

Regan Arts - Base Scenario
2015 Income Statement & Cash Flow
Key Assumptions

Revenue - Income Statement

- Revenue derived is based on the lay down quantities as proposed by RA Sales team (done in conjunction with S&S)
- Laydown quantities are the quantities that the sales team are committing to sell
- The selling list price is reduced by the average discount rate of 53%. (This is the industry standard discount rate)
- The model assumes laydown occurs during the month of publication of the book
- Returns then occur 3 months after laydown. Return rates vary based on category of book:
 - Fiction 50%
 - Other 40%
 - Illustration 30%
- The model spreads the returns over 3 months: 60% in Month 1, 20% in month 2 and 20% in Month 3

Expenses - Income Statement

- Most expenses are based on the expenses per the Individual Title Budgets which are prepared by Production Director
- PPB (Paper Print & Binding) unit cost comes from the individual title budgets.
- Plant Expense (Costs to Develop the book) unit cost again comes from the individual title budgets.
- PPB and Plant expenses units are based on the laydown units less the returned units and match the month of revenue and returns.
- Royalties are based on the % contractually agreed on each title - Royalty % and expense increases based on the number of books sold.
- Note in the P&L for simplicity we booked royalty expense in total during the laydown (Publication month) (Units are laydown quantities less returns).
- Selling and Distribution (paid to our distributor) is 13% of Revenue. The contract stipulates a flat 10% but also includes additional charges, such as special packaging, etc. and this model assumes an additional 3%.
- Marketing & Promotion (M&P) spend comes from the individual title budgets. As a guide \$1.00 per hardcover copy \$0.50 to \$0.75 per paperback.
- Freight spend comes from the individual title budgets.
- M&P and Freight expense is booked in total during the publication month.

Cash Flow - Inflows

- Cash is received 60 days after invoicing/publication. (e.g. February revenue is paid in April)
- Note during months where no books are published, returns of earlier publications could result in negative revenue.
- Cashflow model shows the total revenue and selling & distribution on a separate line (note actual cash received is the net of these 2 lines).

Cash Flow - Outflows

- Royalty Advances (14) are the commitments we have made in 2014. These are the installments that we have to pay per title in 2015.
- Royalty Advances (15) is a placeholder for advances on titles that will be produced in 2016 and beyond. The model front loads (75%) in the first half of 2015.
- PPB payments occur in the month of invoicing/publication and are based on the total print run per the individual title budget, not the laydown quantities.
- Plant expense payments occur in the month of invoicing/publication and are based on the individual title budget, not laydown quantities.
- Other expenses (salaries etc.) are based on the P&L and occur in the month the expense is occurred.
- The Cash Flow Model also includes a capex placeholder of \$240k.(\$200k in leasehold improvements for the proposed move and \$40k in Computer equipment, printers etc.)

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FY 2015 Revenue by Title

Title	Author	Publication Date	Invoice Date	Month	Print Run	Initial Laydown	FY 2015
Founders & Failures	Colleen Taylor	1/31/2016	1/9/2016	Jan-16	15,000	9,500	0
The Art of the Pimp	Dennis Hof	3/17/2015	2/23/2015	Feb-15	50,000	40,000	306,550
The Secret to Getting Into College	Pria Chatterjee	3/24/2015	3/2/2015	Mar-15	10,000	12,000	78,445
Immunity	Taylor Antrim	3/31/2015	3/9/2015	Mar-15	15,000	12,000	72,150
Out Came the Sun	Marisel Hemingway	4/7/2015	3/16/2015	Mar-15	30,000	22,000	168,219
Dear Diary "Mom why are you so sad"	Marisel Hemingway	4/7/2015	3/16/2015	Mar-15	10,000	8,500	48,171
My Fight	Ronda Rousey	4/14/2015	3/23/2015	Mar-15	125,000	70,000	537,100
How Dante Can Save Your Life	Rod Dreher	4/14/2015	3/23/2015	Mar-15	50,000	9,500	72,710
The Gluten Lie	Levinovitz	4/21/2015	3/30/2015	Mar-15	25,000	15,000	106,634
Journey of the Heroic Parent	Dr. Brad Reedy	4/21/2015	3/30/2015	Mar-15	20,000	14,500	102,897
Dept	Lev AC Rosen	4/28/2015	4/6/2015	Apr-15	8,000	11,500	67,975
Megaweird	Nicholas Megalis	4/28/2015	4/6/2015	Apr-15	25,000	27,500	227,014
Little Book of Lunch	Caroline Craig/Sophie Missing	5/5/2015	4/13/2015	Apr-15	15,000	11,500	95,165
Wall Street Wars	Richard Farley	5/12/2015	4/20/2015	Apr-15	10,000	14,500	115,494
Wall Street Wars- Author Buyback	Richard Farley	5/13/2015	4/21/2015	Apr-15	2,500	0	0
The Nakeds	Lisa Glatt	6/2/2015	5/11/2015	May-15	12,500	14,500	85,748
Smile Photo Book	VII Photo, LLC	6/2/2015	5/11/2015	May-15	12,500	5,250	43,223
At Night She Cries, While He Rides His Steed	Ross Patterson	6/9/2015	5/18/2015	May-15	8,000	9,500	56,066
Shed: How To Shape Into Something...	Linda Gray	6/16/2015	5/25/2015	May-15	40,000	15,000	111,438
The Compass of Sympathy	Kermit Roosevelt	6/23/2015	6/1/2015	Jun-15	21,500	9,500	56,066
Trousdale Estates, Beverly Hills...	Steven M. Price	6/30/2015	6/8/2015	Jun-15	7,500	4,250	84,419
Trousdale Estates, Beverly Hills...(Deluxe Ed.)	Steven M. Price	6/30/2015	6/8/2015	Jun-15	500	550	22,746
Invaders	Karolina Waclawiak	7/7/2015	6/15/2015	Jun-15	10,000	9,500	58,490
Mrs. Mulderbach's Way	Will Akers	7/14/2015	6/22/2015	Jun-15	15,000	9,500	44,831
Lolito	Ben Brooks	7/21/2015	6/29/2015	Jun-15	10,000	7,500	43,974
Blue-Print: Believe The Truth	Bill Stanton/Craig Horowitz	7/28/2015	7/6/2015	Jul-15	10,000	9,500	56,066
The Lie Of Doing What You Love	Miya Tokumitsu	8/4/2015	7/13/2015	Jul-15	10,000	9,000	63,761
Jimmie Lee & James: Two Lives, Two Deaths	Steve Fiffer/Adar Cohen	8/11/2015	7/20/2015	Jul-15	7,500	10,500	86,000
Larry Harlow: A Marvelous Life	Larry Harlow/Aurora Flores	9/1/2015	8/10/2015	Aug-15	10,000	10,500	87,462
Drone Warrior	Brett Velicovich/Christopher Stewart	9/29/2015	9/7/2015	Sep-15	145,000	77,500	750,909
What's In My Food?	Dwight Eschilman/Steve Ettinger	9/29/2015	9/7/2015	Sep-15	16,000	17,500	203,794
Found	Peter Mercurio	10/6/2015	9/14/2015	Sep-15	60,000	9,500	92,099
Untitled Parenting Book-Children's Activity Book	B. Akerlund	10/13/2015	9/21/2015	Sep-15	25,000	14,000	162,676
Untitled Cookbook: " Born to Bake(Bien Cuit bread book	Zachary Golper	10/27/2015	10/5/2015	Oct-15	20,000	13,500	222,262
Untitled Cookbook: Monster baking book	Christine McConnell	10/27/2015	10/5/2015	Oct-15	36,000	20,000	247,124
The Best Of OMG Posters	Mitch Putnam	10/27/2015	10/5/2015	Oct-15	6,500	11,500	272,167
The Art Of Hollywood Scenic Painting	Karen Maness/Richard Isackes	11/3/2015	10/12/2015	Oct-15	7,500	4,500	127,773
Gentlemen's Guide: Sporting Guide	Liz Goldwyn	11/3/2015	10/12/2015	Oct-15	15,000	16,000	196,257
Macklemore	Ryan Lewis/Ben Haggerty	11/3/2015	10/12/2015	Oct-15	75,000	75,000	1,060,118
The Art Of Hollywood Scenic Painting(Deluxe Ed)	Karen Maness/Richard Isackes	11/4/2015	10/13/2015	Oct-15	500	500	117,500
					992,000	662,050	6,351,496

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Income Statement 2015

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
Revenue*	0	510,916	2,001,261	788,696	408,485	29,982	(11,954)	(231,755)	2,363,144	992,756	(111,908)	(388,129)	6,351,496
Direct Costs													
PPB	0	80,000	269,080	139,135	55,230	27,330	(8,448)	(33,911)	196,332	438,014	(16,649)	(56,864)	1,089,249
Plant Expense	0	21,456	92,401	69,478	43,082	43,071	26,142	(9,886)	42,352	143,752	(13,661)	(18,682)	439,505
Royalty	0	86,240	305,942	80,432	50,027	56,608	28,342	17,192	255,116	461,215	0	0	1,341,113
Selling & Distribution	0	66,419	260,164	102,530	53,103	3,898	(1,554)	(30,128)	307,209	129,058	(14,548)	(50,457)	825,694
	0	254,115	927,587	391,575	201,442	130,906	44,483	(56,734)	801,008	1,172,039	(44,858)	(126,002)	3,695,561
Gross Margin	0	256,801	1,073,674	397,121	207,043	(100,924)	(56,437)	(175,021)	1,562,136	(179,283)	(67,050)	(262,126)	2,655,935
Other Expenses													
M&P	0	50,000	285,000	58,000	73,000	62,500	27,500	5,000	246,000	153,000	0	0	960,000
Freight	0	11,791	64,464	12,926	16,412	16,085	6,266	2,433	59,087	50,764	0	0	240,228
Salaries- Existing Employees	142,265	142,265	142,265	142,265	142,265	142,265	142,265	142,265	142,265	142,265	142,265	142,265	1,707,180
Salaries- New Employees	50,875	50,875	50,875	50,875	50,875	50,875	50,875	50,875	50,875	50,875	50,875	50,875	610,500
Overhead	67,300	67,300	67,300	67,300	67,300	67,300	67,300	67,300	67,300	78,300	67,300	67,300	818,600
	260,440	322,231	609,904	331,366	349,852	339,025	294,206	267,873	565,527	475,204	260,440	260,440	4,336,508
Net Profit	(260,440)	(65,430)	463,770	65,755	(142,809)	(439,949)	(350,643)	(442,894)	996,609	(654,487)	(327,490)	(522,566)	(1,680,573)

* Negative revenue occurs in months where no books are published and we have returns of earlier publications.

Regan Arts
Cash Flow - 2015

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
Cash Inflow													
Revenue	0	0	0	510,916	2,001,261	788,696	408,485	29,982	(11,954)	(231,755)	2,363,144	992,756	6,851,532
Selling & Distribution	0	0	0	(66,419)	(260,164)	(102,530)	(53,103)	(3,898)	1,554	30,128	(307,209)	(129,058)	(890,699)
	0	0	0	444,497	1,741,097	686,165	355,382	26,084	(10,400)	(201,627)	2,055,935	863,698	5,960,833
Cash Outflow													
Royalties - Advances (14)*	141,000	91,250	295,000	205,000	1,250	0	0	33,750	368,750	230,000	10,000	65,000	1,441,000
Royalty Advances (15)	250,000	250,000	250,000	250,000	250,000	250,000	83,333	83,333	83,333	83,333	83,333	83,333	2,000,000
PPB	0	100,000	473,350	123,700	116,725	158,700	44,775	17,000	456,920	526,305	0	0	2,017,475
Plant Expense	0	26,820	133,546	65,080	73,347	92,903	46,644	14,500	108,424	185,000	0	0	746,264
Salaries & Fringe Benefits	193,140	193,140	193,140	193,140	193,140	193,140	193,140	193,140	193,140	193,140	193,140	193,140	2,317,680
Other Overhead	67,300	67,300	67,300	67,300	67,300	67,300	67,300	67,300	67,300	78,300	67,300	67,300	818,600
M&P	0	50,000	285,000	58,000	73,000	62,500	27,500	5,000	246,000	153,000	0	0	960,000
Freight	0	11,791	64,464	12,926	16,412	16,085	6,266	2,433	59,087	50,764	0	0	240,228
Capex (LHI & Computers)	70,000	70,000	70,000	10,000	0	0	10,000	0	0	10,000	0	0	240,000
	721,440	860,301	1,831,800	985,146	791,174	840,628	478,958	416,456	1,582,954	1,509,842	353,773	408,773	10,781,247
Net Cash Flow	(721,440)	(860,301)	(1,831,800)	(540,649)	949,923	(154,463)	(123,576)	(390,372)	(1,593,354)	(1,711,469)	1,702,162	454,925	(4,820,414)

* Commitments made in 2014 for titles published in 2015. This does not reflect payments made in 2014.

Expense Title	Yearly Salary	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
Existing Employees														
CEO	450,000	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	450,000
Head of Production	140,000	11,667	11,667	11,667	11,667	11,667	11,667	11,667	11,667	11,667	11,667	11,667	11,667	140,000
Editorial Intern	32,000	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	32,000
Editorial Intern	32,000	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	32,000
Editor	50,000	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000
Senior Editor	100,000	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	100,000
Associate Editor	55,000	4,583	4,583	4,583	4,583	4,583	4,583	4,583	4,583	4,583	4,583	4,583	4,583	55,000
Managing Editor	50,000	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000
Executive Editor and Associate Publisher	160,000	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	160,000
Head of Marketing and Publicity	100,000	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	100,000
Head of Sales	90,000	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	90,000
Creative Director	250,000	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Finance Manager (40% Allocation)	29,000	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	29,000
Total Salaries		128,167	128,167	128,167	128,167	128,167	128,167	128,167	128,167	128,167	128,167	128,167	128,167	1,538,000
Fringe & Benefits	11%	14,098	14,098	14,098	14,098	14,098	14,098	14,098	14,098	14,098	14,098	14,098	14,098	169,180
Total Salaries and Fringe Benefits-Existing Employees		142,265	1,707,180											
New Hires														
Director of Publicity	150,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	150,000
Junior Publicist	75,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	75,000
Executive Assistant	75,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	75,000
Editorial Assistant	40,000	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
Senior Editor	150,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	150,000
Interior Designer	60,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Total Salaries		45,833	550,000											
Fringe & Benefits	11%	5,042	5,042	5,042	5,042	5,042	5,042	5,042	5,042	5,042	5,042	5,042	5,042	60,500
Total Salaries and Fringe Benefits - New Hires		50,875	610,500											
Total Salaries and Fringe Benefits for Existing and New		193,140	2,317,680											

Expense		Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
Rent *	327,600	27,300	27,300	27,300	27,300	27,300	27,300	27,300	27,300	27,300	27,300	27,300	27,300	327,600
Other Overheads		25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000
Insurance		0	0	0	0	0	0	0	0	0	11,000	0	0	11,000
Legal Fees		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Travel and Entertainment		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Total Overhead		67,300	78,300	67,300	67,300	818,600								

* 6,300 square feet at \$52