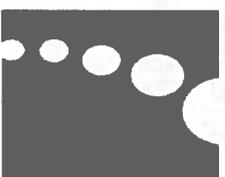


**LPAG**

**Implementation Plan and Proposed Budget**

**September 24<sup>th</sup> 2012**

**Presented by:**



**REBOUND  
SOLUTIONS**

# Today's Objective

Today we will cover the implementation plan required to move this from concept to reality. Specifically,

1. Key assumptions required for implementation
2. Implementation options for consideration
3. Reviewing the implementation options
4. Overviews of budget
5. Discussion and open questions

# Implementation Assumptions

1. Minimum age to participate in auctions is 18.
2. There will be no residency requirements to participate in the auctions.
3. The current perpetual registration number license will stay in place but may be shortened to a maximum holding period e.g. 3-5 years at some point in the future.
4. There will be a novelty plate available for buyers who reach a sale price threshold of \$100,000 if the buyer chooses to hold the registration number but not request that a license plate be issued.
5. Buyers will need to provide the following personal information to participate in an auction:
  - a) Last name, first name, middle name
  - b) Current physical street address
  - c) Phone number
  - d) Email address
  - e) Credit card number and expiration date
  - f) Date of birth
6. Available Registration numbers may be auctioned at any time.
6. Registration numbers do not include the plate type, inventory type or vehicle type.
7. DOR may provide owner information to the LPAG (for personalized plate holders) at some point in the future to facilitate resale of currently reserved registration numbers.
8. DOR will not contact the auction winner to determine the plate type on which the winner desires to place the registration number. The winner of the auction may start the process to produce a plate if so desired and if DMV requirements are met.
9. The auction winner does not have to title a car unless they want the actual plate.
10. A citizen can have multiple registration numbers and have a plate that is not considered a high value plate.
11. Only Colorado citizens can title a vehicle (request a plate).

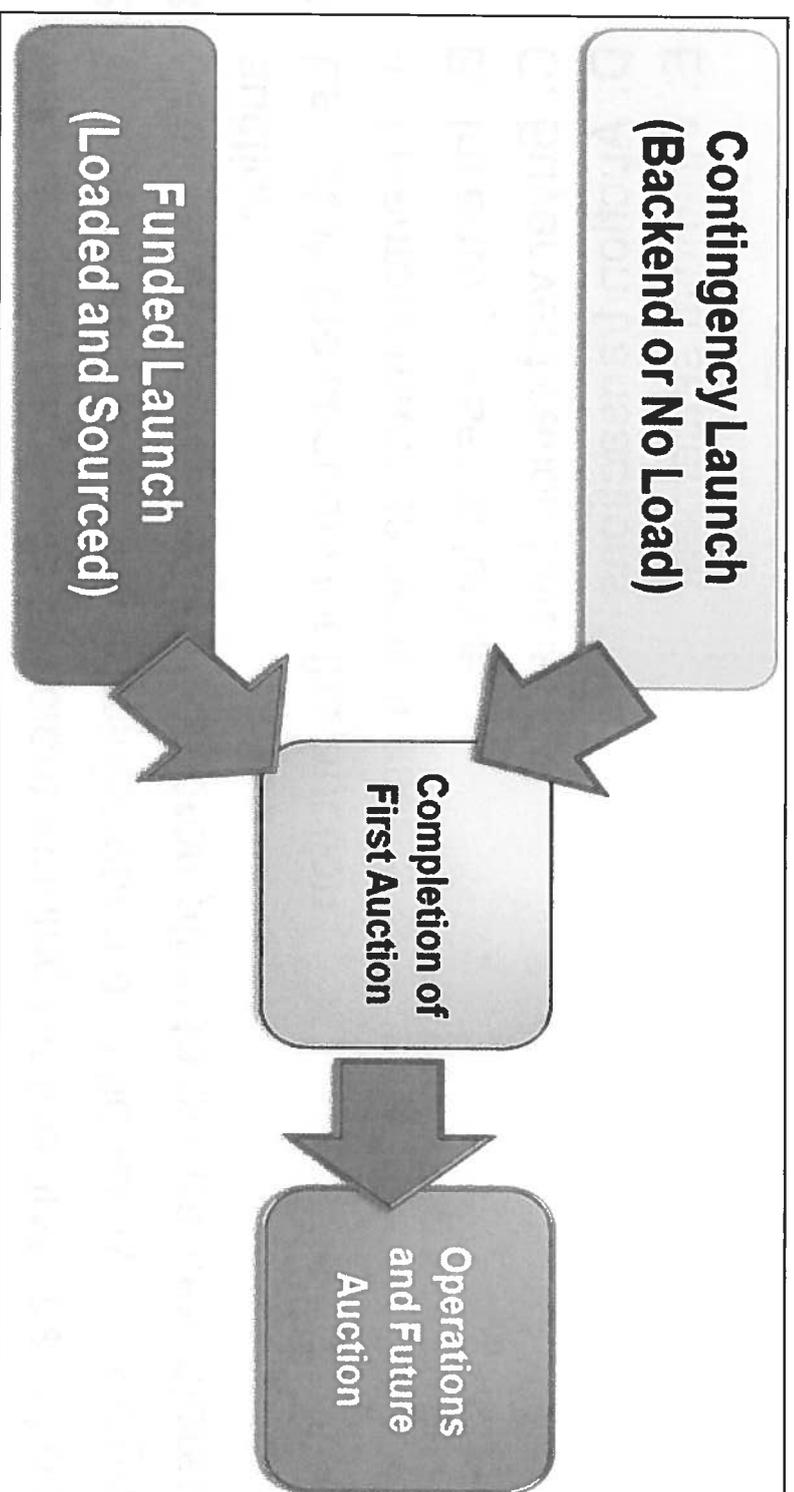
# Risks

1. The financial viability of this auction model is at risk unless some improvements can be made to the implementation resources available.
2. There is a risk that the high value combinations could be purchased well below market values. This would negate the longer term speculative values, driving demand down, and eventually creating a program that is more expensive to administer than the “profits” it brings forward.
3. The absence of key competencies such as worldwide marketing and conducting world class auctions is also a risk. In addition the State has little to no experience in packaging high value registration numbers into lucrative and appealing buyer draws. Outsourcing is one way to mitigate these gaps.

# Goals for the First Auction

1. Successfully generate sufficient funding for the first year of operations
2. Establish and setup the administration and fiduciary Oversight
3. Setup effective marketing and promotion to the parties interested in the auction
4. Establish the controls for the auction
  - A. Inventory management of assets
  - B. Inventory reserve levels
  - C. Buyer verification levels
  - D. Auction transactions
  - E. Financial settlement

# Understanding Implementation Options



**Contingency Launch:** This is based upon no front-end financial investment for the first auction.

**Funded Launch:** The first auction is funded and more widely marketed.

# Understanding the Options

## Contingency Launch (Backend or No Load)

### Requirements:

- Willingness of the Governor to promote and market
- Sponsored or contingent services (payment rendered from revenues)

### Advantages:

- Little to no investment required
- Lower human capital overhead
- Minimal policy and statutory changes
- Relatively simple to launch
- Could do this immediately

### Risks:

- Potential smaller revenues by reaching smaller market
- Competency may be lower as far as marketing and auction expertise

## Funded Launch (Loaded and Sourced)

### Requirements:

- Funding and marketing pitch to launch
- Willingness of Governor to promote the auction
- Requires expertise to select the best vendors
- Requires statutory change on 5% allocation

### Advantages:

- Should result in wider market and higher revenue
- Validates the market costs for services
- Still uses commission model for incentives
- Competencies are more capable to attract buyers and manage the auction

### Risks:

- Pass legislation or new rule on 5%
- Will require more time and complexity
- More pressure on building a successful launch
- Requires sufficient funding

# The Contingency Option

<b>Task</b>	<b>Who?</b>	<b>By When?</b>
<b>Make final decisions on program assumptions and requirements</b>	LPAG and AG	Oct 31, 2012
<b>Produce low budget marketing strategy</b>	LPAG and Governor's Office	Oct 31, 2012
<b>Identify lead resource to manage the auction</b>	LPAG and Governor's Office	Oct 31, 2012
<b>Confirm plate inventory for first auction</b>	LPAG	November 15, 2012
<b>Design auction – including financial settlement</b>	LPAG	November 15, 2012
<b>Conduct first auction</b>	LPAG and Governor's office	December 15, 2013
<b>Financial settlement</b>	Vendor	December 30, 2013

# The Funded Option

Task	Who?	By When?
Finalize budget and discuss with JBC staff	LPAG	Oct 31, 2012
Make final decisions on program assumptions and requirements	LPAG and AG	Oct 31, 2012
Develop fundraising business plan	LPAG	November 15, 2012
Secure funding	LPAG	December 15, 2012
Produce management and communication contracts to secure vendors.	LPAG	Oct 31, 2012
Select and contract vendors to manage the auction and all marketing activities	LPAG and part time contractor	Jan 1, 2013
Adjust 5% threshold (legislation change)	LPAG	January 31, 2013
Confirm plate inventory for first auction	Vendor and DOR	January 31, 2013
Launch marketing campaign around the first auction	Vendor	January 31, 2013
Setup financial settlements and other auction controls	Vendor	March 31, 2013
Conduct first auction	LPAG and Governor's office	April 15, 2013
Financial settlement	Vendor	April 30, 2013

## Funded Option: Vendors

Skill Type	Skill Level	Length of Time Needed to Contract
Auction Management	Proven experience in building and sequencing assets to be auctioned. Understanding of financial settlement and other business processes.	3 to 4 months
Auction marketing and advertising	Proven experience in global auction marketing and advertising	3 months

# Conservative Budget Model

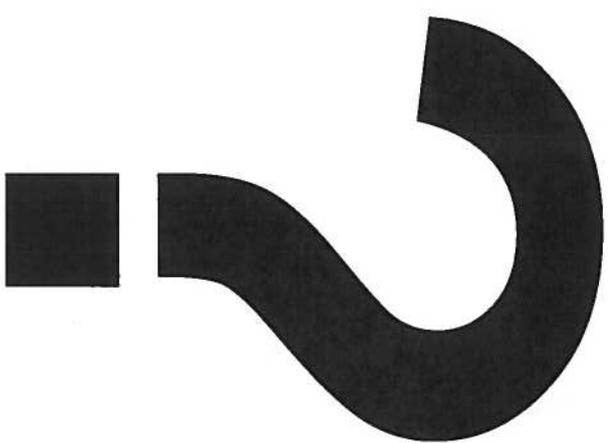
LPAG Budget Summary						
Conservative						
REVENUE						Totals
Auction Revenue	Auction No. 1	Auction No. 2	Auction No. 3			
	\$ 415,000	\$ 525,000	\$ 1,090,000			
<b>FY 12-13 Total Auction Revenue</b>						<b>\$ 2,030,000</b>
<b>EXPENSES</b>						
<b>Implementation</b>						
Marketing & Communication @1%	\$ 4,150	\$ 5,250	\$ 10,900	\$ 20,300		
Auction Costs @4%	\$ 16,600	\$ 21,000	\$ 43,600	\$ 81,200		
Subtotal Implementation Costs				\$ 101,500		
<b>Administrative</b>						
Program Management @4%	\$ 16,600	\$ 21,000	\$ 43,600	\$ 81,200		
Office Costs @ 1%	\$ 4,150	\$ 5,250	\$ 10,900	\$ 20,300		
Subtotal Administrative Costs				\$ 101,500		
<b>Net Revenue FY12-13</b>						<b>\$ 1,827,000</b>

# Aggressive Budget Model

## LPAG Budget Summary

Aggressive

REVENUE	Auction No. 1	Auction No. 2	Auction No. 3	Totals
Auction Revenue	\$ 1,245,000	\$ 1,575,000	\$ 3,270,000	
<b>FY 12-13 Total Auction Revenue</b>				<b>\$ 6,090,000</b>
<b>EXPENSES</b>				
<b>Implementation</b>				
Marketing & Communication @1%	\$ 12,450	\$ 15,750	\$ 32,700	\$ 60,900
Auction Costs @4%	\$ 49,800	\$ 63,000	\$ 130,800	\$ 243,600
Subtotal Implementation Costs				<b>\$ 304,500</b>
<b>Administrative</b>				
Program Management @4%	\$ 49,800	\$ 63,000	\$ 130,800	\$ 243,600
Office Costs @1%	\$ 12,450	\$ 15,750	\$ 32,700	\$ 60,900
Subtotal Administrative Costs				<b>\$ 304,500</b>
<b>Net Revenue FY12-13</b>				<b>\$5,481,000</b>
<b>Note:</b>				
Sample Sotheby's Art Auction fees: 25% on art priced up to \$20,000 and on more expensive works, 20% on the first \$500,000 and 12% thereafter.				
	\$ 795,800		13.07%	



# Questions & Discussion

