

# APPENDIX #2

## NOTES ON BUDGET FOR WIRED CANADA PROGRAM FOR THE CITY OF TORONTO

The Budget for the **WIRED CANADA** program, dated December 2008 (15 pages), outlines the Incremental Costs of the Toronto-only operation. It is important to consider that this program is part of a Canada-wide initiative, yet these Financials only reflect the City of Toronto operation. For example, Administration Salaries and Benefits, as well as Marketing and Advertising, reflect Expenses which are being incurred as part of a Canada-wide program.

### COMPUTERS INSTALLED

The **WIRED CANADA** program would place 1,000 Public Internet Access Desktop computers into various sites maintained by the Toronto Community Housing Corporation, and Toronto Parks, Forestry & Recreation.

All of the computers will be provided with Internet Access.

The computers will be installed at the rate set out in the Budget, and will be fully installed within the first year. These computers will be Leased for a three-year period. The computers will be phased out in Year #4, with the new computers brought in to replace them.

The success of The Oxford Group's **WIRED CANADA** program is based on providing Torontonians with a supply of Internet-ready computers. The maintenance of these computers will be managed by The Oxford Group, and the maintenance itself will be performed by the computer manufacturers and/or its designate. This partnership will be key, as the performance of the computers reflect not only on the reputation of The Oxford Group, but also on its Sponsors, as well as the City of Toronto.

The Oxford Group will be negotiating with the largest manufacturers, such as Dell Canada, Lenovo Group, and HP Canada, to not only provide the computers, but to service them as well. The computer supplier could thus become one of our primary partners, both as a sponsor and a partner with a vested interest in the success of the Program. This partnership will ensure that the computers are properly maintained.

When evaluating the proposal from prospective computer suppliers, The Oxford Group will ensure that the companies have efficient maintenance programs. It is not sufficient for the computers to be properly maintained; they also must be maintained in a timely manner. One of the major considerations in formulating the partnership with the computer supplier will be their ability to promptly maintain the computers for the **WIRED CANADA** program.

### TOTAL SALES

The cost for each "Launch Icon" to the Sponsor in Year #1 would be \$100,000. The price placed at that level even though there would not be a full complement of computers in place until the middle part of Year #1.

The Sponsor would only submit payment at a pro-rated rate of \$8.3333 per computer installed ( $\$100,000/1,000$  computers/12 months), per month, until all of the computers are installed by Month #7.

The incentive for the initial prospective Sponsors is two-fold. First, as outlined in the **MARKETING PROGRAM** section of the **WIRED CANADA** Business Plan, there is a limited number of "Launch Icons" on the computers' screensavers. Much like the advertising on the rink boards at Air Canada Centre, there is a certain "cachet" to this limited number of advertising opportunities. Oxford has divided their over 700 Sales Contacts into 60 Groupings. The Oxford program would provide exclusivity for the first year under the Primary Sales Contact Grouping heading to the relevant Sponsor as a Sales Incentive. For example, if the Bank of Montreal were to participate, the other large Banks would not have a "Launch Icon" on the computers.

Second, the Sponsor is provided with the “Right of First Refusal” in the second year. Using the previous example, the Bank of Montreal would be able to sign up for a second year before the “Launch Icon” would be offered to other Banks.

The **WIRED CANADA** program is based on providing 10,000 Public Internet Access computers across Canada over the initial five-year period. The program would not only be limited to Toronto, as the economies of scale could not be achieved on such a limited demographic. In order to attract sufficient numbers of “Tier 1” Sponsors, Oxford must make this program available across the rest of Ontario, and then the rest of Canada.

There are no SALES figures for the first four months to demonstrate that Oxford is not assuming that the Sales will be smooth in the start-up period, and that Oxford had planned for this in their Cashflow. The Sales Manager and Sales Assistants will commence at Month #1 to initiate the communication with the 700 Sales Contacts. The Sponsors Launch Icons will be installed at the following rate:

- Year #1 - 20 Sponsors; the final five Sponsors will be obtained in Month #7
- Year #2 – 25 Sponsors
- Year #3 – 25 Sponsors
- Year #4 – 30 Sponsors
- Year #5 – 30 Sponsors

The cost per Launch Icon for each Sponsor would be \$100,000 per year, payable minimally at the monthly rate of \$8,333 per month, once all computers are installed. The minimum length of the commitment for each Launch Icon would be 1 year.

The goal of the **WIRED CANADA** program is to increase the number of computers installed, first across the GTA, then Ontario, then the rest of Canada, while simultaneously increasing both the number of Sponsors and the cost of Sponsorship.

Each Sponsor would have to inform The Oxford Group three months prior to the end of the commitment whether they will be renewing for the following year. The Sales staff will be constantly expanding the list of potential additional Sponsors to replace any Sponsors that decline to participate in the following year. There will be at least double the number of Sales Grouping headings under which potential Sponsors could have their Icon placed on the computers. This flexibility will allow The Oxford Group to ensure that sufficient numbers of Sponsors are maintained.

## **COMPUTER LEASE COST**

The Toronto Budget assumes that only the 1,000 computers installed in Toronto in Year #1 will continue through for Years #2 to #5. The computers will be replaced during Year #4. The “First and Last Month’s” Lease for all 1,000 computers was allocated all in Year #1. The Computer Lease Costs vary from month to month in Year #1 as Oxford will not only be paying “First and Last Month’s” Lease, but Oxford will also be paying the Lease Costs on the Cumulative Total of the computers as the program moves from month to month.

The Computer Lease Cost was based on Toronto Community Housing Corporation and Toronto Parks, Forestry & Recreation receiving a combined total of 1,000 Desktop computers.

The computers will be of sufficient quality to ensure that they can handle reasonable daily use by the general public, on an on-going basis. As previously mentioned, the computers will be maintained by the computer supplier, and/or it's designate, not The Oxford Group, for the full term of the Lease.

The Oxford Group’s **WIRED CANADA** program will be acquiring 8,000 to 10,000 computers over the initial 5-year period for the Canada-wide program. The contracts for the new computers will be negotiated on an annual basis, in order to ensure that Oxford obtains the best price and service from the computer supplier.

The “best case” scenario would be to have continuity with one supplier over the course of the program; conversely, Oxford does not want to “put all of their eggs in one basket”. It is imperative that the computers supplier properly

maintain the computers placed in the City of Toronto sites through the period of the program, and it is with this goal in mind that Oxford will decide on the continuity of the computer supplier over the period of the program.

Based on this information, the Lease Cost for the 1,000 Desktop at \$1,800 would be \$50.00 per computer per month for a 36 month Lease.

The Lease Cost for the computers when they are first installed has an allocation for the "First and Last Month's Lease". When these computers are replaced after Year #3, this dual payment is not repeated.

The Oxford Group will not be over-committing to the number of computers leased during the first year. The Budget has been set up only to install the 1,000 computers for Toronto. In this manner, Oxford will ensure that the City of Toronto will be fully covered for the cost of the computers over the balance of the five-year program.

## **OFFICE EQUIPMENT LEASES**

This allocation is for computers, printers, copiers and other equipment which will be used in the small office.

An annual inflation rate of 3 percent has been included for Years #2 to #5.

There is no allocation on this Budget Line for equipment at the City of Toronto sites where the **WIRED CANADA** computers will be placed.

## **PHONE FAX AND INTERNET**

The allocation for this line gradually increases for the first six months, then increases to \$1,500 for the last six months of Year #1. Starting in Year #2, the allocation rises to \$2,000 per month.

An annual inflation rate of 3 percent has been included for Years #2 to #5.

## **OFFICE EXPENSES**

This allocation is for the general supplies used up on an on-going basis in the office environment.

An annual inflation rate of 3 percent has been included for Years #2 to #5.

## **MARKETING AND ADVERTISING**

The allocation of \$15,000 per quarter is to place advertisements in newspapers and/or business magazines as a means of attracting potential Sponsors.

These funds will also be used to acknowledge, through advertisements, the participation of the present Sponsors which are already involved in a sponsorship role in the **WIRED CANADA** program, thus providing the Sponsors with "additional mileage" for their advertising investment.

The \$15,000 per quarter rate remains constant throughout the program. As the **WIRED CANADA** Program continues, Oxford will be able to evaluate what marketing approach is most efficient, and focus these marketing funds in those specific areas.

## **TRAVEL AND ENTERTAINMENT**

This allocation is for Marketing and Sales calls. It is maintained at \$1,000 per month. This rate includes an allocation for inflation.

## AUTO EXPENSES

This allocation is for Marketing and Sales calls, as well as for visiting sites where the computers have been installed across Toronto. An annual increase of 10 percent has been added to cover the increased cost of operating the vehicles.

## LEASE ON FURNITURE & PRINTERS

### PRINTER COSTS

The printers will be provided on a cost-recovery basis.

The following assumptions have been made:

- More expensive Printers such as those used by the Libraries cannot be installed in other locations due to security concerns.
- There will be one Printer per group of 5 computers, referred to as a POD.
- There will be a maximum of 1,000 computers installed in sites operated by Toronto Community Housing Corporation and Toronto Parks, Forestry & Recreation. Therefore, 1,000 computers divided by 5 computers per POD equals a maximum of 200 printers that will be required.
- Each printer will cost a maximum of \$400.
- The Total Cost of the Printers would be: 200 Printers @ \$400 = \$80,000.

### FURNITURE COSTS

The following assumptions have been made:

- Toronto Community Housing Corporation would be providing their own furniture.
- Only Toronto Parks, Forestry & Recreation (TPF&R) will require furniture for this program.
- For the purposes of this calculation, assume that TPF&R will be receiving 500 Desktop computers.
- The computers will be installed in groups of 5 computers (called a POD) at each location.
- Each POD will have a printer, as previously stated.
- Each POD will have one large table, with 5 chairs.
- For the purposes of calculating the FURNITURE COSTS, assume that there will be 100 PODS, as there will be 500 computers divided into groups of 5 each.
- The cost of the table is \$1,000, and the cost of the chair is \$120 each, or \$600 for 5 chairs.
- The total cost for the furniture for one POD is \$1,600 (1 table and 5 chairs).
- There would be 100 PODS, for a total FURNITURE COST of \$160,000.

### TOTAL COST OF FURNITURE

Tables and Chairs	\$160,000
Printers	\$ 80,000
<b>TOTAL</b>	<b>\$240,000</b>

We do not know in what location or in what quantity Oxford will be installing the computers in the various Toronto Community Housing Corporation and Toronto Parks, Forestry & Recreation locations. Therefore, in order to ensure that the majority of possibilities were covered, extra funds were allocated in the Months #4, #5, and #6 to ensure that sufficient Furniture and Printers would be available.

The Lease Cost for the Printers and Furniture would be \$6,667 per month over 36 months.

- The furniture, much like the computers, will be installed in the various sites under the assumption that reasonable care will be taken. “Wear and tear” will occur over time, and some of the furniture will need to be replaced after three years. The LEASE ON FURNITURE AND PRINTERS continues for Years #4 and #5, to allow for the leasing of new tables and chairs over the final two years.
- The Printers will also be leased for 36 months, with new Printers replacing old ones at Months #36 to #40 approximately.
- The \$6,667 per month Lease Costs for the Furniture and Printers breaks down to approximately \$67 per POD for 100 PODS.
- The timing of the installation of the computers in Year #1 reflects the changing amount on the LEASE ON FURNITURE & PRINTERS line. Once all of the computers have been installed, the rate remains constant at \$6,667 per month.
- The printers are installed at a “cost recovery” basis. No allocation has been made for consumables such as paper and printer ink.

## **INTEREST ON LINE OF CREDIT**

Interest on the Line of Credit is calculated at a rate of 10 percent per annum. It will be calculated on a monthly basis based on the changing amount in the previous month's amount shown in the LINE OF CREDIT line. This LINE OF CREDIT line is shown at the bottom of each spreadsheet, and fluctuates between \$40,000 and \$350,000 per month for the first two years.

A flat amount of \$500 was placed in Month #1 of Year #1.

The Line of Credit will be eliminated at the end of Year #2.

## **LAUNCH ICON INSTALLATION**

As each new Sponsor is added, a new Launch Icon will have to be installed on the Master Screen. This line on the Budget applies to the installation of the Launch Icon, as well as such costs as the leasing of the necessary servers, monitoring the websites, and troubleshooting. It is important that Oxford allocate sufficient funds for the equipment and professionals to ensure that these Sites will be working properly and monitored on an on-going basis, as they reflect the reputation of the Sponsors, The Oxford Group, as well as the City of Toronto.

The allocation of \$5,000 per month will provide for the installation of the Launch Icons on an on-going basis, as well as maintaining the site. The monthly allocation throughout the year is not directly reflective of the number of Sponsors acquired during a specific month.

The allocation for Months #2 and #3 before the computers are installed addresses the labour and expertise required to set up the Launch Icons.

## **PROFESSIONAL FEES**

In order to develop and expand an on-going list of potential Sponsors, it is necessary to obtain memberships in various Business, Trade, and Marketing organizations. These memberships will assist in obtaining and maintaining ongoing business relationships for marketing purposes. These memberships will be fluid from year to year as Oxford ascertains the relative benefits of membership in each group. As the years progress, the funds will become better targeted at those groups and organizations which best fulfill the marketing needs of the **WIRED CANADA** program.

The allocation is for annual fees for the various groups, paid out over the first few months of each year.

## INSURANCE

### A. LIABILITY INSURANCE

An allocation for Liability Insurance in the amount of \$5,000,000 has been made to cover the equipment placed in the various City of Toronto sites by The Oxford Group.

As the computers and related equipment will not be installed until Month #4, the no allocation for this insurance has been made for the first two months of Year #1.

From Years #2 to #5, this allocation is repeated to reflect a constant number of computers, printers and furniture in the Sites.

### B. PROPERTY INSURANCE

The computers installed by The Oxford Group will be the responsibility of The Oxford Group, and Oxford will provide Property Insurance on the computers installed by Oxford.

The Desktop computers would be placed in the Toronto Community Housing Corporation (TCHC) and Toronto Parks, Forestry and Recreation (TPF&R) locations. The computers would be secured to the desks, and other security measures would be taken to ensure that the computers remain in the places where they are located.

It is in the vested interest of the **WIRED CANADA** program that these computers be available and functioning at all times. Working with the expertise of the staff at City Hall, as well as the staff at the various locations where the computers are to be placed, oxford will endeavour to ensure that losses of computers are kept to a minimum.

## RESPONSE INCENTIVE PROGRAM

It is important that Oxford receive on-going feedback from the various locations where the computers are installed. Oxford must ensure that the computers and other equipment are properly maintained, as they reflect on the reputation of the City of Toronto, the Sponsors, as well as The Oxford Group. Part of the role of the In-House Service Rep. will be to communicate with these sites on an on-going basis.

In order to create a receptive audience, Oxford will initiate periodic contests for small entertainment items, such as iPods, where all Sites participating in feedback for that period would be able to participate. This incentive program is simply a method of developing and maintaining an on-going relationship between The Oxford Group and the Sites.

A maximum allocation of \$500 per month, starting in Month #4 of Year #1, has been made.

No allocation for inflation was made as the number of prizes, and their value, will change from year to year, based on feedback from the people at the Sites.

## ADMINISTRATIVE SALARIES

As previously mentioned, the personnel listed under Administrative Salaries are for the on-going Canada-wide **WIRED CANADA** program. The number of people on staff for the **WIRED CANADA** operation is not reflective of a Toronto-only operation. Instead, they are reflective of a program which is starting in Toronto, expanding to the GTA, then the rest of Ontario, and finally across Canada.

These staff members will be focused on initiating and maintaining the Toronto program, while simultaneously working to expand the program across the rest of Canada.

These employees will be involved over the five-year period in developing and expanding the list of potential Sponsors, provide a liaison with the City of Toronto sites, as well as other sites, and working as a group to expand and maintain the **WIRED CANADA** program.

As the **WIRED CANADA** program grows, additional staff will be added to meet the needs of the expanded program.

The role of the SALES ASSISTANTS is to undertake on-going research in a number of media areas, such as the paper, Internet, and other electronic media, to develop potential Sales leads. Working with the Sales Manager, these leads will be developed, and customized Sales materials prepared, and sent out by the Assistants.

The SALES MANAGER will then follow up on these Sales letters, and initiate an on-going dialogue with the potential Sponsor.

Only the Sales Manager will meet with potential Sponsors.

An allocation for Part-Time Personnel has been made in the Budget in Year #1, for Months #3 to #8, in order to ensure that these computers, and the necessary desks chairs and printers, are installed at the minimum of distraction to City of Toronto staff at the various locations. These three Part-Time Personnel will be hired at a rate of \$13 per hour (\$10 plus 30%). These Part-Time individuals will be obtained through a recognized Temporary Employment Agency to ensure that they have sufficient insurance coverage to work at the various City of Toronto sites.

These Part-Time Personnel will be accompanied to all sites by the Operations Manager, who will provide hands-on direction for the installing of all computers and relevant equipment. The Part-Time Personnel #1 will start a few weeks early in Month # 3, and spend some extra time in Month #8, to ensure that there is a smooth transition of the computers and equipment into the City of Toronto sites.

## **BENEFITS**

This line is calculated at 30 percent of ADMINISTRATIVE SALARIES.

It covers the basic additional costs of employment, such as C.P.P., Employment Insurance, Vacation Pay, and Workers' Compensation.

## **BROADBAND ACCESS**

Broadband Access will only be provided by The Oxford Group to the City of Toronto under the **WIRED CANADA** program, to reflect the start-up status of the operation in Toronto.

The allocation for Broadband Access is based on the assumption that the computers will be installed at each site as a group of 5 computers, referred to as a POD.

The rates of Broadband Access have been allocated at the following average amounts:

- Year #1        \$30 per month/computer
- Year #2        \$35 per month/computer
- Year #3        \$40 per month/computer
- Year #4        \$45 per month/computer
- Year #5        \$50 per month/computer

The City of Toronto recently sold Toronto Hydro Telecom, a subsidiary of Toronto Hydro, to Cogeco Cable for \$200 million. As stated in the City of Toronto Press Release dated June 13, 2008,

“Toronto Hydro Telecom owns and operates more than 450 kilometres of fibre optic network connecting more than 500 buildings throughout Toronto, and owns and operates the largest WiFi network in North America. The City of Toronto will continue to retain ownership rights and access to four strands of the fibre optic network. In addition, the access to critical fibre optic networks will be available to libraries, community organizations through City facilities, including services within priority neighbourhoods, where public buildings could be connected to the City's four strands of the fibre optic network.”

Working with the City of Toronto, and/or Cogeco Cable, the **WIRED CANADA** computers could be linked up to the Internet via this network, especially since it carries the data at "...an incredibly fast rate of one Gigabit per second – up to 10 times faster than the speed at which data is transferred through typical residential Internet lines."

Cogeco Cable has made a large financial investment in WiFi in Toronto, and will want an opportunity to demonstrate its Internet advantages to Torontonians. This demonstration opportunity would be achieved through the **WIRED CANADA** program. Alternatively, the Internet Access could be provided through a combination of Rogers and/or Bell Canada.

## **CITY OF TORONTO**

An allocation for a Dedicated Revenue Stream for the City of Toronto has been provided. This Dedicated Revenue Stream will only be provided by The Oxford Group to the City of Toronto under the **WIRED CANADA** program, to reflect the start-up status of the operation in Toronto.

An allocation has been made in the last month of each year. This amount includes an allocation for incremental costs incurred for electricity to operate the equipment provided under the **WIRED CANADA** program.

An allocation for the use of electricity and facilities of \$750 per month for Months #4 to #12 in Year #1 has been made.

The allocation for Year #1 will be paid, as indicated in the Budget, in Year #2.

- Year #1      \$110,000
- Year #2      \$115,000
- Year #3      \$120,000
- Year #4      \$120,000
- Year #5      \$120,000

## **LINE OF CREDIT**

A Line of Credit will provide supplementary funds, as required, over the initial two years of the **WIRED CANADA** program for the City of Toronto.

This Line of Credit will fluctuate between \$40,000 and \$350,000 over the course of the first two years.