



Entertainment

1.0 Executive Summary

1.1 COMPANY & INDUSTRY

DJA Records Corp. (DJA) will capitalize on the growing entertainment market across the world through the production and promotion of high quality entertainment. Located in Miami, Florida, the company will become highly profitable through the sale of pre-recorded music product, and ancillary profit centers. DJA will own and control the masters (master copies), copyrights and licenses of its product, which will enable DJA to create immediate revenue streams while growing its music catalog into a multi-million dollar asset.

1.2 PRODUCTS & SERVICES

The company has established four record labels to handle a variety of music genres including Pop, Rhythm & Blues, Alternative Rock, Jazz, Gospel, Urban and New Adult Contemporary. DJA has compiled an exciting and diverse roster of recording artists. Selected over the past year, these highly talented veteran and debuting artists will enable DJA to quickly penetrate the music marketplace.

1.3 MARKET ANALYSIS

DJA will distinguish itself from other independent record companies through its marketing and promotional plan. Intense, calculated and relentless promotional campaigns will enable DJA to earn massive revenues through the growing popularity of "singles", as well as traditional full-length albums. DJA will utilize the success of its pre-recorded music to develop profit centers in independent distribution, merchandise and concert promotion.

1.4 STRATEGY & IMPLEMENTATION

DJA maintains strong affiliations in the music industry. DJA has been offered international distribution with Cook Distributing (a distribution arm of Cook) and the Smith Group. This provides DJA the opportunity to generate revenue from the world's largest music markets including Japan, Germany, the United Kingdom and South America.

1.5 MANAGEMENT

DJA has formed an experienced, award-winning management team. As artists, producers and executives, projects produced by these individuals have topped Billboard's Charts, earned nominations for Grammy and Stellar Awards, while selling over two million copies. The years of experience maintained in both the business and creative sides of record company operations will enable DJA to generate profitable revenue immediately.

1.6 FINANCIAL PLAN

DJA will generate over \$5.7 million in sales revenue in 2009, and \$26.3 million in 2010. DJA will reach positive cash flow by the end of our second year, while netting profits of \$4.5 million in 2010 and \$6.6 million in 2011.

1.7 FUNDS REQUIRED & USE

DJA's founders are seeking \$4.5 million in equity investment capital for this exciting company. These funds will be used to: a) establish corporate offices, b) maintain overhead expenses, c) acquire and secure artists, d) fund project production budgets, e) fund multi-faceted marketing and promotion budgets. A staged infusion of capital over the course of the first 10 months of operations will provide DJA with the necessary financial



resources. A linked offering composed of common stock, preferred stock and debentures is being offered by DJA.

2.0 Company Summary

2.1 COMPANY & INDUSTRY

DJA Records Corp. is a multimedia entertainment company, which will supply profitable, positive, audio and visual entertainment to a diverse, international consumer group. DJA is committed to wholesome entertainment across the board and firmly believes that quality palatable entertainment can be realized without compromising commercial appeal.

DJA is composed of three internal divisions: DJA Music, DJA Video, and DJA Ancillary. The company will compete and earn revenue immediately through the creation of several lucrative profit centers, beginning with pre-recorded music. Additional income will be produced from distribution, video, merchandising and concert promotion.

Each of the albums that DJA produces and owns will create valuable short-term streams of revenue. Owning and controlling the rights to each of its albums will enable DJA to grow its music catalog into a valuable asset, one of several-hundred revenue producing titles.

2.2 LEGAL ENTITY & OWNERSHIP

DJA is incorporated in the State of Florida with 10,000,000 shares of stock. The Board of Directors has authorized the issue of 4,000,000 shares of common stock, in addition to debentures for the first and second phases of the offering. DJA founders, Brian Chapple, Jake Mercado and Jason Dove will collectively own 500,000 shares of common stock, and will be issued warrants for: a) options for two million shares of common stock at \$2.00/share within five years, b) an additional option for one million common shares will also be available at \$5.00/share within eight years.

2.3 FACILITIES & LOCATION

The majority of the DJA projects will be produced at Sharp Recorders, in Miami. A multi-million dollar facility, the quality of Sharp's equipment, the architecture of the studio and its atmosphere are conducive to creating the highest quality projects in a cost and time effective manner. By pre-purchasing large blocks of studio time, DJA will have access to the two studios in this facility at a heavy discount.

2.4 KEY ASSETS

DJA's Chairman, Brian Chapple, has created, produced and marketed over thirty albums throughout his career. These albums have generated over \$100 million in revenue for such companies as Cook, Simpson, Star, Edwards and Taxi Records.

DJA has also identified and signed several successful recording artists, which have already had combined sales of over 2 million units over the last 3 years.

3.0 Products and Services

3.1 PRODUCT DESCRIPTION

DJA Music is DJA's primary thrust for the first several years of operations. Responsible for the cultivation of talent, the production of pre-recorded music product and its marketing, the success of DJA Music will lay the groundwork for additional DJA profit centers.



Four Record labels comprise the company's music division. Each division has been created with a distinct and specialized reputation of its own, and will be responsible for a separate genre of music.

New River Records produces and promotes mainstream Pop, Dance, Alternative Rock and R&B. Swell Records is responsible for Jazz and new Adult Contemporary products. Urban Records will create and produce Urban, Rap and Hip Hop genres. Sun Records is designed and created to produce and promote inspirational and gospel Recordings.

3.2 COMPETITION

DJA distinguishes itself through the commitment it undertakes with each of its artists. Contrasting the typical scenario in which a record company spends more money producing the music than they do in its marketing and promotion, DJA will utilize a stable of experienced and resourceful producers to ensure the highest quality product within established production budgets. This, in conjunction with the financing and expertise necessary to stage intense, relentless marketing campaigns will guarantee the impetus necessary to create "winning" products in the marketplace.

3.3 COMPETITIVE EDGE/BARRIERS TO ENTRY

DJA has a distinct advantage over new labels as it has already signed several well-known, successful artists, which will ensure early on success. Additionally, its strategic alliances with distribution partners and its experienced management team lead to an advantage for the company.

3.4 DEVELOPMENT

DJA Music and its associated labels will produce and release four projects from each label in each of the first two years of operations. A second phase consisting of sixteen productions for artist follow-up albums and newly acquired artists will begin in late 2009.

During the course of 2009, DJA Music's Artist and Repertoire Department will locate, assess and consider additional Recording artists. DJA Music has begun discussions with a variety of known Recording artists who are interested in signing with DJA Music.

4.0 Market Analysis Summary

4.1 TARGET MARKET

The target market for DJA Records is very diverse, as the company has four distinct labels, which clearly target the intended market, based on listening preferences and music genres. DJA has distribution lines in the United States, Japan, United Kingdom, Germany, and South America, and therefore target the citizens of those countries.

4.2 MARKET SIZE

Independent labels have been described by knowledgeable music industry professionals as "the lifeblood of the business." In fact, in 2005, independents accounted for over 19.2% of the music industry's market share, equating to sales of approximately \$2 billion and 180 million units.

4.3 MARKET TRENDS

The U.S. record business, which grossed four billion dollars in 1990, exploded to eight billion dollars in sales by the end of 1995, with a unit volume of 726 million records sold. Sales fell sharply over the course of the next six years, mainly due to the popularity of file sharing on the internet. File sharing has been curbed, but the internet has taken a key role in the music landscape. Recent figures show industry sales of more than 10 billion dollars, most of which has been generated online.

The industry has evolved considerably, and now digital distribution has become the primary method for selling



music to consumers. This has opened the door for smaller record labels to compete with major labels on an equal footing.

5.0 Strategy & Implementation

5.1 PRODUCT DEVELOPMENT

A plethora of options are available to satisfy DJA's requirement for quality manufacturing and reproduction of compact discs. DJA will outsource this function to one of many manufacturing outfits in the industry. These vendors will be selected based upon quality of product, ability to meet delivery deadlines, payment terms, inventory and storage options, as well as price. Several manufacturers that DJA is currently considering are: Brume Manufacturers, Inc., Pearl Manufacturing, and Jam Manufacturing.

DJA has been offered international distribution of its product through Cook Distributing and the Smith Group. A working relationship with either of these companies will allow DJA to readily expose its music products to the world's largest music markets, while generating \$8.50 - \$9.50 per unit sold.

5.2 INTERNET STRATEGY

In response to the growing popularity and necessity for a presence on the Internet, DJA will create and design a web presence for itself. Utilizing the latest web site technology, DJA's web site will be intended to advertise the company, announce and advertise new releases, sell company products and merchandise and offer e-mail communication. Furthermore, utilizing the latest technology, visitors to the web site will be able to sample music clips from DJA's artists. DJA will create space on its web site for each artist signed to the company. Allowing for increased public exposure, the public will be able to learn more about the artist or group.

5.3 MARKETING STRATEGY

DJA has formulated a simple but successful approach to market its products. The chief marketing objective for DJA's pre-recorded music, video and programming products centers on the design and implementation of a strategy that will cost-effectively deliver that product to the intended target market.

This will be achieved through a marketing plan consisting of the following tools: publicity, community outreach, advertising, art direction, radio promotion, independent promoters, broadcast music videos, touring, retailer co-op advertising, motion picture tie-ins, alternate distribution outlets, Internet, dance club promotions, mailings & telephone follow-ups.

5.4 SALES STRATEGY

Considering the onslaught of product released to the music/video market each month (1,200 new releases) worldwide, it is crucial to ensure the visibility of each project. The financial success of an album can be guaranteed through the establishment of proper marketing and promotion budgets. With properly established budgets, DJA Music will generate large streams of profits from each of its projects. The marketing and promotion budget will be divided into twelve to fifteen-month campaigns, each consisting of three phases: "single" promotion through music video and airplay; media exposure through radio, television, and online; and full length album release and promotion.

5.5 STRATEGIC ALLIANCES

Major Recording companies frequently invest in independent labels when confidence in the company's roster and management exists. In these strategic alliances and joint ventures, the larger company may invest money to: a) assist in completing album projects, b) manufacture compact discs and tapes and c) assist with marketing and promotion plans.

DJA Music will utilize its distribution network to allow for the distribution of projects for smaller, independent record labels. A key factor affording DJA the opportunity to capitalize on this is the company's close, personal



relationships with both Cook Distributing and the Smith Group. DJA's ability to claim top dollar from these international distribution companies will enable it to earn a middleman fee on the distribution and manufacturing of other companies' products. DJA will earn between \$2.50 and \$3.00 for each unit manufactured and distributed.

Company founders have had discussions with numerous record labels across the country that are interested in working with DJA. Partnerships with these companies will be dictated by the strength of company management, the quality of both their artist and product and the size of their marketing and promotion budget.

5.6 OPERATIONS

Each of the label Vice Presidents will be directly responsible for all of the functions within their particular label, including Marketing/Sales, Artist Development, Publicity, Promotion, Artist Relations, Artist & Repertoire, and Creative Services. Label Vice Presidents will solely handle the majority of these functions for their particular label with the assistance of shared administrative staff. As each label grows in terms of sales revenue and the number of recording artists, additional staff will be added to provide necessary support. Wherever possible and feasible, staff will be shared between labels in an effort to minimize unnecessary overhead.

5.7 GOALS

- Build a profitable, reputable and stable entertainment company.
- Achieve profitability and month-to-month positive cash flow by the end of 2010.
- Fulfill required fiduciary responsibilities to investment partners
- Position the company to allow investment partners, founders and employees the opportunity to financially capitalize on DJA's profitability.

5.8 EXIT STRATEGY

As DJA reaches profitability and becomes a stable operation, several lucrative exit scenarios become viable. DJA may be acquired by a major record company, or the shareholders may liquidate their ownership positions through sale of shares to management or outside investors.

6.0 Management Summary

6.1 ORGANIZATIONAL STRUCTURE

DJA follows a typical hierarchical structure with each label's Vice President reporting to the President, who in turn reports to the Board of Directors.

6.2 LEADERSHIP

Brian Chapple, President and Chairman of the Board, provides the vision for DJA's future. A renowned producer, and recording artist, and employee with such major companies and labels as Cook Distributing, Simpson, Star and Edwards, Mr. Chapple has directly produced and contributed to over \$100 million of revenue for major record companies throughout his career.

Jason Dove will operate as DJA's COO/CFO. Mr. Dove, a graduate of the Smith Center, in the Business School at the University of Florida, provides DJA with a wealth of tangible business experience.

Sean Hertel, Senior Vice President (New River), provides an impressive blend of entertainment and general business which will be instrumental in leading New River. Most recently, Mr. Hertel served as the Executive Vice President for Star, in Nashville. In this capacity, Mr. Hertel was responsible for artist development, artist negotiation and music production. Currently, Sean Hertel is the Director of Gospel Music, for Share Music, also located in Nashville.



Erik Tylor, Senior Vice President (Sun), has developed a multi-faceted background with experience in finance and banking, in addition to comprehensive experience in the entertainment industry. Mr. Tylor honed and developed his management and production skills with New Sounds Productions. Working in the realm of Christian music, Erik has developed a cadre of affiliations. Relationships with artists, concert promoters, program directors (radio stations) and ministries across the United States will be beneficial to his role as the Senior Vice President of Sun Records.

Max Roland, Senior Vice President (Swell), has developed a varied background of experience in the industry. Most recently, he has concentrated on his solo career which has produced four Jazz albums for Star. Due to his experience in the Jazz niche of the music market, Max has developed a solid network of personal contacts with radio promoters, musicians, producers, and executives. These affiliations are invaluable to DJA and will allow the company to make an instant impact in the marketplace.

6.3 STAFF MEMBERS

A qualified, experienced and talented staff has been selected to operate DJA Music and its associated labels. Staff members have honed their skills in the areas of project production, artist & repertoire, marketing and artist promotion. In fact, these individuals have produced and marketed projects which have earned nominations for Grammy and Stellar Awards. This assemblage is poised to utilize its combined skills to ensure the growth and profitability of DJA.

7.0 Financial Plan

7.1 REQUIREMENTS

DJA is offering several simultaneous investment opportunities to cater to short and long-term investor needs and requirements. DJA seeks to keep the structure of the financing simple and flexible.

Phase 1 of the Offering

Phase 1 is composed of 500,000 shares of common stock and 500,000 debentures (12.5%). Phase 1 is a linked offering meaning that for each share of \$1.00 common stock purchased, a \$1.00 debenture must also be purchased. DJA possesses the right to re-purchase the debentures at \$1.00 within a five-year period from allotment.

Phase 2 of the Offering

Once Phase 1 has been fully subscribed, DJA will issue 1,500,000 shares of common stock at \$1.50. Additionally, 1,000,000 shares of \$1.50 preferred stock will be available. The preferred shares will carry 13% dividend to be paid annually. The shares in the second phase will also be linked offering: two common shares linked together with one preferred share. DJA will hold the right to redeem the preferred shares from holders at \$2.50. This action can take place within eight years from issuance.

7.2 USE OF FUNDS

Funds will be used to establish corporate offices, maintain overhead expenses, acquire and secure artists, fund project production budgets, and fund multi-faceted marketing and promotion budgets.

7.3 INCOME STATEMENT PROJECTIONS

DJA projects revenues of over \$5.7 million in its initial year, growing to \$26.3 million by 2010. Profits in 2010 are expected to be \$4.5 million.

DJA will generate the majority of its revenue from the sale of pre-recorded music product. This includes compact discs (CDS), CD singles, enhanced CDs and digital music formats. For purposes of revenue forecasts, management has projected varying unit volumes for each of its projects. Sales will occur within a fifteen-



month time frame from the release date. Based upon the intensity of DJA's marketing plan/budget for its projects, the following unit projections will be quickly attained and surpassed.

NEW RIVER - 250,000 units/release

URBAN - 250,000 units/release

SWELL - 125,000 units/release

SUN - 125,000 units/release

DJA will gross approximately \$8.75 for each full-length compact disc sold. The current retail price averages approximately \$14.72. Revenue will also be earned from the sales of digital music through iTunes and other online retailers. DJA will release and promote three to four singles from each full-length album project. Revenue projections in the financial model are based upon the following estimates of "single" sales.

NEW RIVER - 3 Singles - 51,000 units/single release

URBAN - 2 Singles - 51,000 units/single release

SWELL - 2 Singles - 25,000 units/single release

SUN - 3 Singles - 25,000 units/single release

Additional DJA profit centers will include distribution services, video sales revenue, merchandise sales revenue and concert promotion revenue. Initially representing less than 5% of the company's revenues, the magnitude and scope of these areas will increase as DJA and its artists' reputations grow.

7.4 CASH FLOW PROJECTIONS

After 23 months, DJA will become cash flow positive and self-sustaining. The company will maintain a cash balance of at least nine months of operating expenses to ensure an adequate buffer for collecting receivables and unforeseen costs associated with this industry.

7.5 BALANCE SHEET

After four years it is projected that DJA will hold approximately \$20 million in cash and liquid assets, with a total assets equating to over \$28 million. With only \$1.7 million in liabilities, retained earnings are projected to grow quickly, leading to higher net worth for stockholders.

7.6 ASSUMPTIONS

Accounts Receivable - A/R are conservatively projected with 45% of A/R collections occurring in a 1-29 day period and the remaining 55% in a 90-120 day period. The majority of accounts receivable will be outstanding from the distribution company, which receives payment directly from retailers and will subsequently remunerate DJA. Because of the extended nature of A/R in the industry (typically 60 days), DJA will utilize A/R Financing to assist its cash position in the first two years of operations, or longer. A 3.5% A/R financing fee is incorporated in the financial model. The size, strength and reliability of DJA distribution partners will provide a traditional financial institution or an A/R Factor with the proper security to create a working relationship for DJA's paper.

Inventory - Inventory for album releases and upcoming product has been conservatively projected. Despite the fact that lead times for manufactured products are approximately two weeks, DJA's financial model calculates inventory purchases in the following manner: 30%-60 days prior to sale and 70% - 30 days prior to sale. The majority of the pre-Recorded music product will be stored with the manufacturer and shipped directly to the distributor's fulfillment/distribution centers. A small amount of sample (1,000-2,000 units) and promotional products will be kept on hand at DJA corporate offices.

Accounts Payable - For purposes of this financial model, A/P is separated into two categories: Manufacturing A/P, and Artist Royalty/Mechanical A/P. Adhering to the conservative approach, the model is constructed with Manufacturing A/P being paid in the same month that the expense is incurred. Artist Royalties will be



accumulated and paid bi-annually, in August and February.

Project Production Budgets - These vary depending on the genre of the project. Established relationships and affiliations in the industry enable DJA to produce its projects over a ninety-day period, for approximately half the typical cost paid by a major label record company. Projects produced through New River and Swell require \$121,000, Sun Recording's projects (Inspirational/Gospel) require \$80,000 and Urban projects (Rap/Hip Hop) require \$45,000.

Marketing & Promotion Budgets - These vary depending on the particular genre of music. Projects produced and released from New River will be allocated approximately \$781,000 while \$390,000 will be slotted for Urban projects. Projects from both Swell and Sun will utilize approximately \$240,000. Marketing budgets will be expired through the course of twelve-month marketing campaigns.