporate DUO in Delaware  
  • Apply for trademarks  
  • Secure seed financing  
  • Establish design lab and office  
  • Develop and test prototype carrier system  
  • File patents  
  • Attend industry trade shows (JPMA, ABC Kids, Kind und Jungen)  
  • Sign reseller agreements with 75 VARs in NY, LA, SF, Chicago  
  • Develop Fall 2006 Collection  
  • Develop and launch PR/Marketing campaigns  
  • Roll out Fall 2006 Collections  
  • Sell 750 systems, 563 additional cocoons, and 113 additional harnesses  
  • Develop Spring and Fall 2007 Collections |
| **2007** | • Secure early stage financing ($1.9 million)  
  • Develop and launch PR/Marketing campaigns  
  • Roll out Spring Collection  
  • Attend industry trade shows (JPMA, ABC Kids, Kind und Jungen)  
  • Expand reseller agreements to 700 VARs  
  • Develop Spring and Fall 2008 Collections  
  • Move manufacturing to DOTS, Taiwan  
  • Roll out Fall 2007 Collection  
  • Sell 18,000 carrier systems, 13,500 additional cocoons, and 2700 additional harnesses |
| **2008** | • Recruit CEO and CFO  
  • Development and launch PR/Marketing campaign  
  • Roll out Spring Collection  
  • Develop International Strategy  
  • Attend industry trade shows (JPMA, ABC Kids, Kind und Jungen, CIFFKIDS)  
  • Expand reseller agreements to 1,100 VARs  
  • Develop Spring and Fall 2009 Collections  
  • Roll-out Fall 2008 Collection  
  • Sell 55,000 carrier systems, 41,250 additional cocoons, and 8250 additional harnesses |
## Milestones and Key Hires (2006-2008)

<table>
<thead>
<tr>
<th>FY 2006</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
</table>
| **Milestones** | ▪ File articles of incorporation (Delaware)  
▪ Apply for trademarks  
▪ Assemble Advisory Board | ▪ Secure seed/angel financing  
▪ Establish design lab and office  
▪ Attend JPMA tradeshow | ▪ Develop + test prototype  
▪ Focus groups  
▪ File patent  
▪ Attend ABC KIDS and Kind und Jungen tradeshows  
▪ Roll-out Fall 2007 Collection | ▪ Gather information from product introduction |
| **Key Hires** | | | | Sales Director |

<table>
<thead>
<tr>
<th>FY 2007</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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</thead>
</table>
| **Milestones** | ▪ Secure early stage financing  
▪ Sign first reseller agreement  
▪ Develop and launch PR + marketing campaigns (targeted to channel partner prospects) | ▪ Develop Spring 2008 Collection  
▪ Signed reseller agreements: 30 retailers and 5 online.  
▪ Attend JPMA tradeshow (have a booth) | ▪ Develop and launch Fall Collection PR + marketing campaigns (targeted to consumers)  
▪ Roll-out Fall Collection | ▪ Develop Fall 2008 Collection  
▪ Systems sold FY07: 1,000  
▪ Addl. Cocoons sold: 500 |
| **Key Hires** | | | | Customer Service Director |

<table>
<thead>
<tr>
<th>FY 2008</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
</table>
| **Milestones** | ▪ Secure mezzanine financing  
▪ Develop and launch Spring Collection PR + Marketing  
▪ Roll-out Spring collection | ▪ Develop Spring 2009 Collection  
▪ Develop international strategy  
▪ Expand product portfolio (maternity and baby fashion apparel) | ▪ Launch Fall Collection PR + marketing  
▪ Roll-out Fall Collection | ▪ Develop Fall 2009 Collection  
▪ Systems sold FY08: 3,750  
▪ Addl. Cocoons sold: 1,500 |
| **Key Hires** | | CEO  
CFO | | |