

CONFIDENTIAL INFORMATION MEMORANDUM

Acquisition Opportunity

The **CHRONICLE** *of the* **HORSE**

America's information resource for equestrian sport since 1937.

and Related Media Properties



October 2012

TESTIMONIALS

The **CHRONICLE** of the **HORSE** ◀

The *Chronicle of the Horse* ■ P. O. Box 46, Middleburg, VA 20118 ■ 540.687.6341 ■ www.chronofhorse.com

America's leading sport horse magazine for 75 years.

"The most important horse magazine in the nation."

David O'Connor

US Equestrian Federation President
2000 Olympic Gold Medalist Individual Eventing

"I have started every week with The Chronicle since 1950."

George Morris

USET Show Jumping Chef d'Equipe (2005-2012)
1960 Olympic Silver Medalist Team Show Jumping

"Required reading for any dressage rider."

Robert Dover

Four-time Olympic Bronze Medalist Team Dressage

"I can't imagine any serious competitor not getting it."

Don Stewart, Jr.

Leading Show Hunter Trainer

"I have subscribed for 20 years. It's how I stay informed."

Gina Miles

2008 Olympic Silver Medalist Individual Eventing

David O'Connor- Subscriber for more than 30 years.



IMPORTANT NOTICE**THE CHRONICLE OF THE HORSE**

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The information contained herein has been prepared to assist interested parties in making their own evaluation of the Company and does not purport to be all-inclusive or to contain all of the information that a prospective buyer may desire. In all cases, interested parties should conduct their own investigation and analysis of the Company and the data set forth in this Memorandum. M&A has not independently verified the information contained herein, including the projections and assumptions on which the projections are based. Neither M&A nor the Company make any representations or warranties as to the accuracy or completeness of this Memorandum and shall not have any liability for any representation (expressed or implied) contained in, or for any omission from, this Memorandum or any of the written or oral communications transmitted to the recipient in the course of its evaluation of the Company. The only information that will have any legal effect will be specifically represented in mutually executed definitive purchase agreements, and under no circumstances will such definitive agreements contain representations with respect to financial projections.

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The Company intends to conduct its business in the ordinary course during the evaluation and offer period; however, the Company reserves the right to take any action, whether in or out of the ordinary course of business, which it deems necessary or prudent in the conduct of such business.



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Introduction / Overview – The Chronicle of the Horse, Inc. (“COTH” or the “Company”) owns and publishes *The Chronicle of the Horse*, the leading resource for sport horse enthusiasts in America for 75 years, and its complementary website, chronofhorse.com. Launched in 1937 as a local publication, *The Chronicle of the Horse* quickly evolved into a national resource for sport horse news. Headquartered in Middleburg, VA with additional operations in Austin, TX, COTH generated revenue of \$2.5 million in 2011. The Company has 17 employees and utilized 7 contractors as of September 2012.

Ownership and Structure – COTH is a Virginia subchapter S corporation owned by Whitewood Stable, Inc., a Delaware subchapter S corporation. The Company is ultimately owned and controlled by a trust for the Ohrstrom family.

Products – *The Chronicle of the Horse* and chronofhorse.com are the centerpieces of a multiple media company focused on high performance equine sport and lifestyle in America. From its earliest days of publishing, *The Chronicle of the Horse* has played an important role in the growth and development of the sport horse industry in America. The Company’s products are shown below.



The Chronicle of the Horse Magazine



Chronofhorse.com



Chronicle Connection



Calendars

Market Position – *The Chronicle of the Horse* is the leading resource for sport horse news in America. It is also that category's progenitor. The magazine's strong position is exemplified by the strength of its digital assets, specifically chronofhorse.com, which is the world's largest non-racing equine website with over 230,000 unique visitors per month. It is the fifth largest global equine site overall according to Alexa, a third party web information company.

Subscriber Base -- The Company’s mystique and ability to attract an upscale, highly involved readership have come from a protection of a very traditional brand over many decades. To enhance the brand and begin moving to a slightly more modern presentation, the Company relaunched its website in the fall of 2009 and debuted a redesigned magazine in April 2012. As of September, 2012, COTH had approximately 12,500 paid print subscribers at an annual rate of \$59.95.

Strategic Considerations – COTH consists of **America's premier sport horse magazine and website** as well as other media properties. The Company has an **iconic brand**, a **loyal, affluent subscriber base** and a **growing digital presence**.

- **Iconic Brand** – Tracing its roots back to 1937, the Company is *the* national resource for sport horse news.
- **Affluent, Loyal Readership** – *The Chronicle of the Horse* subscribers are one of the most affluent magazine audiences in the world with an average household income of \$263,500. 86.2% consider the Chronicle better than its competitors.
- **Digital Presence and Growth** – *COTH's* website, chronofhorse.com, is a top five global site in its respective niche. The Company is projecting digital revenues will make up approximately 16.5% of total revenues in 2012, up from just 4.8% in 2009.
- **International Appeal** – *The Chronicle of the Horse* is an international magazine and brand. More than 30% of chronofhorse.com traffic is from countries other than the U.S.
- **Limited Competition** – *The Chronicle of the Horse* faces almost no direct competition in print. Online, there are competitors in terms of traffic, but not in terms of advertising or core audience.
- **Advertising Leadership** – *The Chronicle of the Horse* carries more advertising pages than any other sport horse magazine in America and Year-to-Date (YTD) ad revenue per published issue is up 25% through August 2012 versus August YTD 2011.
- **Management Team** – COTH is led by Carl Mullins, an experienced special interest magazine operator, Beth Rasin, associate publisher/ executive editor and Joanie Vergo, general manager and CFO. They lead a team of dedicated employees with deep knowledge of and connections to the equestrian and publishing communities.
- **Improving Operating and Financial Metrics** – The Company has implemented several initiatives over the last few years focused on stabilizing the print business and growing digital revenues. These efforts have been successful and have resulted in improved operating and financial metrics. They have also positioned the Company for future growth.
- **Growth Opportunities** – The Company has identified numerous opportunities to build brand awareness, expand its audience, increase circulation, grow advertising and otherwise increase revenues and is pursuing strategies to do so.

Financial Overview – The Company's summarized financial performance, key metrics and projected results are shown below. The Company experienced significant revenue losses from 2008 into 2009 but did not make any meaningful expense reductions to offset this. Revenues continued to decline in 2010 and in the summer of 2010, ownership brought in Carl Mullins to evaluate the business and offer recommendations. Supported by ownership, Carl and the Company implemented several initiatives starting in the 4th quarter of 2010 that have resulted in revenues trending up, circulation leveling out, and the Company experiencing healthy increases in total audience engagement. In 2011, the focus was on reducing expenses while working to stabilize revenue streams. The plan started gaining solid traction by early 2012 with profitability trending towards breakeven in late 2013.

COTH -- Metrics and Summary Income Statement (\$s in 000s)							
YE 12/31	2009	2010	2011	2012P	2013P	2014P	2015P
Metrics							
Frequency	52	52	46	40	40	40	40
Average Circulation	14,557	12,510	12,209	13,010	14,000	14,500	15,500
Revenue	\$2,933	\$2,587	\$2,515	\$2,604	\$2,985	\$3,304	\$3,623
Revenue Growth	-19.0%	-11.8%	-2.8%	3.6%	14.6%	10.7%	9.6%
EBITDA	(\$659)	(\$900)	(\$435)	(\$231)	(\$54)	\$190	\$323
EBITDA Margin	-22.5%	-34.8%	-17.3%	-8.9%	-1.8%	5.8%	8.9%

COTH's financial statements are reviewed by Bullock & Associates CPAs, a Leesburg, Virginia based public accounting firm. The Company's financial statements are reviewed as part of Bullock & Associates' engagement with Whitewood Stable, Inc. More detailed financial information is provided in *Section VII – Financial Overview*.

Transaction Rationale -- COTH has been operated to serve the sport horse enthusiast and not as a business focused on profitability. Current ownership and management has laid the foundation to pursue a multi-media strategy and return the business to profitability. However, the members of the owning family have different objectives and interests outside of COTH and believe the Company would benefit from new ownership.

Historically, *The Chronicle of the Horse* and its related media properties have been operated to serve the sport horse enthusiast and not as a business focused on profitability. Current ownership has recognized this and while committed to a multi-media philosophy, they have come to realize the limitations of being a single brand publisher. As a stand-alone brand, COTH has not benefited from inclusion in a group of compatible titles to enhance its performance, whether by selling incremental subscriptions (through the use of existing databases or cross promotions to other magazine buyers) or incremental advertising (through the packaging of compatible titles). COTH's revenue growth could be accelerated if the magazine were a part of a larger group of compatible titles. With its attractive reader demographics, *The Chronicle of the Horse* would be a strong complement to any magazine package targeting upscale consumer advertisers.

In addition, the members of the owning family have different objectives and interests outside of COTH. Based on this, they have determined that COTH would benefit from a new owner with a broader platform. The Company has been a part of the Ohrstrom family for decades, and they wish to see it prosper again and are confident this can be accomplished via a transaction that places it in good hands.

The process below will be followed according to a defined timetable distributed in a separate letter to prospective buyers. Interested buyers should carefully review and analyze all the information in this Memorandum.

- We encourage direct dialogue with M&A to provide a deeper understanding of the nature of the Company, the management team, the context of the transaction and the future opportunities;
- Interested parties will be asked to submit a preliminary indication of interest which will include a nonbinding indication of value among other things;
- On the basis of the indications of interest, selected parties will be invited to meet with the management team and will be supplied a draft purchase agreement;
- After management meetings, site visits, and due diligence, interested parties will make firm, formal proposals that will include purchase price, structure, timing and any special terms and conditions. These proposals must be accompanied by a mark-up of the draft purchase agreement, and an outline of financing proposals as appropriate; and
- The Company will determine which buyer or group of buyers will participate in formal discussions to structure and close the transaction.

All interested parties should call Mazzone & Associates to discuss the opportunity and to resolve any questions or concerns arising from our process or timetable. In no event should any person at the Company be contacted directly.



COTH consists of **America's premier sport horse magazine and website** as well as other media properties. The Company has an **iconic brand**, a **loyal, affluent subscriber base** and a **growing digital presence**. These and other strengths and advantages are highlighted below.

Iconic Brand – Tracing its roots back to 1937, the Company is *the* national resource for sport horse news.

Subscriber Base

- **Affluent, Educated Readership** – *The Chronicle of the Horse* subscribers are one of the most affluent magazine audiences in the world with an average household income of \$263,500. Approximately 77% have graduated college, and the average land owned is 57 acres. Because of its solid reporting and affluent reader profile, the magazine has frequently been referred to as the *Wall Street Journal* of the sport horse industry.
- **Reader Loyalty and Commitment** – *The Chronicle of the Horse* subscribers exhibit an exceptional degree of loyalty. Chronicle print subscribers renew at a rate of 76% and pay \$59.95 per year for a subscription, two indicators of their high level of commitment to the magazine. A recent satisfaction survey indicated that 93% have accepted the recent cover and design changes with 15.4% saying they love the new look. 86.2% consider the Chronicle better than its competitors.

Digital Presence and Growth – *The Chronicle of the Horse's* companion website, is a top five global site in its respective niche. The chronofhorse.com site has the potential to drive profitable growth for this franchise. That growth is beginning to be realized with digital revenues projected to increase by over 35% in 2012 compared to 2011 levels. YTD web revenues are up 62.1%. The Company is projecting digital revenues will make up approximately 16.5% of total revenues in 2012, up from just 4.8% in 2009.

Market and Market Position

- **Enduring Enthusiast Market** – The equine industry in America is comprised of more than one million horse owning households. Of the million plus households, approximately 30% ride in a hunt seat or “English” style saddle. These riders comprise the core market for *Chronicle* products. Management believes that the expanded product line beginning with chronofhorse.com and *The Chronicle Connection* is allowing the Company to capitalize on its brand and expand beyond the top 5% of the core market.
- **International Appeal** – *The Chronicle of the Horse* is an international magazine and brand. Outside of Canada, more foreign subscribers choose digital delivery over print. More than 30% of chronofhorse.com traffic is from countries other than the U.S.
- **Excellent Position in a Strong Market** – *The Chronicle of the Horse* faces almost no direct competition in print. Other titles cover sport horse disciplines, but not with in-depth news reporting on multiple sports. Online, the British title, *Horse and Hound*, is a close competitor to chronofhorse.com in terms of traffic, but not in terms of advertising or core audience.

Advertising Leadership – *The Chronicle of the Horse* relies on a large base of advertisers and carries more advertising pages than any other sport horse magazine in America. In 2012, *The Chronicle of the Horse* will have over 1,000 pages of advertising in its 40 issues. Ad revenue per published issue is up 25% through August 2012 versus August YTD 2011

Management Team – COTH is led by its president and publisher Carl Mullins. Carl has over 20 years in the media / publishing industry including over 15 with special interest magazines. Beth Rasin serves as the Company's associate publisher and executive editor, is widely respected in the industry and has been with COTH for over 15 years. The Company's general manager and CFO Joanie Vergo has a strong background in public accounting and operations. The senior management team leads a team of dedicated employees with deep knowledge of and connections to the equestrian and publishing communities.

Improving Operating Metrics – In the summer of 2010, ownership brought in Carl Mullins, an experienced special interest magazine operator, to evaluate the business and offer recommendations. After extensive strategic planning with the management team, a new plan was put in place for 2011 with an emphasis on stabilizing the print business and focusing on growing digital revenues. The results include the following:

- **Circulation** – Brought in-house and stabilized.
- **Sales Team** – After two years of turnover, the advertising sales team was stabilized.
- **Number of Print Issues** – The frequency was changed to 46 issues annually in 2011 and reduced further to 40 issues in 2012 with no decrease in annual subscription rate.
- ***The Chronicle Connection*** – A digital magazine with unique content was launched in January 2011.
- **Print Subscriptions** – *The Chronicle of the Horse* paid print readership should end the year up for the first time in over 12 years with circulation revenues also rising slightly.
- **Secondary Audience Growth** – Website use and social media engagement have been significant. Total, unique and new visits to the website are all up as are mobile visits, Facebook "likes", Twitter followers, etc.

Improving Financial Performance – These changes highlighted above along with appropriate reductions in spending made dramatic improvements in the financial health of the Company and have it poised for the next phase of growth.

Growth Opportunities and Growth Potential – The Company has identified numerous opportunities for growth including the ones listed below. See *Section VI – Growth Opportunities* for more information.

- **Building Brand Awareness and Expanding the Audience** – COTH has already begun testing digital extensions of the brand and secondary audiences provide a very cost effective base to build additional products. These audiences are younger and not as wealthy as the print readers, but are still very affluent and are great prospects for COTH products.

- **Increasing Circulation** – In addition to building awareness and expanding the audience, the Company is looking to grow within its current market, utilize its technology platform to drive growth, leverage affiliates and offer premium access content to drive growth.
- **Growing Advertising** – Advertising revenues are increasing in 2012. This has been accomplished by emphasizing relationships with the top 100 accounts and having an editorial focus for each issue. These trends should stay in place for 2013 and beyond. Digital ad revenue is expected to almost double from 2010 to 2012; digital ad growth has come from a better use of inventory and new ad positions that are driving demand. With healthy increases in unique visitors to the site, COTH's ad partners understand the value proposition of a chronofhorse.com schedule and the sales team is doing a good job of incorporating web exposure in every ad proposal being presented.
- **E-Commerce Merchandise Opportunity** – OTH plans to launch a boutique area on its site in early 2013 to showcase unique, one-of-a-kind items including a variety of vintage, handmade items and equine art.
- **Book and Calendar Publishing** – The Company is developing a book publishing program committed to publishing at least one book per year and will be selling its first calendar this fall with three more planned for 2013.

A. Industry Overview

The horse industry is a very large and important part of the national, state and local economies. It is diverse, involving agriculture, business, sport, gaming, entertainment and recreation. The most recent national economic study was done by Deloitte Consulting LLP for the American Horse Council Foundation in 2005. A few of the highlights of the study include:

- There are 9.2 million horses in the United States. About 2.7 million or 29% of these are used in showing and competition.
- 4.6 million Americans are involved in the industry as horse owners, service providers, employees and volunteers. Tens of millions more participate as spectators.
- 2 million people own horses accounting for just over 1 million households.
- The horse industry in three of the top states for sport horse ownership and participation (California, Florida and Virginia) produces goods and services valued at \$8.3 billion.

The sport horse segment of the horse industry has been fairly stable since 2000 despite two serious economic recessions. Individual studies done for states show participation levels to be consistent. The total number of households in America participating in sport horse competitions has remained steady with a strong association base to support competitions. The oldest association, The United States Eventing Association, began in 1960 as the USCTA. The United States Dressage Federation started in 1973. The largest segment of the sport horse industry, show hunters and jumpers, has seen growth corresponding with the development of The United States Hunter Jumper Association in 2004. Prior to 2004, show hunters and jumpers were organized under the American Horse Shows Association. The AHSA eventually became the United States Equestrian Federation, the national governing body of all the sports COTH covers.

Sport horse enthusiasts comprise some of the most affluent horse owning homes in America. During recent research and list compilation for its direct mail campaign, COTH identified over 150,000 unique enthusiast households for show hunters/jumpers, dressage and eventing. These households are either current members of one of the three associations previously mentioned, have identified themselves as enthusiasts of a top discipline while purchasing products during the past six months, or are current subscribers of other top American sport horse magazines.

B. Competition

The Company faces almost no direct competition in print. Other titles cover sport horse disciplines but not with in-depth news reporting on multiple sports. Online, the British title, *Horse & Hound* (www.horseandhound.co.uk) is a close competitor to chronofhorse.com in terms of traffic but not in terms of advertising or core audience. Direct and indirect competitors are discussed below.

The Chronicle of the Horse is a newsmagazine for the sport horse industry. There are no print publications that publish with the same frequency or focus on news and analysis of sport horse competitions. The publication does, however, compete for readers' time and for ad dollars with the following publications:

Print Competitors -- <i>The Chronicle of the Horse</i>	
<i>Covertside</i>	<i>In Stride</i>
<i>Dressage Today</i>	<i>Practical Horseman</i>
<i>Eventing USA</i>	<i>Sidelines</i>

Online, COTH competes with the following sites:

Online Competitors -- www.chronofhorse.com	
dressagedaily.com	horseandhound.co.uk
dressage-news.com	horsenation.com
equine.com	phelpssports.com
equisearch.com	usefnetwork.com
eurodressage.com	useventing.com
eventingnation.com	worldofshowjumping.com

In addition to the publications and websites listed above, COTH also faces indirect competition for specific types of advertising dollars from the following titles:

- Lifestyle – *Equestrian Lifestyle*, *Equestrian Quarterly*
- Breeding – *Warmbloods Today*
- Health – *The Horse*, *Stable Management*

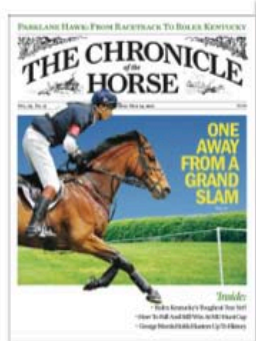
A. Introduction

The Chronicle of the Horse started in 1937 as *The Middleburg Chronicle*. Over the past 75 years, the magazine has played an important role in the development and growth of the sport horse industry in the United States. Originally organized to publish just a magazine, the Company is committed to a branding strategy that includes online and interactive media, special targeted publications, a robust private party marketplace, book publishing and commissioned sales of unique, sport horse art and home décor items as well as a greater emphasis on digital subscriptions.

The Company's goal is to dominate its market. Management believes that the COTH franchise has the potential to further capitalize on a growing global brand and has begun executing some aspects of an aggressive plan for the next two years. The Company is expanding into complementary media to enhance the brand engagement with its paid and non-paid audience. COTH has evolved into a multi-media company targeted to the most affluent segment of the equine participatory and lifestyle audience. The Company's products and publications, audience, design and recent initiatives are discussed below. The sections that follow provide more detail on *The Chronicle of the Horse* magazine and the chronofhorse.com website as well as other aspects of the Company.

Products / Publications

COTH's current and proposed products are listed below. As noted, more detail about the magazine and the website including focus, demographics, etc. are in the sections that follow.



The Chronicle of the Horse Magazine

SINCE 1937

- ▶ **12,518 Paid Subscribers**
- ▶ **2010 AHP Award**
- "Best Magazine in Class"
- ▶ **2010 USEF Pegasus Media Awards**
- "Best General Publication"



Chronofhorse.com

SINCE 1998

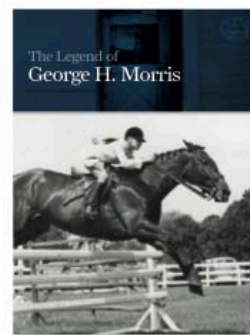
- ▶ **230,000 unique users/mo**
- ▶ **2011 & 2012 AHP Award**
- "Best Equine Website"
- ▶ **Digital Marketplace**



Special Target Publications

SINCE 2011

- ▶ ***The Chronicle Connection***
- ▶ **Stables and Estates Real Estate Guide**
- ▶ **COTH Breeder Directory**



Books & Other

COMING SOON





- ▶ **Annual Calendars**
- ▶ **George Morris**
- ▶ **American Olympics Legends**
- ▶ **Eventing Legends**
- ▶ **Dressage Legends**
- ▶ **Show Jumping Legends**

Current Audience and Social Media Statistics

The Company's mystique and ability to attract an upscale, highly involved readership have come from a protection of a very traditional brand over many decades. To enhance the brand and begin moving to a slightly more modern presentation, COTH relaunched its website in the fall of 2009 and debuted a redesigned magazine in April 2012. In addition, *The Chronicle of the Horse* paid print readership should end the year up for the first time in over 12 years. However, the real growth, and potential for significant revenue increases, has come in the Company's secondary audiences. Below are statistics for September 2011-August 2012 unless noted:

- Total visits on chronofhorse.com – up 19% to over 9.83 million
- Unique users on chronofhorse.com – 46% increase to 2.56 million
- New visitors on chronofhorse.com – 24.71% increase
- Mobile Visits – 19.3% of total traffic (up 165%)
- 18,237 forum registrations in last year – 6% increase
- 33,645 Facebook fans “likes” – 78% increase since April 2011
- 11,261 Twitter followers – 134% increase since April 2011

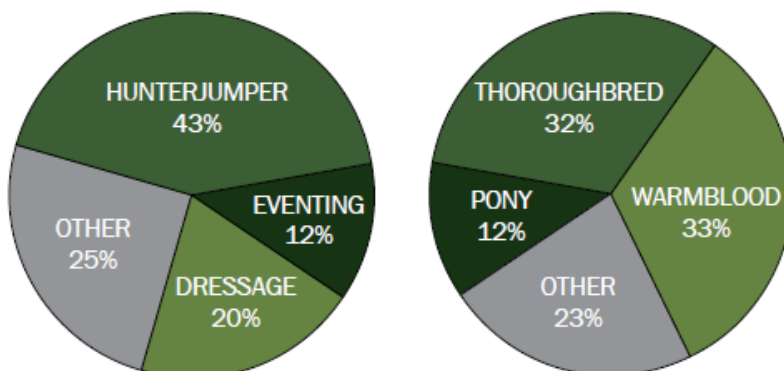
Additional statistics for the Company's products and social media presence are listed below along with gains for each since November 2011.

	Current Stats	Since. Nov. 2011
<i>The</i> CHRONICLE of the HORSE	12,503 Paid Readers	\$ per issue +21.4%
chronofhorse.com	230,000+ unique users / month	Ad rev. +62.4%
Opt-in email addresses	138,754 active	99.30%
Chronicle Forums	89,234 total members	34.70%
	33,645 "likes"	28.20%
	11,261 followers	31.60%
	COTH Channel 76,270 views	49.50%
	11 Boards, 744 followers	new in 2012

Subscriber Interests

The Company engaged Fulton Research of Falls Church, VA in 2008 to conduct a survey of its subscribers nationwide. Fulton Research sent out 11,000 surveys (no incentive) and received a 47% response rate. The results of the study show more interest from COTH subscribers among hunter jumper enthusiasts followed by dressage and eventing. Other disciplines, including fox hunting, steeplechase, driving and others accounted for 25% of reader interest. Preferred breeds

are presented below. Additional insights and demographics from this study can be found on page 20.



Design and Production

Prior to 2012, design and production functions had always been performed in the office working closely with the editorial and sales teams. In March 2012, COTH made a decision to approach design and production differently. The Company closed the design functions and outsourced design to a contracted team in Austin, Texas. All design and production for the print product is done by the team in Austin while design and development for digital products are done by various contractors, primarily Anthill in Louisville, KY.

Recent Developments and Initiatives

The Company has experienced challenges over the past few years and in summer of 2010, ownership brought in Carl Mullins to evaluate the business and offer recommendations. Supported by ownership, Carl and COTH implemented several initiatives that have resulted in revenues trending up, a major circulation push being underway, and the Company experiencing healthy increases in total audience engagement.

As part of this, the management team undertook extensive strategic planning and put a new plan in place for 2011 with an emphasis on stabilizing the print business and focusing on growing digital revenues. Carl began working exclusively with the *Chronicle* in early 2011 and specific initiatives included.

- Circulation was brought in-house and stabilized.
- The frequency was changed to 46 issues annually in 2011 and reduced further to 40 issues in 2012 with no decrease in price.
- After two years of turnover, the advertising sales team was stabilized.
- *The Chronicle Connection*, a digital magazine with unique content, was launched in January 2011.
- A new classified “marketplace” product was introduced in late 2011 to allow online and/or print options for “private party” sales. This system will also allow the Company to better serve “business service” companies.

These changes, along with appropriate reductions in spending, made dramatic improvements in the financial health of the publication and have it poised for the next phase of growth.

B. The Chronicle of the Horse Magazine

Introduction

The Chronicle of the Horse was first published on September 17, 1937 as *The Middleburg Chronicle* in a tabloid size format. *The Middleburg Chronicle* evolved from a local newspaper in Virginia hunt country to *The Chronicle of the Horse* and, over the past 75 years, the magazine has played an important role in the development and growth of the sport horse industry in the United States. Today, the magazine is the industry's only source of competition news in a variety of horse sports, focusing on coverage and analysis of major competitive events and trends within the industries surrounding these events. Readers often refer to the magazine as "the industry Bible" or "the Wall Street Journal of horse sports." The *Chronicle* reader is the top end of the market with average household income of over \$260,000, and the magazine has approximately 12,500 subscribers who pay \$59.95 per year for 40 issues.

Overview

- **Mission** – *The Chronicle of the Horse's* mission is to be the information resource for high-performance equestrian sport. The magazine combines coverage of national and international competitions in show hunters and jumpers, dressage, eventing and steeplechasing with features relating to the people and animals involved in these sports, as well as the sport of foxhunting, and, to a degree, combined driving and endurance.
- **Industry Influence and Conscience** – The *Chronicle* has employed top industry experts for columns, opinions and analysis of the competitive horse world, giving voice to the sport's most thoughtful and articulate horsemen. The magazine is the only independent news source in the horse world that does not shy away from controversy or politics in covering events. COTH aims to cover the sports fairly and honestly and promote a discussion of the issues that serves to better the sport horse world.
- **Special Focus** -- The editorial calendar revolves around major competitions, with numerous special issues of editorial focus on weeks when a prominent event is not featured. One of the biggest of these special issues is American Horses In Sport, a review published in January of the previous year's top horses and horsemen, as selected by *Chronicle* staff. Becoming the *Chronicle's* "Horseman of the Year" has become a significant honor. Additionally, the *Chronicle* is the only equestrian magazine offering regular preview issues of major events, including Rolex Kentucky, the Olympic Games, World Equestrian Games, Pan American Games, and the USHJA International Hunter Derby, which are some of its most popular issues.
- **Regular Features** – As well as traditional news and competition reports, COTH also publishes human interest stories and photo spreads ranging from the "Behind Barn Doors" series that lets readers peek into the facilities of famous horsemen to spreads of opening foxhunting meets around the country. In an Olympic year such as 2012, the magazine ran a series of "The Road To The Olympics" with regular installments from seven competitors trying to earn the chance to compete in London. Other regular feature departments include horse care articles, the "Living Legends" series with prominent horsemen, the "Horse of a Lifetime" series about special partnerships, and, for this year, a series on how young riders break into the professional ranks in each sport.

- **Design** – In April 2012 the magazine underwent a major redesign, most significantly changing the cover to reflect a more modern look and to better promote content. The new feel marries the traditional elements of a 75-year-old publication with more contemporary elements that would appeal to a wider audience.
- **Variety Of Platforms** -- In addition to 40 printed issues focused on sport, *The Chronicle Connection* monthly digital magazine aims to cover the competitive equestrian lifestyle, with features ranging from fashion, food, travel, personalities and compelling human interest stories. *The Chronicle Connection* recently was named an Eddie (national magazine award) finalist as one of the top three stand-alone digital magazines in the U.S.
- **Connection to Art and History** -- The *Chronicle's* history makes it a legacy as well as a publication. Its founders were involved in creating many of the organizations that now govern these sports, including the U.S. Dressage Federation, U.S. Eventing Association, U.S. Pony Clubs and National Sporting Library. As a result, the *Chronicle* remains a steward of equestrian sporting history, running issues such as the Turn of the Century issue in December of 1999, which named the sport's most influential horses and horsemen of the century, an annual issue *American Horses in Sport* recognizing the previous year's top horses and its own 75th Anniversary Issue in July of 2012. Sporting art has also been an integral part of the *Chronicle* and continues to appear regularly on the cover and in the Art Gallery section of the magazine.

Subscriber Base

- **Reader Loyalty and Commitment** – *The Chronicle of the Horse* print readers exhibit an exceptional degree of loyalty, renewing at over 76% and spending an average of 72 minutes on each issue. A recent satisfaction survey indicated that 93% have accepted the recent cover and design changes with 15.4% saying they love the new look. 86.2% consider *The Chronicle* better than the competitors. Subscribers pay \$59.95 per year for a subscription, another indicator of their high level of commitment to the magazine.
- **Affluent, Educated Readership** – *The Chronicle of the Horse* subscribers are one of the most affluent magazine audiences in the world. The magazine readers are primarily women with an average household income of \$263,500. Approximately 77% have graduated college, and the average land owned is 57 acres. Because of its solid reporting and affluent reader profile, the magazine has frequently been referred to as the *Wall Street Journal* of the sport horse industry. More information on the magazine's subscriber demographics is shown below.



DEMOGRAPHICS

The CHRONICLE of the HORSE

■ WE RIDE TO COMPETE AND WIN!

- ▶ **96%** have ridden in competition.
- ▶ **93%** have won!
- ▶ **73%** rode in competition last year.
- ▶ The average compete **8** times annually.
- ▶ Travel an average **640** miles to compete.



Teri Kessler Subscriber for 30 years.

■ WE ARE WEALTHY AND WELL-EDUCATED.

- ▶ **90%** female.
- ▶ Average age **52**.
- ▶ Average household income is **\$263,500**.
- ▶ **13%** earn more than **\$500,000**.
- ▶ **77%** have graduated college.
- ▶ Average owns **57** acres, or more.

■ WE ARE ACTIVE AND COMMITTED!

- ▶ **56%** are advanced, or expert.
- ▶ We ride an average **5** times weekly.
- ▶ **27%** ride daily.
- ▶ **20%** are professional.
- ▶ **46%** keep horses on their property.
- ▶ **41%** board elsewhere.
- ▶ **14%** both.

Circulation

The Chronicle of the Horse currently has 12,518 subscribers. This number has decreased from over 20,000 in 2000 but has recently started trending back up. Management believes that *The Chronicle's* base circulation has been impacted by a lack of meaningful investments, a struggling economy and the emergence of digital content. In September 2010, the decision was made to bring circulation fulfillment in-house. Management felt that with a file size under 30,000 an outside fulfillment/file management partner was unnecessary. The change required a strong customer service employee and a good technical partner. After the first year of transition costs, the change is realizing more than 40% savings in fulfillment costs. More importantly, it ensures that renewals are sent on time and customers concerns and requests are handled by an employee who is committed to creating a favorable outcome.

In 2012, the *Chronicle* also moved to a continuous service program. All subscriptions have a continuous service guarantee. Subscriptions will renew automatically if the subscriber has provided an email address and a credit card. Note that in 2011, the Company replaced USPS with email as the primary method of communication with its readers. The circulation staff aggressively worked to collect email addresses for all subscribers and went from approximately 29% of subscriber emails to 73%. These changes allow for a much more efficient renewal process.

Publishing Cycle

The Company decided in 2010 to reduce the frequency of the publication to 46 issues beginning in 2011. Subscription rates were not reduced, therefore raising revenue per issue from \$1.15 to \$1.30. Management added 12 issues of a new digital publication, *The Chronicle Connection*, to offset the six fewer issues. In 2012, the *Chronicle* reduced the frequency an additional six issues and redesigned the publication. These two frequency reductions account for a 30.3% increase in revenue per issue and make circulation a contributing profit channel (cost to deliver is less than revenue recognized). The Company also realizes significant printing and postal savings by publishing 12 fewer issues.

Recent Efforts

The Company just executed the first major circulation drive in the past 20 years. On July 16, COTH mailed over 100,000 pieces to highly targeted potential subscribers. Management expects to net 1,000 new subscribers as a result of the direct mail program.

Testing New Subscription Offers

The Company will begin testing new subscription offers this fall. In a recent reader satisfaction survey, 16.1% of respondents said they would like two issues per month at a lower cost. In a survey conducted by Critical Data, Inc. in 2009, 24% of respondents said they would like two issues monthly. 6.7% said they feel the *Chronicle* has too much content. A larger variety of subscription options based on preferred disciplines and lower print frequency could increase total readership and continue the improvement in the profit derived from circulation.

History

As noted, *The Chronicle of the Horse* was first published on September 17, 1937 as *The Middleburg Chronicle*. While it largely focused on the Middleburg horse scene, it grew to cover the entire country. In the early years, flat racing, steeplechasing and foxhunting dominated the pages. During the 1950's racing still dominated the *Chronicle's* pages as it had during the 1930s and 1940s but the magazine also started covering more and more horse shows. In the 1960s, Thoroughbred racing was still prominent but the magazine also covered combined training, dressage, jumpers, show hunters, fox hunting, hound shows, driving, polo, endurance, steeplechasing and flat racing. The magazine's focus shifted in the 1980s to more analysis of the Olympic sports, with plenty of homage to hunt country roots. By the end of the decade, polo and flat racing were, at best, afterthoughts. The 2000s saw the accompanying website grow and evolve into a platform for up-to-the-minute news and daily coverage of events from horse shows across the world.



Significant milestones in the history of the Company and the magazine are presented below and a more complete history is attached as *Exhibit A*. A history of chronofhorse.com is included in the next section.

Year	Description
1937	<i>The Chronicle of the Horse</i> first published as <i>The Middleburg Chronicle</i> , largely focused on the Middleburg horse scene.
1953	COTH releases new format, with smaller page size, more pages, and higher grade photos to account for increased demand for photos. George L. Ohrstrom takes over as Publisher.
1961	COTH acquires another publication, <i>Horse</i> , and debuts the newly branded magazine as <i>The Chronicle of the Horse</i> .
1979	COTH announces pioneering stand on promoting the use of safety hard hats while horse riding for sport.
1986	Continued coverage shift to Olympic sports, away from hunting, polo, and flat racing.
1991	COTH successfully incites reader campaign to write the International Olympic Committee to keep the team eventing competition in the Olympics.
1998	COTH launches accompanying website chronofhorse.com .
1999	COTH publishes Turn of the Century issue featuring its 100 most influential horsemen and horses of the 20th century, a classic reference to riders and horse enthusiasts.
2007	Print magazine goes to full color.
2010	Beth Rasin becomes 6th Editor. CEO Carl Mullins joins COTH as a consultant to evaluate business.
2011	COTH changes frequency to 46 issues. COTH debuts its new digital monthly magazine - <i>The Chronicle Connection</i> .
2012	COTH changes frequency to 40 issues. Print magazine redesigned to feature a white cover, a mix of sporting art and photography and a return to a masthead reminiscent of the original 1937 design. COTH outsources design to a contracted team in Austin, Texas.

C. COTH website chronofhorse.com**Overview**

Launched in 1998, COTH's website, chronofhorse.com, is updated daily with new features and provides more immediate coverage of big events with staff reports and photos, as well as feature stories and award-winning blogs related to the sports. The Company's online 2012 Olympic coverage, spanning more than two weeks and generating as much as 16,700 page views per article, included extensive photo galleries and in-depth reports as well as live commentary from COTH staff in a CoverItLive forum where readers could discuss the events with staff and each other as they were occurring. The online forums provide a highly trafficked community where horse enthusiasts discuss a wide range of topics. The site is located in the U.S. and hosted by the Company's IT partner and developer Anthill.

Audience Profile

Relative to the overall population of Internet users, the website's users are disproportionately female, higher-income users browsing from school and work who have attended college. An overview of the site's audience demographics relative to the general internet population is attached as *Exhibit B*.

Market Position and site statistics

COTH's website is the fifth largest equine website in the world according to Alexa, a third party web information provider as of September 4, 2012 (see *Exhibit C*) and the third largest equine website in the U.S., behind two sites focused on the racing industry. It is the leading sport horse website, just ahead of *Horse and Hound*, a similar news based magazine in the United Kingdom and is ranked #37,473 in the world according to the three-month Alexa traffic rankings. The time spent in a typical visit to the site is roughly seven minutes, with 44 seconds spent on each pageview and about 17% of visits to the site are referred by search engines. During times of high profile international events, normal traffic in the main area of the site as well as the forums (discussed below) have sharp upticks. As of September 4, 2012, some of the current website metrics for the last 30 days (which include some of the traffic during the Olympics) were:

- 953,420 visitors
- 341,679 unique visitors
- 6,641,610 page views
- 27.78% new visitors

COTH Forums

Chronicle Forums were launched in 1999. As of September 4, the forums have 182,875 threads, 3,680,900 posts and 89,677 members. The number of active members varies from month to month, but the number is usually between 6,000 and 8,000. To be considered an "active member" one must have posted on the forum in the past few months. From September 2011-August 2012, the Company registered 18,237 members which is a 6% increase over the prior 12 months. Most members simply read the forums without feeling compelled to post comments. Forum threads also introduce many new visitors to chronofhorse.com through search engine optimization of the content. In fact, forum page views make up over 60% of the total traffic on chronofhorse.com.



History

The Company launched the chronofhorse.com website in 1998 when a staff member built a basic site that featured some content from the weekly magazine, the table of contents and the classifieds advertisements. The site also gave people a way to find contact and advertising information via the Internet. In 1999, COTH launched The Chronicle Forums, an online community bulletin board that has become one of the premier equestrian forums in the world. By 2009, the decision was made to allow online news and onsite horse show coverage free to non-subscribers. However, the Company also stopped posting the majority of the magazine articles. The idea was to create an entity that was separate but related to the magazine, something that could draw in both new subscribers and also just people interested in horses who might never be candidates for a subscription.

The history of the Company and the magazine are presented in the prior section. Significant milestones for the website are shown below and a more complete history is attached as *Exhibit D*.

Year	Description
1998	Site built by staff member and featuring some content from magazine launched.
1999	Chronicle Forums, an online community bulletin board launched.
2004	First major redesign resulting in a new look, more content available online and increased functionality including staffers being able to post their own stories and photos. Banner ads appear on website.
2007	Redesign updating look, increased emphasis on classifieds, including photos, and banner ads.
2009	Website overhaul with new site built using Drupal, which increased site's flexibility. New website features more daily changing content and photos and brings forums under chronofhorse.com site. Online content free to non-subscribers but Company makes decision to stop posting majority of magazine articles. Sara Lieser becomes senior web editor.
2011	Online classifieds brought in houses allowing more robust presentation. Hosting of site moved to Anthill, its current IT and development partner. Site wins AHP's best equine-related website.
2012	Small redesign allows the Company to feature multiple articles on the homepage at once with a slider, thus allowing site to showcase the breadth and depth of content.

D. Sales and Accounts**Personnel**

COTH has two experienced senior sales executives, Susan Lee and Dawn Kirlin. Both have worked in the sport horse industry for over 10 years. Susan has been with the *Chronicle* for over 15 years and provided stability in recent years when the Company was experiencing challenges and turnover. Dawn started in early 2010 and is doing an outstanding job growing new accounts.

The Company's advertising production manager Beth Honcharski plays a crucial role in the sales department by coordinating with the design team on all things relating to advertising. Beth is the key customer service contact for most of the accounts and works directly with them to get ads or facilitate an ad build. This process allows Susan and Dawn to focus primarily on sales. Beth also manages most of COTH's marketing initiatives with oversight by Joanie.

The fourth member of the sales team is Nicole Robertson. Nicole is responsible for development of new products and growing breeder advertising, real estate and service businesses.

Accounts and Categories

For the eight month period ending August 31, 2012, COTH's top 100 advertisers accounted for 73% of total advertising revenues. (The Company estimates that it has approximately 600 active advertisers, i.e., those that have advertised within the last year, with 250 of these being more sizable, and over 900 total in its records.) The sales focus over the past two years has been to build better relationships with the Company's top accounts. This strategy has paid dividends with top accounts increasing from 60% of total dollars in 2011. While this has increased, there is little revenue concentration with the largest advertiser accounting for 7.5% of total YTD (through August 2012) revenue and the top ten generating 24.1%. COTH's standard terms are net 30. The Company's top ten advertisers by revenue and top ten categories by revenue based on YTD amounts are shown below. Prior year amounts for these are also shown but not necessarily representative of the top ten for 2010 or 2011.

COTH Top Ten Advertisers (\$s in 000s)					
Advertiser	Since	2010	2011	2012YTD	% of YTD
A	>10yrs.	\$114	\$111	\$90	5.4%
B	>10yrs.	24	35	35	2.1%
C	> 5yrs.	27	27	28	1.7%
D	>10yrs.	25	15	27	1.6%
E	>10yrs.	9	-	27	1.6%
F	< 5yrs.	-	20	25	1.5%
G	> 5yrs.	28	27	21	1.2%
H	< 5yrs.	0	7	20	1.2%
I	< 5yrs.	-	5	18	1.1%
J	> 5yrs.	2	4	18	1.1%
Top 10 Total	-	\$228	\$251	\$311	18.6%
% of Total Revenue		8.8%	10.0%	18.6%	

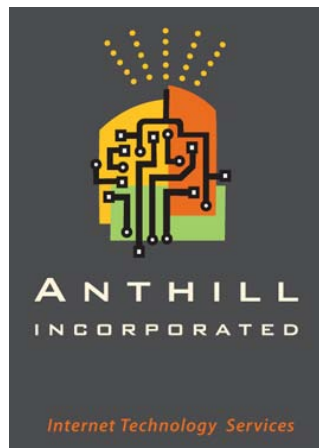


COTH Top Ten Advertising Categories (\$s in 000s)					
Category	#	2010	2011	2012YTD	% of YTD
Health Care	96	\$154	\$153	\$232	13.9%
Tack/Equipment	142	135	97	119	7.1%
National Retailers	9	135	123	114	6.9%
Congratulatory/Memorials	206	222	213	105	6.3%
Apparel	56	34	89	86	5.1%
Building/Fences	43	68	102	81	4.9%
Competitions/Events	125	158	104	80	4.8%
Insurance	36	83	93	66	3.9%
Stallions	228	170	147	63	3.8%
Feed	18	31	49	55	3.3%
Top 10 Total	959	\$1,190	\$1,171	\$1,001	60.0%
<i>% of Total Revenue</i>		<i>46.0%</i>	<i>46.6%</i>	<i>60.0%</i>	

E. Vendor Relationships

The Company's top vendor relationships are listed below along with their respective terms, length of the relationship with COTH, etc.

COTH Major Vendor Overview				
Vendor	Function	Rel Length	Agreement Duration	Terms
Publisher's Press	Printing	2 years	No contract/issue by issue	Net 30
Anthill	Tech / Web Hosting	18 months	Billed hourly/monthly	Net 30
USPS	Magazine Delivery	75 years	Based on freq, weight, quantity	Prepaid



F. Facilities

COTH is headquartered in Middleburg, VA with an additional office in Austin, TX. An overview of the Company's facilities is presented below. As the Company has moved to a more virtual environment, the space in Middleburg is more than currently needed. Even allowing for future growth, the Company has asked to sublet one floor of the facility and is considering brokers to assist in that effort.

COTH Facilities Overview		
Location	Middleburg, VA	Austin, TX
Major Functions	Edit, Admin, Sales	Design, production
Employees/contractors	13	4
Size (Sq Ft)	5,500 (est)	850
Owned or Leased	Leased	Leased
Estimated FMV (if owned)	NA	NA
Leasor	NSLM Foundation	Foxglove Exec, Suites
Owned by Related Party	No	No
Monthly Rental Rate	6,000	1,700
Lease Expiration	No lease/month to month	March 2013
Lease Renewal Options	NA	month to month in April 2013

Middleburg, VA

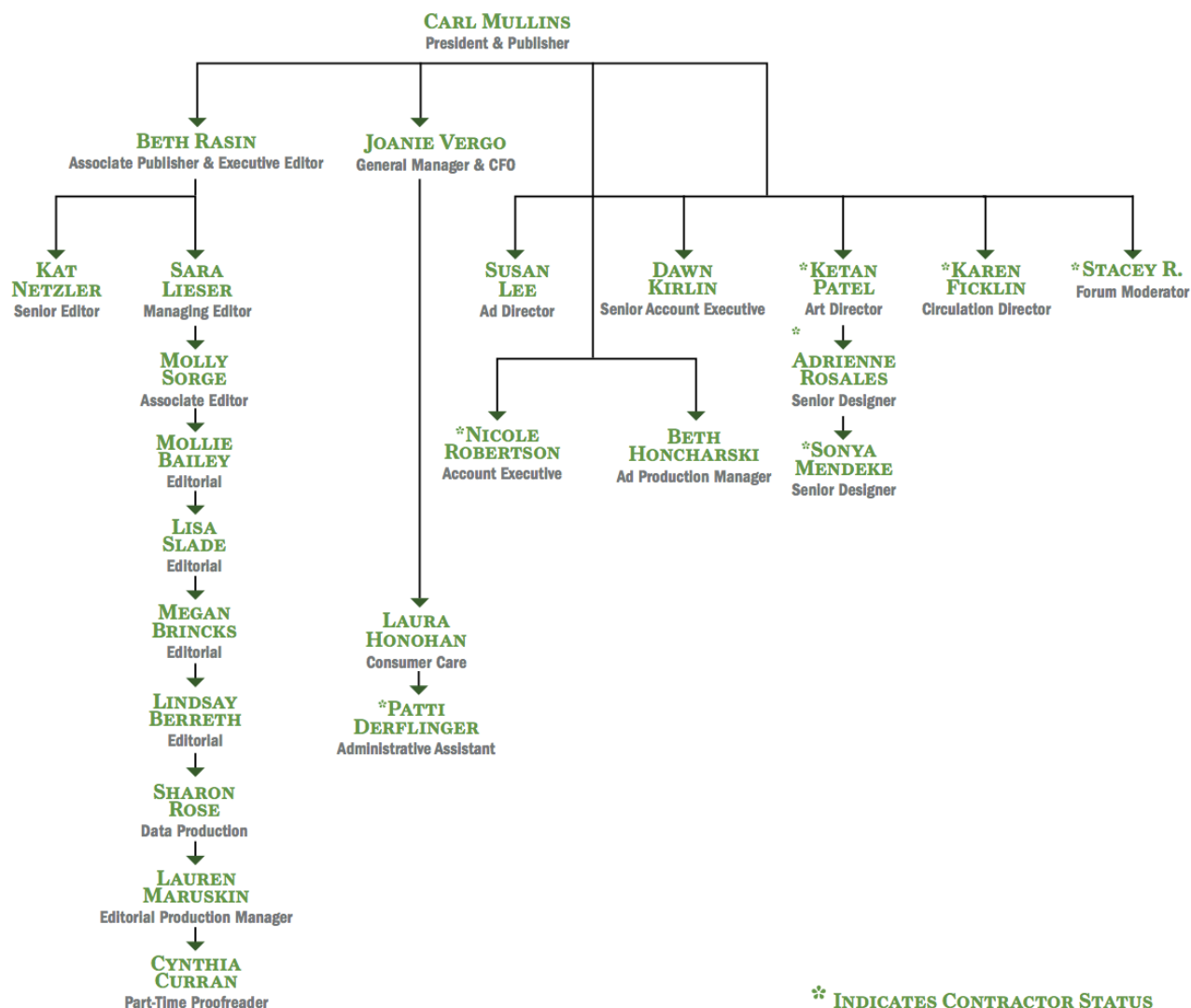


Austin, TX



G. Organization and Management

COTH has 17 employees (16 full-time and one part-time) as of September, 2012. Most employees, 15 of 17, are eligible and take advantage of health and 401(k) plans. No employee is a member of a union. The Company also utilizes seven independent contractors to provide a flexible, variable cost structure and several employees work outside of Middleburg as COTH is currently organized to take advantage of a virtual environment. While the Middleburg office is still the hub of activity, many functions can be performed from any location. A chart of employees and contractors with location details is provided in *Exhibit E*. The Company is led by a capable, experienced and dedicated management team with significant experience in the industry. An organizational chart is presented below followed by biographies of the senior management team.



COTH's management structure is focused on a team concept more than departments. This means that managers each have a core area of responsibility, but also participate in the execution of major initiatives. The management team is focused on content and quality and believes that high quality content based products will create long term value for the Company. Biographies

for Carl Mullins, (President and Publisher), Beth Rasin (Associate Publisher and Executive Editor) and Joanie Vergo (General Manager and CFO) are presented below.

Carl Mullins - President / Publisher

Texas Tech University, B.A. Advertising 1991

After working in the newspaper industry for several years, Carl moved to magazines in 1995 when he began working for *Quarter Horse News*. Over the next 10 years, he helped build the equine group of the national magazine division of Morris Communications, LLC from a single title to nine business units. In 2005, he took over Morris Communications' national magazine division known as MCC Magazines, LLC. MCC Magazines, LLC focused on horses, travel, sporting life and city/regional publishing. It consisted of 14 diversified business units using five different business models: special interest consumer magazines, business-to-business magazines, on-line publishing (content and ecommerce), book publishing and annual travel guides. In December 2009, Carl left Morris Communications and began work on a web-based business while also consulting for magazine clients. In February 2011, Carl began working exclusively with *The Chronicle of the Horse*.

Beth Rasin - Associate Publisher / Executive Editor

Middlebury College, B.A English 1994

Beth Rasin has been with COTH since 1995, when she arrived as an intern. She graduated cum laude from Middlebury College (Vt.), where she earned a degree in nonfiction creative writing. Beth has held a number of roles at the company, from editorial staff writer, to assistant editor and managing editor. She has played a central role in the adoption of new technologies and processes for the editorial staff during her tenure and has enjoyed the new challenges at every turn. A former high-level competitor herself, Beth understands the sport horse industry and its players from the inside out. She also has a thorough knowledge of the history of the sports and the Company, having worked with and learned from some of the COTH's most influential leaders, including former editors and executives John Strassburger and Peter Winants. An avid follower of current media trends, she is also a serial magazine reader.

Joanie Vergo – General Manager / CFO

West Virginia University, B.A. 1997

Prior to joining *The Chronicle of the Horse*, Joanie spent over 10 years in accounting, financial planning, analysis, reporting and project management. Joanie's career began at PricewaterhouseCoopers where she established the talent for developing and implementing innovative new business processes, procedures and cost reduction strategies. This, combined with ability to analyze financial data and present data in clear, comprehensive reporting, served her well at Home Shopping Network, Inc. (HSNi). Tasked with the responsibility to manage \$200 million of inventory, she performed forecasting, variance analysis, reserve valuation, GL reconciliation and financial reporting. Joanie has played a central role in the turnaround of COTH since June 2011. As General Manager, Joanie oversees the day to day overall business activities as well as finance, accounting and marketing. She works to identify strategies to position the Company for accelerated growth in both circulation and advertising. She is charged with analyzing revenue trends, evaluating productivity and identifying opportunities across all the company's products. Joanie tightly manages each expense account and leverages her background in developing new business processes. In doing so, she has successfully introduced several cost reduction strategies. Joanie, a lifelong equestrian, continues to be a passionate equestrian showing Hunters.



H. Information Systems

COTH's information systems are critical to its ability to operate with team members in various locations. The Company's various systems also provide a structure to partition content and grow revenue. COTH has adopted an infrastructure to allow for a virtual environment. This infrastructure is managed and maintained by the Company's technology partner, Anthill Incorporated based in Louisville, KY. Anthill developed COTH's shopping cart, online marketplace, subscriber authentication system and provides all ongoing website development. Anthill also provides the following:

- **Website Hosting** – Managed website hosting for chronofhorse.com including dedicated high-performance servers (Linux, CentOS), fully redundant fault-tolerant hardware (chassis, power supplies, drives) and fully redundant data (mirrored hard drives).
- **Backups and Performance Monitoring** – Daily backups and weekly offsite backups with 24/7 performance monitoring.
- **Datacenter** -- Secure datacenter in Louisville, KY featuring multiple network connections (AT&T, Level3, TW Telecom) with BGP routing across primary networks. Generator power backup, redundant cooling.
- **Security** – Firewall, network security (redundant network hardware), intrusion detection, and anti-spam.
- **Email** – Email hosting (dedicated mail servers, not shared with web servers)
- **FTP Hosting** – FTP hosting (separate servers, not shared with web servers)
- **Domain Management** – Domain Management/SSL/software licenses

COTH also runs several software systems that support its business operations, including:

- **Design and Production** – COTH utilizes Apple computers with Abode Creative suite.
- **Editorial** – COTH editorial staff utilizes Apple computers with Adobe InCopy.
- **Subscriber Management and Fulfillment** – The Company uses Quickfill fulfillment software.
- **Accounting** – The Company currently utilizes QuickBooks for its accounting functions including general ledger, accounts receivable, purchasing, and accounts payable.
- **Desktop/Laptops** – All employees are provided Company computers that have the full suite of Microsoft productivity applications.

In addition, COTH utilizes the following hosted services:

- **Internet** – COTH's Local Area Network (LAN) is a bonded T1 provided by Verizon.
- **Magazine Manager** – The Company utilizes Magazine Manager for sales pipeline management and for managing and tracking key metrics.
- **Dropbox** – file sharing platform
- **Uberflip** – digital publishing platform
- **GotoMeetings** – meeting platform
- **Blinkplan** - pagination

I. Additional Matters

There are no known environmental issues and the Company is not currently party to any litigation outside the ordinary course of business. Please see the chart below, which summarizes additional matters that you may consider as you evaluate the business.

Matter	Comments
Bonding Requirements	NA
Contingent Liabilities	Other than the standard circulation / deferred revenue liability, leases of the Company's office space and other standard operating leases for equipment, COTH does not have any material contingent liabilities
Environmental Issues / Exposure	COTH has minimal exposure to environmental issues or liabilities. The Company has not nor does it expect to be subject to any environmental audits or issues.
Guaranty / Guaranties	COTH does not guarantee the debt or commitments of any other entities
Insurance	COTH maintains a \$2 million E&O policy and other standard coverages in line with levels typical in its industry
Labor Issues / Union Contracts	NA; no employee is a member of a union
Licenses and Permits	COTH maintains all requisite licenses and permits.
Licenses, Software	COTH purchases licenses for all Company-approved software products.
Litigation	The Company is not currently involved in litigation, nor is it aware of any threatened litigation, that will materially affect its business. COTH has been involved in minimal legal matters in the past and a schedule of any such matters will be provided as part of due diligence.
Pension	NA; COTH does offer a pension plan to the surviving spouse of a former employee. This liability will not transfer as part of the sale and the Company does not offer any pension plan to any other former or current employee. Employees may participate in a 401(k) plan. The Company has the discretion to matches up to 4% (100% on the first 3%; 50% on the next 2% contributed) with no vesting period.
Tax Audits / Issues	The Company has not had an IRS tax audit or any issues with federal or state tax agencies.
Warranty	N/A
Other Compliance Issues	N/A
Other	N/A

The Company envisions *The Chronicle of the Horse* to be the core property for a much larger business, which will provide quality news, analysis, lifestyle content, books and unique merchandise through a variety of formats. As part of this strategy, COTH has spent the past three years building a strong digital platform and expanding its social media channels. With its dominant position in the sport horse market, skilled management and brand strength, COTH is well positioned for additional growth and favorable financial performance in the years ahead. Specific objectives are outlined below followed by the opportunities and strategies in place to achieve them.

Objectives – Management believes that the expanded product line, beginning with chronofhorse.com and *The Chronicle Connection*, is allowing the Company to capitalize on its brand and expand beyond the top 5% of the core market.

- COTH seeks to engage 50% of the core market (150,000 households) through its site or sponsored relationships. An engaged user is someone who subscribes, registers on the Company site, enters a contest, opens COTH emails on a regular basis or visits the site at least three times per month. Through its website, association affiliations and partnerships, the Company is exposing the Chronicle brand to over 80% of the core market on an annual basis.
- The Company recently identified more than 150,000 highly targeted households for its direct mail campaign. COTH's goal by 2014 is to make a sale of at least \$30 to 16% of those they engage with each year, or approximately 24,000 customers. The target for subscriptions would be 15,000 and the sale of "other" item, 9,000. Other includes: digital subs, online classifieds, calendars, books, etc. This would provide a very cost efficient increase in reader generated revenue of 45.1% over projected 2012 revenues.

Expanding the Audience and Increasing Brand Awareness – With the exception of paid print subscribers, COTH has seen significant growth in all audiences over the past three years. The growth of these secondary audiences allows the Company to cost effectively promote the Chronicle brand and consider developing a wider range of products by repurposing its content. The audiences from chronofhorse.com and the Company's social media channels are younger and not as wealthy as the print readers but are still very affluent and are great prospects for COTH products. The Company is testing a 2013 calendar this fall and will concentrate most of the promotion through chronofhorse.com and the secondary audience channels.

Circulation Opportunities – The *Chronicle's* base circulation has been impacted by a lack of meaningful investments, a struggling economy and the emergence of digital content. However, the Company feels there are numerous opportunities to increase circulation as discussed below.

- **Growth Opportunities in Current Market** – While COTH did not prioritize circulation, management feels that with typical audience development programs executed by most special-interest publications, circulation can increase back to 20,000 paid readers within the next five years. The Company cites the following as reasons to be optimistic:
 - The total number of active competitors in the sport horse industry has not varied much since 2002 when the Chronicle had 20,000 subscribers. The concentration of active

competitors has shifted somewhat to show hunters/jumpers which are the Chronicle's strongest disciplines for reader interest and advertising.

- In addition, the top three associations for sport horses in the U.S. have a combined membership of more than 50,000. These members are actively showing and are very high potential readers.
 - Just three years ago (2009), *Horse and Hound* had more than 19,000 paid U.S. readers of its magazine. *Horse and Hound* is very similar to the Chronicle, covering international sport horse competitions, but it is based in Great Britain. A U.S. subscription for one year of H&H is \$188.05; therefore, most U.S. subscribers would be very active competitors to justify subscribing and are perfect targets for the *Chronicle*.
- **Technology Platforms** – The technology platforms put in place over the past 18 months provide a solid backbone to cost effectively increase subscriptions.
- COTH has built an online checkout system to process subscription orders and renewals. This system is working well and helps support continuous service by getting the required information for renewals. Renewals using the site are up 60% in 2012 and new orders purchased on the site are up 46%.
 - The Company anticipates that premium subscriber access to content will play an increasing role in revenue development and profits. COTH implemented a system that authenticates readers using their email addresses to allow access to digital editions, archives and premium content. This is discussed further below.
 - Although it is early it looks as if the continuous service program is working very well. The circulation team has renewed over 90% of subscribers who have subscribed since the program was launched and there have been only five cancellations.
- **More Flexible Subscription Choices** – The Company is testing subscription offers for 2013 as described on page 21. Additional subscription options based on preferred disciplines and lower print frequency could increase total readership and continue the improvement in the profit derived from circulation.
- **Single Copy Distribution** – A small retail sales program is currently in place, selling approximately 175 copies per issue. Management believes that this retail program can cost effectively be increased to over 1,000 copies per issue in the next year resulting in an additional \$30,000 in circulation revenue.
- **Affiliate Program** – An affiliate program is currently being planned for 2013. This program would have three types of potential partners: retailers, regional associations and youth associations.
- **Social Media** – COTH's circulation team has begun testing on Facebook and executed a very strong Rolex Preview campaign targeting female college graduates aged 25-45 that "like" any combination of Eventing, Horse and Hound, 3 day eventing, eventing magazine, and eventing nation. See *Exhibit F* for related information. This effort generated 62 new orders including 49 digital and 13 print. The related revenue totals \$1,076 compared to promotion and fulfillment costs of \$509. Expanding the parameters to include women aged 18-60 who have a Sport Horse interest yields 1.2 million

Facebook members, of which approximately 439,000 are college graduates. See *Exhibit F* for related Facebook data.

- **Premium Access** – In December 2012, the new Premium Access area of the site will go live. All PRINT content will be available on the site delivered in chronological order from date “published” in a Premium area with only subscribers allowed access. Short-term access could be purchased for a few articles, a day or more. Promotions will shift to promoting digital access versus a digital subscription. Management plans on launching the area with all 2012 content
- **Direct Mail** – In mid-July, COTH executed its first major circulation campaign in many years. Over 100,000 pieces of direct mail were sent with an expected net of 1%. An example of the direct mail piece is attached as *Exhibit G*.

Advertising Growth – Advertising revenues are increasing in 2012. Despite the fact that 12 fewer issues are being published than in 2010, print revenues are expected to be very similar to 2010. This has been accomplished by emphasizing relationships with the top 100 accounts and having a focus on each issue. These trends should stay in place for 2013 and beyond. Digital ad revenue is expected to almost double from 2010 to 2012; digital ad growth has come from a better use of inventory and new ad positions that are driving demand. There is more opportunity to increase revenue per thousand impressions as the Company sells more impressions to endemic advertisers versus large partners. With healthy increases in unique visitors to the site, COTH’s ad partners understand the value proposition of a chronofhorse.com schedule and the sales team is doing a good job of incorporating web exposure in every ad proposal being presented.

E-Commerce Merchandise Opportunity – COTH plans to launch a boutique area on the chronofhorse.com site in early 2013 to showcase unique, one-of-a-kind items. The goal is to showcase a variety of vintage, handmade items and equine art for sale. The Company will help give artists more visibility in return for a small commission.

Book and Calendar Publishing – The Company plans to publish a biography with top training tips from George Morris in 2013, its first book in many years. George is one of the most celebrated riders and trainers over the past 40 years and he has expressed his desire for the COTH to write and publish his biography. Other books planned over the next few years will focus on legendary horses and riders: American Olympic Competitors, Eventing, Dressage, and Show Jumping. In addition, the Company will be selling its first calendar this fall. Three 2013 calendars will be sold: Eventing, Dressage and Hunter/Jumper.

Potential Cross-Marketing Opportunities and Cost Savings – As a stand-alone, COTH has not benefited from inclusion in a larger group of compatible titles to enhance its performance, whether by selling incremental subscriptions (through the use of existing databases or cross promotions) or incremental advertising (through the packaging of compatible titles). COTH’s revenue growth could be accelerated if the magazine were a part of a larger group. Similarly the Company has not the ability to leverage a larger platform that could drive operating leverage and efficiencies. Potential cost savings include consolidating various internal functions production and greater purchasing power for external spend.

A. General

Please note the following:

- COTH is a Virginia subchapter S corporation owned by Whitewood Stable, Inc., a Delaware subchapter S corporation. Whitewood Stable, Inc. is wholly-owned by an Ohrstrom family trust and is headquartered in The Plains, Virginia.
- The Company has a December 31st fiscal year-end and its financial statements are reviewed by Bullock & Associates CPAs, a Leesburg, Virginia based public accounting firm, as part of Bullock & Associates' engagement with Whitewood Stable, Inc.
- COTH uses the accrual accounting method. Subscription revenue is deferred and recognized over the life of the subscription.
- The Company's summarized financials are presented in the sections that follow. Please note the following:
 - COTH's historical fiscal year-end numbers presented herein agree to, the amounts shown in the reviewed financial statements. The Company's reviewed statements will be made available to interested parties at a later stage in the process.
 - COTH's internal financial statements and projections are prepared by its General Manager and CFO, Joanie Vergo, and reviewed by its President and Publisher, Carl Mullins.
 - The 2012 – 2015 numbers are management's projections. The 2012 numbers are based on the YTD actual results through August 31, 2102, combined with management's projections for the remainder of the year. The projections contained herein are based on a number of assumptions and estimates, and are inherently subject to significant industry, business, economic and competitive contingencies and uncertainties, many of which are unforeseeable and beyond the Company's control. As such, no representation is made that the projections presented here will be achieved, or achieved in the time periods projected.
 - The Company's monthly statements and internal reporting packages will be made available to interested parties at a later stage in the process.
- Any transaction will be based on enterprise value (cash free and debt free) of the Company and hence any indication of value should reflect this and be made on this basis.

B. Income Statement and Operating Information

The Company's summarized income statements are shown below followed by a discussion of results and then more detail in the sections that follow. Detailed income statements and projections are available to interested parties upon request.

COTH Metrics and Income Statement (\$s in 000s)							
<i>YE 12/31</i>	2009	2010	2011	2012P	2013P	2014P	2015P
Select Metrics							
Frequency	52	52	46	40	40	40	40
Average Circulation	14,557	12,510	12,209	13,010	14,000	14,500	15,500
Revenue	\$2,933	\$2,587	\$2,515	\$2,604	\$2,985	\$3,304	\$3,623
<i>Revenue Growth</i>	-19.0%	-11.8%	-2.8%	3.6%	14.6%	10.7%	9.6%
COGS	2,496	2,107	1,821	1,716	1,826	1,885	1,966
Gross Profit	438	481	694	889	1,158	1,420	1,657
<i>Gross Margin</i>	14.9%	18.6%	27.6%	34.1%	38.8%	43.0%	45.7%
Operating Expenses	1,162	1,476	1,216	1,206	1,310	1,336	1,403
Operating Profit (EBIT)	(725)	(995)	(522)	(317)	(152)	84	254
<i>Operating Margin</i>	-24.7%	-38.5%	-20.7%	-12.2%	-5.1%	2.5%	7.0%
Depreciation & Amort.	65	95	87	86	98	107	69
EBITDA	(\$659)	(\$900)	(\$435)	(\$231)	(\$54)	\$190	\$323
<i>EBITDA Margin</i>	-22.5%	-34.8%	-17.3%	-8.9%	-1.8%	5.8%	8.9%
CAPEX	\$277	\$38	\$87	\$112	\$63	\$63	\$63

The Company has stabilized revenue and is starting to see it increase as the initiatives implemented start to yield results. COTH is seeing both print (circulation and advertising) and digital revenue grow. COTH has also significantly improved its gross margin as the Company reduced COGS payroll, printing and postage expenses. Part of the decrease in printing in postage is due to the reduction in the number of issues per year from 52 to 40. Other steps include a reduction in staff and dollars allocated to sponsorships. Operating expenses have been effectively reduced from 2010 levels and are projected to remain relatively flat. The majority of the Company's capital expenditures (CAPEX), including \$212k in 2009, \$81k in 2011 and \$101k in 2012P have been related to website design and development. Projected amounts consist of \$50k for additional website work with the balance being miscellaneous computer and camera equipment and software.

Revenue Composition – COTH’s revenue by type is shown below both in dollar amounts and as percentages of total revenue.

COTH Revenue Composition (\$s in 000s)							
YE 12/31	2009	2010	2011	2012P	2013P	2014P	2015P
Advertising (Print)	1,637	1,444	1,348	1,413	1,477	1,580	1,660
Circulation (Print)	825	668	677	576	751	793	850
Digital	141	193	308	430	537	672	806
Marketplace	309	242	162	158	190	227	273
Other	22	40	20	28	30	32	34
Total	2,933	2,587	2,515	2,604	2,985	3,304	3,623
Advertising (Print)	55.8%	55.8%	53.6%	54.2%	49.5%	47.8%	45.8%
Circulation (Print)	28.1%	25.8%	26.9%	22.1%	25.2%	24.0%	23.5%
Digital	4.8%	7.5%	12.3%	16.5%	18.0%	20.3%	22.3%
Marketplace	10.5%	9.4%	6.4%	6.1%	6.3%	6.9%	7.5%
Other	0.7%	1.5%	0.8%	1.1%	1.0%	1.0%	0.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- **Advertising** – Advertising, COTH’s largest revenue component, is increasing in 2012. Despite the fact that 12 fewer issues are being published than in 2010, print revenues are expected to be very similar to 2010 and are projected to be up 4.8% over 2011. Increases are the result of more volume and a better focus by the sales team on its top partners.
- **Circulation** – This line item represents subscription revenue for the Company’s print magazine and is a function of the number of subscribers and subscription rate. In 2011, as frequency was reduced and *The Chronicle Connection* was introduced as a replacement, management made the decision to allocate 10% of print circulation revenue to the digital circulation revenue line.
- **Digital** – COTH’s digital revenue consists of chronofhorse.com advertising, the 10% circulation allocation of print subscriptions for discussed above, and digital subscription revenue. Web advertising accounted for 85% of digital revenue and is expected at year end to almost double from 2010. Increases are a result of aggressively packaging partner programs to include both print and digital components.
- **Marketplace** – The Marketplace line represents revenue from classified ads. Like all print media, COTH has seen this decrease in the past decade. In late 2009, the Company decided to offer an online only option with free unlimited text and upgrade (paid) options for photos, videos etc. This decision caused revenue to decline faster as true “private party” ads all but disappeared in print and online revenues did not come close to projections. In 2011, the Company launched a new custom platform that allows ads in print, online or both. COTH has seen a small increase in ads placed from individuals and believes there is a base platform that can be utilized for future growth.
- **Other** – This category primarily consists of copy sales, list rental revenue, forum premium memberships, and retails sales.

COGS – The components of COTH's Cost of Goods Sold are shown below followed by discussion of each line item. The Company has reduced its COGS and improved its gross profit by significantly reducing payroll and printing costs as shown below. Management is projecting that the gross margin will continue to improve as COGS are forecast to grow at a slower rate than revenue.

YE 12/31	COTH COGS (\$s in 000s)						
	2009	2010	2011	2012P	2013P	2014P	2015P
Payroll & Related Exp	1,213	1,121	966	843	900	929	969
Printing	754	428	401	382	443	457	477
Postage	290	253	231	219	246	253	264
Other	239	304	222	271	237	245	256
Total	2,496	2,107	1,821	1,716	1,826	1,885	1,966
Payroll & Related Exp	41.3%	43.3%	38.4%	32.4%	30.2%	28.1%	26.8%
Printing	25.7%	16.6%	15.9%	14.7%	14.8%	13.8%	13.2%
Postage	9.9%	9.8%	9.2%	8.4%	8.2%	7.7%	7.3%
Other	8.1%	11.8%	8.8%	10.4%	8.0%	7.4%	7.1%
Total	85.1%	81.4%	72.4%	65.9%	61.2%	57.0%	54.3%

- **Payroll & Related Exp** – The largest component of COGS is salaries / wages, benefits, and payroll related taxes. The majority of payroll reductions came from not replacing one top management position, digital director, and promoting from within to fill the top editorial position. The Company also eliminated an editorial / technical support position and has had at least one editorial position open for most of 2012.
- **Printing** – Printing the magazine is the second largest component of COGS. The reduction in printing costs result from the Company decreasing the number of issues from 52 a year in 2009-2010 to 46 in 2011 and to 40 in 2012. In addition, digital revenues are becoming a larger percentage of total revenue and do not have the corresponding costs.
- **Postage** – Similar to printing costs, postage expense reflects the reduction in number of issues offset by rising postal rates and larger, heavier issues.
- **Other** – Other costs include consulting, print correspondents and photos, travel and entertainment, and web related expenses. Higher spending on web related costs is mainly responsible for the increase.

SG&A (Operating) Expenses – COTH's larger operating expenses are shown and discussed below. Additional detail will be provided to interested parties upon request at a later stage in the process. Operating expenses have decreased from 53.4% of revenue in 2010 to a projected 42.9% in 2012P and are projected to continue to decrease as a percentage of revenue.

COTH Operating Expenses (\$s in 000s)							
YE 12/31	2009	2010	2011	2012P	2013P	2014P	2015P
Payroll & Related Exp	502	684	665	685	744	759	797
Postage & Supplies	72	50	53	36	39	40	42
Rent & Utilities	99	118	123	128	139	141	148
Consulting Fees	92	165	89	18	19	20	21
Travel & Entertainment	29	26	49	54	58	59	62
Other	368	433	236	286	310	317	332
Total	1,162	1,476	1,216	1,206	1,310	1,336	1,403
Payroll & Related Exp	17.1%	26.4%	26.4%	26.3%	24.9%	23.0%	22.0%
Postage & Supplies	2.5%	1.9%	2.1%	1.4%	1.3%	1.2%	1.2%
Rent & Utilities	3.4%	4.5%	4.9%	4.9%	4.6%	4.3%	4.1%
Consulting Fees	3.1%	6.4%	3.6%	0.7%	0.6%	0.6%	0.6%
Travel & Entertainment	1.0%	1.0%	1.9%	2.1%	2.0%	1.8%	1.7%
Other	12.6%	16.7%	9.4%	11.0%	10.4%	9.6%	9.2%
Total	39.6%	57.0%	48.3%	46.3%	43.9%	40.4%	38.7%

- **Payroll & Related Exp** – Payroll and related expenses is COTH's largest operating expense and consists of salaries / wages, benefits, payroll related taxes as well as amounts paid to independent contractors. Staffing positions have been fairly consistent with a lower overall cost in 2009 resulting in a change in the publisher to a general manager and turnover creating open positions. The increase from 2011 to 2012 is a result of being fully staffed all year.
- **Rent and Utilities** – This expense line includes rent, cleaning, utilities and phone costs. The 2010 increase was mainly due to higher phone / internet / wireless costs related to upgrading the Company's internet connectivity. The 2012 numbers reflect an increase in rent from \$75,000 to \$88,700 due to the addition of the Austin office; this increase which was partially offset by lower costs in other areas.
- **Consulting Fees** – Consulting fees increased to \$165k in 2010 and then decreased to \$18k in 2012P primarily reflecting the employment status change for the publisher.
- **Travel & Entertainment** – The increase in the travel & entertainment expense since 2010 is due to increase travel for management and editorial staff.
- **Other** – Other costs include bad debt, computer services, credit card and bank fees, education, fulfillment services, insurance, legal and professional fees and promotion costs. Lower bad debt, education, fulfillment services and promotion advertising account for the majority of the decrease from 2010 to 2012P.

C. Balance Sheet

COTH's summarized balance sheets as of December 31 for the years 2009 - 2011 and as of August 31, 2012 are shown below followed by a discussion of significant accounts.

COTH -- Balance Sheet (\$s in 000s)				
	12/31/2009	12/31/2010	12/31/2011	8/31/2012
Cash	\$84	\$207	\$117	\$111
Accounts Receivable	238	119	88	148
Other	27	35	36	85
Total Current Assets	348	362	242	344
Net Fixed Assets	334	283	284	289
Total Assets	\$682	\$645	\$526	\$634
Accounts Payable	104	42	26	41
Accrued Expenses	257	349	452	517
Deferred Circulation Rev	564	603	532	466
Other	(0)	0	(0)	4
Total Current Liabilities	924	995	1,009	1,028
Equity	(243)	(350)	(483)	(394)
Total Liabilities and Equity	\$682	\$645	\$526	\$634

- **Cash** – The Company maintains two bank accounts. As noted, any transaction will be based on enterprise value and will be on a cash free, debt free basis.
- **Accounts Receivable** – COTH's standard terms are net 30 days. The Company recorded bad debt of \$4.9k (0.2% of revenue) in 2011 and is projecting \$7.4k (0.3% if revenue) in 2012. Accounts receivable aging information will be provided to interested parties upon request.
- **Other** – Other current assets consist of undeposited funds, prepaid expenses and inventory. As of August 31, 2012, the Company had approximately \$55k in prepaid expenses related mainly to direct mail that will be fully expensed by year end.
- **PP&E** – COTH's fixed assets are stated at cost and consist mainly of furniture and fixtures, computer equipment and capitalized website cost. Unamortized web site costs account for \$183k of the \$253k in net fixed assets as of August 31, 2012.

COTH -- Fixed Assets (\$s in 000s)				
	12/31/2009	12/31/2010	12/31/2011	8/31/2012
Furniture & Fixtures	\$195	\$134	\$134	\$134
Computer Equipment	414	242	246	254
Website ReDesign	212	244	324	362
Leasehold Improvements	46	48	48	48
Equipment	48	36	39	42
Total Fixed Assets (gross)	915	704	791	839
Less: Accum Dep & Amort	(582)	(420)	(507)	(550)
Total Fixed Assets (net)	334	283	284	289

- **Accounts Payable** – COTH’s accounts payable primarily consist of amounts due to its print vendor. The Company has standard terms of net 30 with this vendor.
- **Accrued Expenses** – COTH’s accrued expenses consist primarily of direct mail expense accruals and amounts related to the Company’s 401k match. COTH’s parent, Whitewood Stable, Inc., has been funding the 401k matches on behalf of the Company so this component, which accounts for the majority of the accrued expenses total, is more appropriately viewed as “amount due parent”.
- **Deferred Circulation Revenue** – Subscription revenue is deferred and recognized over the life of the subscription. The Company’s deferred circulation revenue liabilities arise when COTH receives subscription payments at the beginning of a period. COTH then recognizes the revenue (and relieves the revenue liability) over the subscription period.
- **Equity** – The Company has funded recent losses via additional paid-in-capital.

Exhibit A**History of *The Chronicle of the Horse***

The Chronicle of the Horse was first published on September 17, 1937, as *The Middleburg Chronicle*, in a tabloid size format. Over the past 75 years, the magazine has played an important role in the development and growth of the sport horse industry in the United States.

While it largely focused on the Middleburg horse scene, it grew to cover the entire country. In the early years, flat racing, steeplechasing and foxhunting dominated the pages.

The magazine's mission statement was front and center in the first issue. "Middleburg is a name whose influence is not confined to the environs of its country or even its State. It is a name that stands for sport, for the great institution which is the horse, for a great farming and hunting community that is known in the faraway places where men and women have penetrated to carry with them the traditions that lie behind the annals of sport in the United States. The great circumference of this portion of Virginia includes the largest horse breeding industry in the United States, it encompasses the most famous fox hunts in the country, here are the oldest shows and here is the home of the thoroughbred. It is in this field that the *Chronicle* takes its initial step. The paper intends to inscribe in its pages the history of a famous community."

The Middleburg Chronicle began as a local newspaper in Virginia hunt country and carried on production during World War II. At the time, horse racing was one of the most popular sports in America, and the magazine had pages of coverage from tracks around the country. Between 1937 and 1948, five Triple Crown winners were named, and the *Chronicle* covered all of them (except War Admiral's 1937 victory, which happened a few months before the magazine started publishing).

Many issues that arose during the *Chronicle's* first 13 years mirror topics we're still debating today. The importance of local shows and animal welfare were on the minds of many equestrians.

Sporting art began to grace the *Chronicle's* cover in 1945. In the early years of the magazine, photos were not prominently featured in ads or stories. By the mid-40s, more photos popped up in the pages.

The 1950s brought big changes for horse sports and for the *Chronicle*. In the beginning of the decade, racing still dominated the *Chronicle's* pages as it had during the 1930s and 1940s.

But the magazine was also starting to cover more and more horse shows. Alexander Mackay-Smith wrote in a September 10, 1954 editorial, "These are boom times for horse shows. The hunter, jumper, junior and pony classes, which are the particular province of *The Chronicle*, were never fuller. Many new people are coming into the game and good horses and ponies are selling like hot cakes."

On Feb. 6, 1953, the magazine released a new format. The size of the page was reduced from 56 to 31 1/2 column inches. The grade of the paper was improved, and all the illustrations were



then printed from photo-engravings. Printing went from 20-24 pages up to 40-44 pages to make up for the smaller page size.

A new publisher and editor came along shortly after that, debuting in the Dec. 12, 1953, issue. George L. Ohrstrom took over as publisher, and Alexander Mackay-Smith became editor.

In 1961, the *Chronicle* made a significant change—it was, in fact, the birth of *The Chronicle of the Horse* magazine. The *Chronicle's* publisher, the G.L. Ohrstrom Estate, bought out another publication, *Horse*, and in a January 6, 1961, issue, the merged magazine debuted. Readers first saw the iconic cover, with its swirling artwork and distinctive logo, in this issue.

By 1960, the *Chronicle's* circulation had grown from 5,000 subscribers to 12,000, and in 1961, a few months after announcing the new *The Chronicle of the Horse*, Mackay-Smith devoted another editorial to magazine business, explaining a rise in subscription rates from \$7.00 per year to \$9.00. He noted that since 1948, the *Chronicle* had doubled its page numbers each week and covered twice as many shows in a year, expanding their coverage to racing, polo and dressage.

In the '60s, Thoroughbred racing was still prominent in the magazine. The first article in each issue was the legendary Raleigh Burroughs' column about the racing scene, and the yearly stallion issue was devoted to racing Thoroughbreds. But the other horse sports were gaining prominence. Reports on the top shows like Devon, Upperville, and the indoor shows like the Pennsylvania National and the National Horse Show in Madison Square Garden (N.Y.) became more and more descriptive and colorful in their writing.

In the early '60s, there weren't many advertisements in the *Chronicle*, and the same ads repeated for months on end. They were, however, high-end advertisers, like Cadillac and Rolls Royce. As the decade continued, more and more diverse advertisements appeared, such as feed companies and horses for sale. The first congratulatory ads for sold horses appeared. The classified ad section continued to be the definitive source for a horse or employment.

Plenty of major changes swept through the equestrian community during the 1970s. In international competition, the U.S. Equestrian Team was a major international force.

The decade began with Alexander Mackay-Smith at the helm of *The Chronicle of the Horse* as editor. Regular contributor Peter Winants took over in 1976. (Mackay-Smith stayed on as the international editor.) The magazine covered combined training, dressage, jumpers, show hunters, fox hunting, hound shows, driving, polo, endurance, steeplechasing and flat racing. Thoroughbreds still reigned supreme, but so-called "nera-breds" and warmbloods were entering the scene as well.

The *Chronicle* sent two editors to report on the 1978 World Three-Day Eventing Championships at the Kentucky Horse Park. Caroline Treviranus suffered a serious head injury in the stadium phase in front of that huge crowd while wearing a hunt cap that didn't stay on during the fall. This accident prompted the USCTA (now the United States Eventing Association) to mandate that all hard hats must have safety harnesses in competition over fences.



Two weeks after the accident, the *Chronicle* ran an inflammatory guest commentary by Clarke Cassidy Jr., a USCTA board member and member of the Advisory Committee for the U.S. Pony Clubs, calling for sports medicine professionals, equestrians and the Snell Foundation (a nonprofit dedicated to helmet safety through medical and scientific research) to “cut through the thicket of custom and prejudice which to date has discouraged manufactures from developing caps that incorporate the minor changes in shape to achieve Snell Foundation approval. This proposed panel must establish a timetable for the eventual required use of such caps in all competition.”

Following that editorial, the Committee for Equestrian Protective Headgear convened, paving the way for helmet safety standards, which hitherto didn't exist. And following that meeting, the *Chronicle* announced on Feb. 2, 1979, that, despite frequent submissions that violated the precept, the magazine would no longer publish “either editorially or in ads, pictures where riders fail to wear a hard hat [while jumping].”

At the start of the decade, the United States dressage enthusiasts struggled to get grassroots momentum and become internationally competitive. Training debates raged in the letters section of the magazine, with experts like Col. Bengt Ljungquist and Axel Steiner weighing in.

In a July 29, 1988, commentary, editor John Strassburger took stock of the last eight years in horse sport, marveling at the expansion at the top levels of the sport: “Prize money in show jumping has quadrupled; the show hunter and equitation world has become an industry in which people actually make a good living selling and training; and dressage, combined training, driving and steeplechasing all have more competitors and events. And in each sport the price of good horses has become even dearer, even unbelievable.”

For better or worse, during the 1980s, the culture of the horse world entered the modern world, becoming more specialized and more of a business, and less bound by tradition. The show hunter that got his start in the hunt field was now very much a minority, and money, as they say, was starting to talk.

At the *Chronicle*, Peter Winants ushered in the decade as the editor, with Strassburger taking over in 1986. But Winants stayed on as president, and editor emeritus Alexander Mackay-Smith still shared his considerable expertise, writing occasional reports on hounds. Top horsemen like Denny Emerson, Michael Poulin, Judy Richter and George Morris become regular columnists by the end of the decade.

During the 1980s, the magazine's focus shifted to more analysis of the Olympic sports, with plenty of homage to hunt country roots. But by the end of the decade, polo and flat racing were, at best, afterthoughts.

Imported warmbloods proved they weren't a passing fad but a growing trend, with ads from Hanoverian and Holsteiner studs popping up more and more. (The Trakehener, by and large, had already blazed the trail for his fellow imports.) But the American Thoroughbred, as they're often referred to, were still the most popular.



By 1981, the United States had its first CCI, at Chesterland (Pa.) with Rolex Kentucky joining the ranks the next year. (In 1984 the *Chronicle* was still explaining what this new “CCI” designation meant to readers.)

During the 1980s dressage grew from the third to second most popular discipline behind hunter/jumper.

In the 1990s, the *Chronicle* was there for the highlights, such as two Olympic Games and three World Equestrian Games, as well as the lows like the horse insurance killings involving Barney Ward, George Lindemann, Paul Valliere and several others. And because things in the horse world never truly change, familiar controversies like amateurs versus professionals, pony measurement, television coverage of equestrian sports and the helmet debate continued.

In June 1991, *Chronicle* President Winants officially retired, and Robert L. Banner succeeded him.

In 1991, the International Olympic Committee was on the verge of eliminating the team eventing competition from the Games, sparking suspicions that they were planning to eliminate all equestrian sports. The *Chronicle* encouraged readers to write to the IOC to try to change their minds. By the 1992 Barcelona Olympic Games, eventing was still safely included, but the U.S. team finished a disappointing 10th. They fared much better in the dressage team competition though, earning a team bronze medal, their first team medal in 16 years.

The 1996 Olympic Games in Atlanta were ground breaking for horse sports, as testing for eventing horses provided valuable research into equine health at high temperatures, Karen and David O'Connor brought instant media attention with their participation, and the dressage freestyle made its debut.

One of the final issues of the millennium was the Turn of the Century issue, published on Dec. 24, 1999. This 190-page issue was packed with *Chronicle* staff and industry leader's picks of the 100 most influential horsemen and horses of the 20th century. The writers decided not to rank their choices, instead listing them in a general chronologic order. Months of research went into the issue, which can now be considered a valuable reference to riders of all disciplines.

At the *Chronicle*, the 2000s brought a variety of changes to both format and staff. In March 2006, Tricia Booker became editor at the magazine when John Strassburger retired. He continued to write columns for the magazine. Less than a year later, on September 14, 2007, the print magazine went to full color.

The *Chronicle* website grew and evolved into a platform for up-to-the-minute news and daily coverage of events. Instead of waiting a week to read about the latest competition, the 2000s saw a rise in the amount of online coverage from horse shows across the world.

The Kentucky Horse Park in Lexington tried to bring the 2006 World Equestrian Games out of Europe and to the United States, but Germany won the bid. However, for the 2010 Games, only France and the United Arab Emirates opposed Kentucky's bid. In a May 13, 2005, report by the *Chronicle*, John Nicholson, executive director at the horse park, said, “Everyone [at the Fédération Equestre Internationale] I've talked to seemed to be rooting for the Games to come to



Kentucky, with the exception of the French, who were courteous.” When the FEI picked Lexington as the site for the 2010 WEG, it was the first time the games were held In North America.

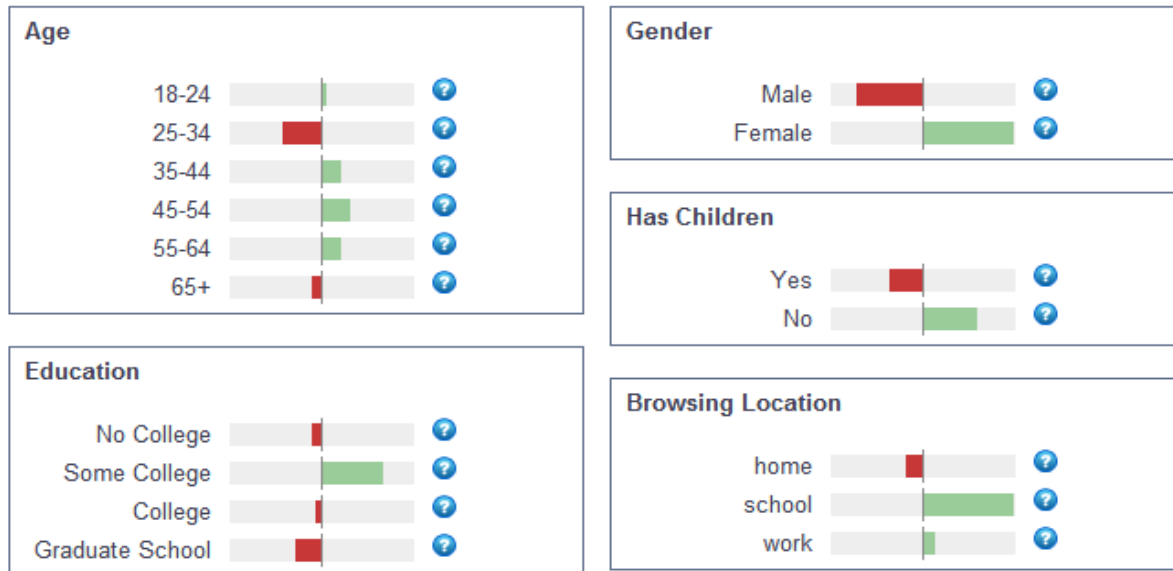
In 2010, Beth Rasin became editor, and the *Chronicle* changed its frequency to 46 issues. *The Chronicle Connection*, a digital monthly magazine, debuted in January of 2011. In 2012, the frequency of the *Chronicle* was again adjusted to 40 issues. Most recently, the print magazine received a redesign that launched on April 9, 2012, with a white cover, a mix of sporting art and photography and a return to a masthead reminiscent of the original 1937 design.



Exhibit B

Audience Demographics for Chronofhorse.com

Relative to the general internet population how popular is chronofhorse.com with each audience below?



Advanced Demographics for chronofhorse.com

Audience breakdown by income, ethnicity, age, education, gender, children and browsing location.

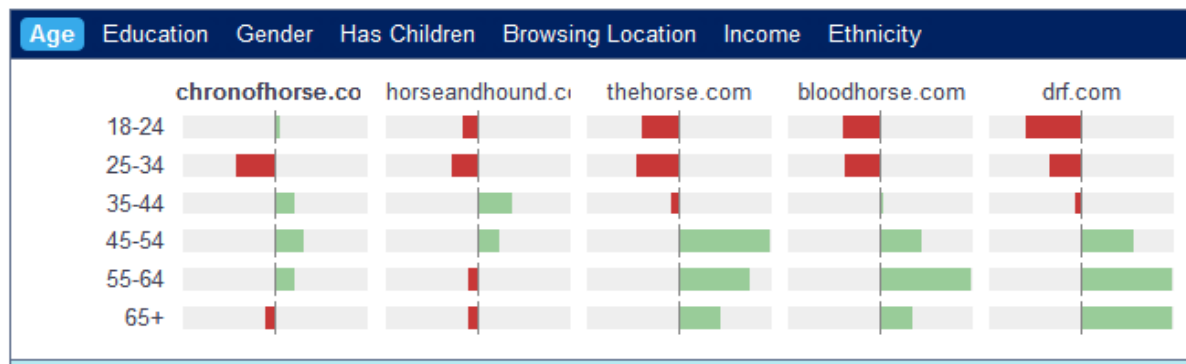
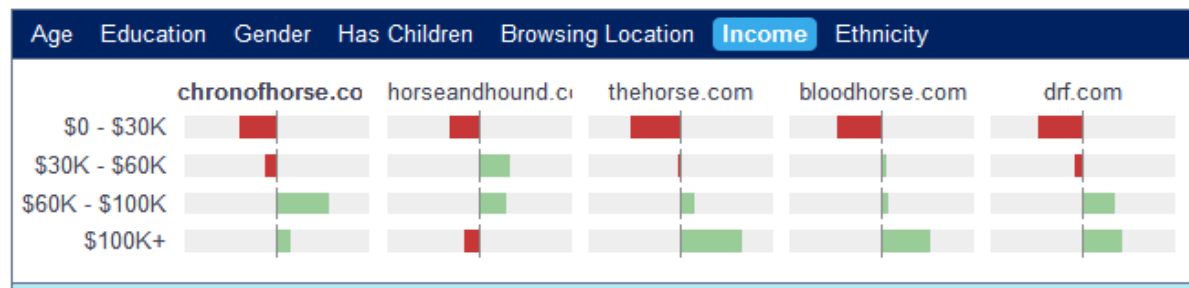


Exhibit C

Alexa Rankings as of September 4, 2012

chronofhorse.com

AS RANKED BY  **Alexa**
The Web Information Company

#5 IN CATEGORY: SPORTS > SUB-CATEGORY: EQUESTRIAN

		GLOBAL RANK	COUNTRY RANK
#1	Racing Post <i>racingpost.com</i> Online version of the daily national newspaper. Provides news, cards, results and racing statistics.	 7,541	 385
#2	The Hong Kong Jockey Club <i>hkjc.com</i> Complete information on horseracing in Japan including upcoming races and results, statistics, on-line media coverage and news, archives, charity events, and a beginner's guide to the sport.	 8,356	 50
#3	Equibase <i>equibase.com</i> Offers official entries, results and charts from racetracks in North America. Also provides links to the top race track web sites.	 21,503	 4,545
#4	Daily Racing Form <i>drf.com</i> Offers online past performances, live odds for all race tracks, free handicapping software and Thoroughbred horse racing news.	 23,062	 4,543
#5	The Chronicle of the Horse Online <i>chronofhorse.com</i> Weekly magazine site with news and results from national and international equestrian competitions, articles, discussion forums, classified advertisements and subscription information.	 37,473	 12,419
#6	Horse And Hound <i>horseandhound.co.uk</i> Contains news, competition fixtures, results, database of horses for sale, help, advice and an online community.	 42,321	 1,747
#7	Del Mar Thoroughbred Club <i>dmtc.com</i> Race track "where the turf meets the surf." Season, racing, and horsemen's information, plus contests, simulcasts, and chats.	 69,541	 9,509
#8	Blood Horse Interactive <i>bloodhorse.com</i> Focused on Thoroughbred racing and breeding in the United States.	 58,518	 13,159
#9	Racenet <i>racenet.com.au</i> Portal where more than 60 Australian race clubs are hosted. Includes newsletter, details of other services and links.	 117,025	 971
#10	Anantara King's Cup Elephant Polo <i>anantara.com</i> King's Cup Elephant Polo tournament held yearly at Anantara Resort and Spa in Hua Hin, Thailand.	 88,907	 2,711

Exhibit D

History of *chronofhorse.com*

The Chronicle of the Horse magazine has had an accompanying website since 1998, when staff member Erin Harty built a basic site that featured some content from the weekly magazine, the table of contents and the classifieds advertisements. This also gave people a way to find contact and advertising information via the Internet.

In 1999, Harty also launched the Chronicle Forums, an online community bulletin board that has become one of the premier equestrian forums in the world.

In 2004, the *Chronicle* staff undertook the first major website redesign of *chronofhorse.com*. This meant a new look and a lot more content available. At that time all of the magazine's content was posted online and was accessible via a table of contents on the homepage. There had been some daily news coverage of horse shows where *Chronicle* staffers were in attendance previously, but this had to be sent to a webmaster to be posted. After the 2004 redesign, done by Planet SG, staffers were able to post their own stories and photos.

This new website also allowed posting special online features such as photo galleries and interviews with top riders. A custom CMS was used, so staff members had control of all the content posted, but changes needed to be made out of house. All the content was subscriber only. 2004 was first year in which banner ads appeared on the website.

In 2007, the website received a facelift, done by Tim Kenney Marketing. The new homepage look allowed for more banner ads and a web-friendly look and feel. This was also the first time the *Chronicle* started aggressively promoting web classifieds and allowing photos in the classified ads online.

By 2009, the decision was made to allow online news and onsite horse show coverage free to non-subscribers. Blogs by upper level riders had also become a popular feature. In November of 2009 we made a huge redesign thanks to new Director of Digital Media Erin Bush. She worked with UnitOneNine to give the website a complete overhaul from the look and navigation to the framework upon which it was built.

The new website was built using Drupal, an open source content management platform. This allows more freedom to change the design without being tied to one development team.

Drupal also provides a huge amount of flexibility because there are more than 17,000 community created add-ons or contrib modules, most of which can be used for free.

The new website also ushered in a completely new approach to content, with nothing behind a paywall. However, we also stopped posting the majority of the magazine articles. The idea was to create an entity that was separate but related to the magazine, something that could draw in both new subscribers and also just people interested in horses who might never be candidates for a subscription. To this end, Sara Lieser became the senior web editor. She was responsible for finding and editing daily content for the website.



The new website featured daily changing content, more photos and vastly improved SEO. It also brought the forums under the *chronofhorse.com* URL and allowed us to develop many different types of web advertising using Google Ad Manager as well as web sponsorship.

The old and little-used online classifieds system wasn't incorporated into the new website, so in 2010, the online classifieds system was redone using out-of-the-box software. Since then, the online classifieds have been redone one additional time, relaunching in Nov. 2011. This time everything was brought in house, allowing a more robust online presentation as well as the ability to upgrade and schedule the ad to run in print.

In 2011, the Company also moved the hosting of the site under its current IT and development partner, Anthill, with offices in Louisville, KY.

The website won American Horse Publications' best equine-related website in 2011.

In 2012, COTH again gave the website a facelift. A small redesign allowed the Company to feature multiple articles on the homepage at once with a slider, thus allowing the site to showcase the breadth and depth of content.

Exhibit E**Workforce by Type and Location**

Name	Status	Position	Location
Beth Rasin	Employee	Exec. Editor	Middleburg, VA
Joanie Vergo	Employee	General Manager	Middleburg, VA
Susan Lee	Employee	Sr. Acct. Executive	Middleburg, VA
Sara Lieser	Employee	Managing Editor	Middleburg, VA
Mollie Bailey	Employee	Edit. Staff	Middleburg, VA
Megan Brincks	Employee	Edit. Staff	Middleburg, VA
Lindsay Berreth	Employee	Edit. Staff	Middleburg, VA
Sharon Rose	Employee	Edit. Staff	Middleburg, VA
Cynthia Curran	Employee	Edit. Staff	Middleburg, VA
Lauren Maruskin	Employee	Edit. Prod. Manager	Middleburg, VA
Beth Honcharski	Employee	Adv. Prod. Manager	Middleburg, VA
Laura Honohan	Employee	Customer Relations	Middleburg, VA
Carl Mullins	Employee	Publisher	Austin, TX
Dawn Kirlin	Employee	Sr. Account Exec.	Franeestown, NH
Kat Netzler	Employee	Senior Editor	Chicago, IL
Molly Sorge	Employee	Assoc. Editor	Ruther Glen, VA
Lisa Slade	Employee	Editorial Staff	Knoxville, TN
Karen Ficklin	Contractor	Circ. Director	Ft. Worth, TX
Ketan Patel	Contractor	Art Director	Austin, TX
Adrienne Rosales	Contractor	Senior Designer	Austin, TX
Sonya Mendeke	Contractor	Senior Designer	Austin, TX
Nicole Robertson	Contractor	Account Exec.	Ft. Worth, TX
Stacey Reap	Contractor	Forum Moderator	Egg Harbor Township, NJ
Patti Derflinger	Contractor	Admin. Asst.	Middleburg, VA

Exhibit F

Rolex Preview Campaign

Subscribe Now!

Subscribe today and get immediate access to the
2012 ROLEX ROSTER WITH WOFFORD'S PICKS
 Already a Subscriber? Click Here to Login for Access.

Magazine Tablet Web

Access Rolex coverage in Photos & Videos or current digital issue in archives.

Campaign Reach? Frequency? Social Reach? Connections? Clicks? CTR? Spent?
 11,839 47.4 0 0 823 0.147% \$264.60

Name	Status	Reach	Freq.	Social Reach	Connections	Clicks	CTR	Bid	Price
Wofford's Rolex Picks	✓	11,839	47.4	0	0	823	0.147%	\$0.50 CPC	\$0.32 CPC

Ad Preview Edit

Targeting Edit

Performance

Wofford's Rolex Picks
chronohorse.com

The Chronicle of the Horse exclusive. James Wofford Handicaps the 2012 field.

View on Site · Create a Similar Ad

This ad targets 14,460 users:

- who live in the United States
- between the ages of 25 and 45 inclusive
- who are female
- who like #Eventing, #Horse & Hound, 3day eventing, eventing magazine or eventing nation
- who graduated from college

Suggested Bid: \$0.32 - 0.47 USD

CTR

Close

Exhibit G
Facebook Potential Market Data

facebook

6

Search

Carl Mullins

Home

Location

Country: United States

☒ Everywhere

☐ By State/Province

☐ By City

☐ By Zip Code

Demographics

Age: 18 - 60

☐ Require exact age match

Sex: ☐ All ☐ Men ☒ Women

Interests

Estimated Reach

439,380 people

- who live in the **United States**
- between the ages of **18** and **60** inclusive
- who are **female**
- who like **#Sport horse**, **#Show jumping**, **#United States Hunter/Jumper Association**, **hunter jumper**, **#United States Dressage Federation**, **#Classical dressage**, **#Eventing**, **#Horse & Hound**, **#Dressage**, **#Equestrianism** or **chronicle horse**
- who **graduated from college**

Exhibit H

Direct Mail Example



Celebrating **75** Years Of Sport Horse News

TERM	COVER PRICE	SUBSCRIPTION VALUE	SAVE	PAY ONLY
48 ISSUES 40 Issues	\$239.52	\$271.47	78%	\$59.95

CHRT12F/L

 Payment: ☐ VISA ☐ MasterCard ☐ American Express ☐ CHECK ENCLOSED

Card Number: _____ CVV: _____

Exp. Date: ____/____/____ Signature: _____

Email Address*: _____

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- ▶ 12 ISSUES OF **THE CHRONICLE CONNECTION** **FREE**
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Exhibit I
Monthly Financial Package

