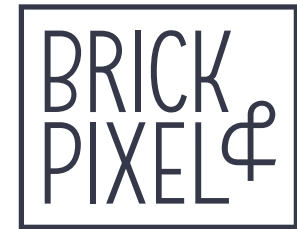


LIGHTSTRAP BUSINESS PLAN



Brick & Pixel is a technology company that will manufacture innovative devices and accessories for the Smartphone and computing marketplace. Lightstrap, the company's first product, is a phone case that solves the problem of poor low-light photos on mobile devices. Photography is one of the hottest segments in the fast-growing \$20B mobile accessories industry.⁶

PROBLEM / OPPORTUNITY

Smartphone users now shoot hundreds of billions of photos per year, making the smartphone the camera of choice for most of the world.¹ Apple has emerged as the leader in the smartphone photography space, with the iPhone 4S, iPhone 5 and iPhone 5S claiming the top three spots in Flickr's device popularity report.²

During daylight conditions, smartphones shoot photos of satisfactory quality for 90% of users.³ Yet many of life's most memorable moments occur at night. Most users have experienced the frustration of capturing a low-light photo with a smartphone. Photos are blurry, grainy and simply not worth sharing.

The miniature sensor and optical system is not capable of gathering enough photons to produce an acceptable image. The device is forced to amplify a weak electrical signal, which results in unsightly noise and grain.



Brick & Pixel, Inc.

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Website: www.lightstrap.com

Status: Seed-stage Startup

Founded: 2013

Ownership: Founders

Total Seeking: \$400K

Funds Committed: \$160K

Terms: Convertible Note

2X Multiple, 20% disc., 2M Cap

TAM: \$2B, 18% Growth (ABI)

Estimated Reach: .005%

By Year: 2015

3-Year Revenue Forecast:

Year 1: \$1.7M

Year 2: \$5.5M

Year 3: \$12M

The “Low-light Problem” is widely acknowledged by customers, pundits and OEMs. Evidence for customer pain around this issue is best seen in the marketing campaigns of Apple and Nokia. Nokia has gone so far as to position its Lumia phones as having the “best low-light camera.”⁴ Since camera performance is the #2 buying factor for US smartphone shoppers⁵, OEMs are now competing around low-light performance where progress is readily visible to mainstream consumers.

The easiest way to improve low-light photos is to produce additional high-quality photographic light. Limited energy budgets and space constraints prevent OEMs from deploying this solution. Brick & Pixel has developed an accessory illumination product that solves the low-light photo problem simply and elegantly.



Lightstrap snaps on to an iPhone 5/5S and lights up like a professional ring light for stunning low-light photos and videos. Lightstrap is 15x brighter than the onboard flash, with superior softness, color-rendering index and color/brightness controls.

By pursuing a non-obvious method for detecting and replacing the on-board flash, we were able to execute an elegant product design and simple user experience. Just turn on Lightstrap and start shooting in any camera app.

The device is glamorous and fun to use, the improvement in photo and video quality is immediate and the resulting images are readily shared. The product is highly visible when utilized for unprecedented viral exposure.

No matter the sensitivity of the smartphone camera, supplemental light will always be photographically useful for producing striking portraits and clear video. Unless OEMs significantly alter the form factor of the average smartphone, we can reasonably expect Lightstrap and follow up illumination accessories to succeed for the foreseeable future.

UNFAIR ADVANTAGE & MILESTONES

Brick & Pixel is uniquely positioned to launch Lightstrap and develop a suite of successful, high-value follow up products.

DEEP PRODUCT DEVELOPMENT EXPERIENCE

Brick & Pixel was founded by Ben Clawson and Cassidy Clawson, a father/son team with extensive experience in research, development, manufacturing and new product introductions. The two worked together for a decade at BC Tech, an outsourced product development company founded by Ben Clawson in 1995.



At its peak, BC Tech employed 70 individuals (engineers, designers, technicians, assemblers, etc.) providing research, development and manufacturing services to the medical device industry. The company launched dozens of successful products for startups and Fortune 500 clients, including handheld electronic devices, disposable plastic tools and complex diagnostic equipment. As CEO, Ben managed the product development group and executive team. Cassidy oversaw marketing and new product introductions.

In the near-term, Brick & Pixel will continue to leverage Ben Clawson's R&D consultancy, Clawson Device Group, which provides access to tools, suppliers and an expansive network of product development engineers and consultants.

PROVEN CAPITAL EFFICIENCY

The founders accomplished numerous critical milestones with less than \$150K while paying all technical contributors, including:

- Developed and refined the detect/replace flash technology.
- Completed engineering of product, including mechanical, electronic and firmware.
- Performed patentability search. Filed utility patent and 2X trade dress applications.
- Validated product with HALT and preliminary regulatory testing.

- Transferred product design to manufacturing partners and engineered all tooling.
- Validated market need via crowdfunding introduction.

Lean product development is one of Brick & Pixel's core competencies. With decades of early-stage product development experience and discounted access to a full-service product development lab (Clawson Device Group), Brick & Pixel can affordably and expediently develop innovative hardware products for narrower markets that are free of competitive pressure from commodification.

POISED TO LAUNCH

Lightstrap for iPhone 5/5S is ready for production. The design is transferred to our manufacturing partners in anticipation of a May ship date. All major engineering tasks are complete and all product risks have been mitigated. Very few hardware startups are positioned to allocate their entire seed-round to production, sales, marketing and new product development.

Manufacturing progress

- Identified and vetted all critical vendors, established working relationships and received detailed quotations.
- Ordered all long-lead time, high volume and custom components, including LEDs and custom battery.
- Engaged Control Plastics, a California-based injection molder for plastic parts. Completed Design for Manufacturing review and are presently engineering tooling.
- Engaged Beautiful Enterprises, Ltd., a Hong Kong based contract manufacturer of consumer electronics as a strategic long-term partner. Beautiful has an Apple MFi license, a proven track record in mobile accessories, strong low-cost engineering support, and a prestigious client portfolio including Aiwa and SanDisk. Beautiful will manage production, assembly, test, packaging and shipment of the product.

DEMONSTRATED INTERNET MARKETING COMPETENCE

Lightstrap was introduced on Kickstarter for 7 days in December, 2013. Though Brick & Pixel cancelled the campaign to pursue traditional financing, the campaign was successful by all measures and demonstrated Brick & Pixel's ability to coordinate and execute a comprehensive Internet marketing campaign that involved production of high-quality sales materials, press relations and Influencer engagement, resulting in 500 preorders. Brick & Pixel has shown it can produce a big marketing impact with few resources.

Accomplishments include:

- Launched www.lightstrap.com, a companion sales site with social integration.
- Produced high-quality promotional video content.
- Engaged with premiere press outlets, including arrangement of an exclusive launch article with Gizmodo and a hands-on review with Engadget. The launch was covered by more than 50 blogs and news outlets.
- Engagement with 10 Instagram-influencers (photographers with 75,000+ user audiences) for viral promotion.

WELL ROUNDED TEAM

Brick & Pixel has recruited personnel with experience spanning all critical operational areas, including marketing, product development, eCommerce and retail sales, ensuring a successful product launch.

SALES & MARKETING

Lightstrap is a physical good in a product category (mobile accessories) that is typically purchased through manufacturer's websites, online retailers, box stores, carrier stores and specialty shops. It is our intention to drive Lightstrap through all profitable sales channels.

Basic Product Metrics

COGS: ~\$29

MSRP: \$119-\$129

MAP: \$99 (actual sale price for most customers)

Distributor Price: ~\$45

Retailer Direct Price: ~\$55

NEAR-TERM (MAY THROUGH OCTOBER) SALES PLAN SUMMARY

- Sell direct to consumer via www.lightstrap.com (500 units/first month, slow growth)
- Explore development of relationships with two or more strategic distributors and direct relationships with one or more large retailers. This strategy may be revised or deleted depending on cashflow issues associated with retail fulfillment. (800 units/first month, fast growth)
- Utilize low-cost internet-based marketing techniques to develop product awareness, including ad-based methods like pay-per-click and retargeting, traditional press relations, and influencer marketing. This effort will generate online conversion and support retail sales efforts before we can afford to utilize traditional advertising channels.

This plan is explained in detail in the following paragraphs.

DIRECT TO CONSUMER: LIGHTSTRAP.COM

Lightstrap.com will serve as an immersive eCommerce website that is designed to convert new visitors into customers while continuing to engage fans and influencers.

The site is presently under development. The sales funnel is loosely modeled on Jawbone's eCommerce site for its successful Jambox portable speaker, a commodity product that differentiated by design, brand and lifestyle marketing. We will position Lightstrap similarly.

Intangible Value

Selling Lightstrap direct to consumer via www.lightstrap.com will obviously provide the best sales margin. But focusing effort on this sales channel offers additional intangible value:

- Opportunity to establish and position the product and brand in a manner that strengthens credibility with our target customer: the photo-enthusiast millennial.
- Opportunity to test content in a manner that gives insight into our real customers and users. We will adjust our positioning if our customer hypothesis proves untrue.
- Opportunity to engage users with high-value educational content surrounding product usage and low-light photography. This strengthens the brand and provide product evangelists with opportunities to share the product with their network.
- Engage the photo enthusiast community by providing curated photographic content.

DRIVING ONLINE CONVERSIONS: ADVERTISING

By controlling the entire online sales channel, we can optimize advertising platforms to develop a controlled and reliable sales volume with a known cost of sale. We will:

- Deploy, test and optimize advertising pay-per-click campaigns with Google, Facebook and Instagram.
- Deploy an ad retargeting campaign with AdRoll.

The average cost of sale for online retailers is 10%. We are hopeful that we can beat this metric because our product has limited competition and thus relevant keywords are less expensive. Successful advertising programs will be scaled until returns diminish.

DRIVING CONVERSIONS: PRESS RELATIONS

Brick & Pixel will leverage existing relationships with major tech and photography outlets to secure coverage of the product launch, followed by a second round of review coverage. This campaign will be coordinated with the product launch to maximize conversions.

DRIVING CONVERSIONS: SOCIAL ENGAGEMENT

Brick & Pixel will implement and optimize two social media touch points to generate additional traffic and conversions.

- Free Shipping Checkout Widget – Users will receive free shipping in exchange for posting a link to www.lightstrap.com on Facebook or Twitter. The widget will generate a unique URL and suggested phrasing to enable performance tracking and enhanced impact. We anticipate 75% of users choose this option, resulting in 10+ additional visits per post.
- Instagram Contest Administration – The site will incorporate hash tag based photo galleries to showcase exceptional low-light photos and encourage social engagement. We will deploy and refine weekly photo contest promotions to encourage participation and visits to the page.

DRIVING CONVERSIONS: INFLUENCER MARKETING

As a content creation tool, Lightstrap is in the enviable position of advertising itself every time it is used to produce photos and videos. Brick & Pixel will increase product awareness through intelligent engagement with photo-enthusiasts and lifestyle celebrities that produce content for large audiences. Our customer support team will administrate this process. Steps of engagement:

- Identify and recruit influencers with large audiences on private blogs, Instagram and YouTube. Leverage existing relationships with 20+ Instagram celebrities.
- Develop relationship and send Influencer a free, special-edition Lightstrap.
- Track product usage and engagement using online tools.
- Incentivize high-performing Influencers for enhanced promotion by providing discount codes for their audience or performance-based payments for social network promotion (pay-per-like, pay-per-click, pay-per-post, etc).

While Influencer-marketing will likely generate unreliable (or unprofitable) conversion metrics, it is the key to establishing credibility in the mobile photo space, strengthens the brand and improves conversions across all other channels.

ONLINE RETAILERS

Brick & Pixel will sell Lightstrap through two additional strategic online channels. These positions are intended to establish pricing and product credibility.

- Via Amazon.com through a subsidiary company at the full MSRP of \$119 or \$129. This positioning sets a price ceiling that increase perceived product value and encourages retailers to accept and sell the product at \$99. Customers are incentivized to

purchase through a retailer or www.lightstrap.com when performing price comparisons.

- We will engage at least two premium online retailers in the photographic space to enhance credibility. Candidates include PhotoJojo (strong interest already), Adorama and B&H Photo Video.

RETAIL SALES

We are presently building a strong retail mix to move high volumes of product and build product/brand awareness with customers. Our retail goals are:

- Direct relationship with one premium box store like Apple, Best Buy, Target or Costco.
- Direct relationship with one carrier store like AT&T, Verizon, T-Mobile or Sprint.
- Relationship with at least one Apple-accessory distributor like NuCourse or Dr. Bott. These distributors will service specialty retailers across the country.
- Relationship with at least one mobile-accessory distributor like PhoneKing. This distributor will service mobile accessory retailers (independent phone stores, kiosks, etc.) across the country.

We have already contacted many retailers and potential distributors and received positive feedback. We have strong interest from Dr. Bott and NuCourse and have pending meetings with PhoneKing, Best Buy and Costco.

We will support retailers with promotional materials including in-store signage and materials. These deliverables will be established during the negotiation process with retailers.

COMPETITION

Please see B&P Competitor Analysis.xls for a detailed analysis of competing illumination accessories.

Brick & Pixel faces competition from four released or soon-to-be released illumination accessories for low-light smartphone photography. Lightstrap outperforms these products on every measurable or subjective feature, including light output, photo quality, pocketability, ease-of-use, feature set, app compatibility and industrial design.

More importantly, these competitors (except for Manfrotto) are undercapitalized startups that have not succeeded in developing strong online sales or retail relationships. Execution has been poor and thus the products have remained enthusiast devices embraced by niche-customers.

Lightstrap is a mainstream product for a mainstream customer. This claim is based on two strong differentiating features:

- Our patent-pending detect/replace technology makes Lightstrap easy to use and compatible with all camera apps. This is a critical differentiator against competing products that are controlled by Bluetooth with complex proprietary camera apps.
- Our ring-light design enables a slim silhouette that is pocket-friendly and unobtrusive. Lightstrap is about as thick as an Otterbox. The competing case-based illumination tools are thick and unwieldy.

As a mainstream product, we have expanded our competitive analysis to include other high-value iPhone cases. We classify these cases in the following categories:

- High protection cases like Otterbox, Lifeproof and Survivor.
- Commodity protective cases.
- Fashion cases.
- Battery cases.

We believe Lightstrap competes against the fashion case and battery case categories.

Fashion cases enable their owner to make a statement about their personal lifestyle. We will position Lightstrap as a status symbol – a badge that suggests its owner has an exciting and successful nightlife. This statement will resonate with some percentage of potential customers.

Battery cases are high-value technological accessories of similar form-factor and price as Lightstrap. We anticipate Lightstrap will appeal to users that are already prepared to purchase a high-functionality case. The *Mophie Space Case*, which provides extra memory to the iPhone, is an example of an “extra value” accessory that we will challenge with Lightstrap and follow up products.

BUSINESS MODEL

Brick & Pixel is a mobile accessory and consumer electronics company that sells physical products direct to consumer and through appropriate retail channels. Our core competency is marketing (conceptualization and positioning) and early-stage product development.

Brick & Pixel is committed to combining existing technologies in new and creative ways to generate novel product concepts and categories, thereby preserving product margins and avoiding the fierce commodification and competition that plagues most accessory businesses.

Our product roadmap will include a mix of device-dependent accessories and universal accessories. This will decouple earnings from the OEM release cycle and provide more consistent cash-flow. We intend to launch one or two follow up products in 2015 and at least two per year thereafter.

Near Term Product Strategy

- Introduce Lightstrap for iPhone 5/5S
- Explore development of Lightstrap for iPhone 6 using LED technology and addition of battery backup functionality to disrupt battery case industry.
- Explore development of universal xenon-tube based flash accessory for iPhone 6 and Android devices. This will produce extremely high quality photos but comes with some technical uncertainties and drawbacks.
- Leverage expertise to explore illumination-based universal accessories that are not based on the OEM release cycle. Examples include the Studiobar (illumination and microphone for teleconferencing) and Actionlight (universal illumination for action cameras like GoPro.)
- Explore opportunities to leverage placement and relationship in retail stores to sell commodity products (protective cases, tripods, etc).

We will grow Brick & Pixel into a premier accessory company with a distinctive lifestyle brand that is rooted in hipster subcultures so as to resonate with coastal Millennials. This model is a proven strategy in the accessory business, as evidenced by the success of lifestyle brands like Jambox (hipster), Skullcandy (extreme sports) and Dre Beats (urban).

FORECAST

Please see B&P Pro-forma Budget.xls for a detailed 3-year forecast.

Brick & Pixel will use 400K of seed funding to launch Lightstrap, generate revenue, and scale up operations, product count and volumes. All earnings will be reinvested into growth until acquisition.

Category	2014	2015	2016
Revenues	1.2M	5.5M	12M
Profits	- 200K	1M	3M
Investment	400K	0 to 1M	-

Unit Sales	25K	125K	300K
Products	1	2	4

COGS	\$29
Price	\$99

With our lean product development methodology, we anticipate the next two to three followup products (of comparable complexity to Lightstrap) will cost between \$200K & \$300K to develop (each). Early-stage concepting and product development will be performed by our engineering team to ensure major technical obstacles are solved and product risks are mitigated. The design will then be transferred to low-cost engineering resources in China for final engineering execution and manufacturing.

Our financial projections demonstrate that modest Lightstrap sales will facilitate an organic scaling up of operations. Additional capital may be necessary in 2015 to accelerate the release schedule and increase production volumes.

Brick & Pixel's greatest short-term risk (12 months) is cash-flow problems associated with supplier and customer financial terms. Suppliers typically require a substantial deposit with the balance paid Net 30. Retail customers pay Net 60 (on average). Direct to consumer revenue will help buffer the impact of long payment terms on large orders but we will keep a close eye on cash and consider options for improving liquidity.

Our roadmap contains high-value, unique products in the \$70 to \$120 range. It is our expectation that our brand and reach will expand such that we can reliably ship 300K cumulative units per year. By focusing on novel product concepts we can ensure preservation of attractive margins.

In the longer-term, brand and product penetration may enable Brick & Pixel to expand laterally into other accessory spaces, like speakers and headphones, where products are differentiated through design and lifestyle marketing. Ultimately it is our goal to create value through the introduction of innovative accessories that are marketed aggressively to specific customer segments.

TEAM

MANAGEMENT

Cassidy Clawson – Co-founder & CEO

Cassidy Clawson is a multi-disciplinary creative professional with leadership experience in product development consulting, freelance marketing and entrepreneurial projects. Cassidy is unique because he combines Director-level experience in marketing and product development with a broad creative skillset, including project management, web and print design, product design, commercial photography, video, persuasive writing and trade-show marketing.

Cassidy invented the Lightstrap concept, defined specifications and executed the prod-

uct's industrial design. He also managed or executed all customer facing marketing materials, including websites, identity and logos, promotional materials, press engagement, videos, copy and more.

Cassidy worked alongside Ben Clawson at BC Tech for nearly ten years, ultimately managing all marketing efforts related to research and development of new medical devices and supervising introduction and promotion of new technology platforms. More recently he founded a non-profit project, Workaday Media, which succeeded in providing career education resources to Santa Cruz and Santa Barbara schools. In 2013 he shut down the organization to pursue development of Lightstrap and Brick & Pixel.

Cassidy received a BA in Environmental Economics from UCSC where his thesis was awarded highest honors.

Ben Clawson – Co-founder & CTO

Over the last thirty years, medicine has been revolutionized by advances in materials, electronics, manufacturing and research. Much of this progress can be attributed to engineer-managers like Ben Clawson - creative problem solvers that juggle competing requirements, unpredictable new technologies and resource constraints to produce profitable new products.

Following a fifteen-year career directing industrial-scale research projects for the University of California at Berkeley, Ben entered the medical device industry when he joined Humphrey Instrument's engineering group in 1982. He then moved to Surgical Dynamics, a seed-stage startup, where he managed the creation of a vertically integrated R&D and manufacturing operation and was instrumental in the development of multiple successful spine products. He repeated this effort for a second startup.

These early successes in the startup environment gave Ben the perspective and skillset necessary to found BC Tech. From 1995 to 2010, BC Tech provided the medical device industry with outsourced product development and manufacturing services. BC Tech employed more than 70 designers, engineers and technicians in a 20,000sq.ft. R&D and manufacturing facility.

As a hands-on CEO, Ben personally participated in the planning, research, design and manufacture of more than 50 medical devices for venture-funded startups and Fortune 500 companies, ranging from simple disposables to the most complicated diagnostic instruments and therapy delivery systems. His involvement in such a wide variety of projects makes Ben Clawson one of the most experienced executives working in the medical device industry today.

Ben Clawson continues to provide startups with early-stage R&D services through his boutique consultancy Clawson Device Group. He managed development of Lightstrap and will continue to supervise the product development group moving forward.

Ben Clawson has a BS and MS in Mechanical Engineering from UC Berkeley.

KEY TECHNICAL CONTRIBUTORS

Andrew Hines – Web & Ecommerce

Equal parts engineer, designer, and entrepreneur, Andrew builds teams and products in high-growth technology markets, from enterprise data platforms and data products to iPhone apps and consumer web sites.

Andrew combines actionable engineering skills with rigorous analytical and data modeling expertise. He will develop, deploy and optimize Brick & Pixel's ecommerce platform for maximum profitability.

Andrew holds two patents for pricing and merchandising solutions in the ecommerce space. He has a BS in Mathematical Statistics and a BS in Decision Sciences from SFSU and a MS in Management Science and Engineering from Stanford University.

Brett Carey – Retail Sales & Marketing

Brett is a results oriented dynamic Sales and Business Development Manager with over 20 years of experience in prospecting, cultivating and growing customer relationships that drive top line sales, particularly in the space of consumer retail products. Expert in negotiation skills, direct account management, marketing strategy development, direct sales team management, brokered sales team management, DSD strategies, new product strategy development and reporting.

Brett has managed over \$1BN in direct sales and brokered sales teams in both complex organizations and start up organizations. His biggest success came at Pandigital, where he oversaw \$300M in sales of digital picture frames.

Brett has a BBA and MBA in Marketing from Iona College and has worked for Fuji, Sony and Samsung.

Alan Grantz – Mechanical Engineer

Alan Grantz is a Senior Mechanical Engineer with product design and management experience spanning dozens of medical, industrial and consumer products over the past 25 years. He possesses broad-based engineering skills, including motor and actuator design, plastic injection molding, instrument design, electronics, opto-mechanics, fiber-optics, servo analysis.

Alan earned his BS in Mechanical Engineering from Cal Poly and his MS in Mechanical Engineering from San Jose State University.

Charlie Payne – Electronic & Firmware Engineer

Charlie is an accomplished engineer with extensive electrical engineering, electronic engineering and programming experience. He has helped launch more than 10 products, including the first hardware accessories for Palm Pilot and various complex medical devices.

CITATIONS

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