

# Seats **X**™ Commute Communities™

Managing Transportation Risk

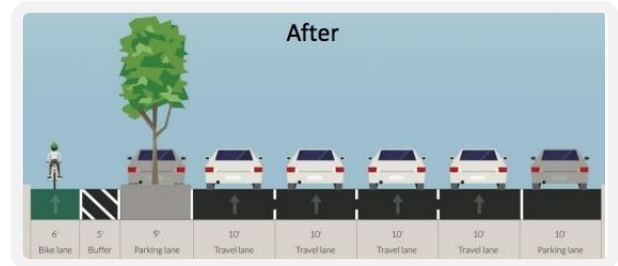
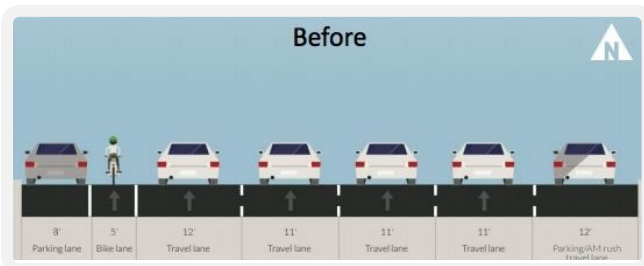
Innovating Streets into Markets™

The Stock Market for Rides™



Using the Power of a Market to Allocate Capacity

GoGreenAmerica.org™



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# Innovation

**SeatsX** developed a way for commuters and transportation companies to manage exposure to volatile and expensive transportation prices while retaining the ability to capitalize on market opportunities. **SeatsX** has pioneered innovating streets into financial markets holding over 45 issued patents and patents pending in this innovation. **ScootersX** by **SeatsX** is also a leader in micro-transit

# Value

**SeatsX** is not a transportation broker or transportation network company. **SeatsX** is a provider of price risk management services and financing to the transportation industry. **SeatsX** is a provider of transportation solutions and long term liquidity in the transportation market.

# Scalability

Price risk management does not have to be an all-or-none proposition. Companies or individuals may apply price risk management strategies only at the times and in the volumes that make sense. **SeatsX** makes it possible.

# Simplicity

You do not have to change any aspect of your relationships with your current suppliers or customers to take advantage of these services. **ScootersX** is also an amazing micro-commute solution to reduce cost. **SeatsX** subscriptions also allow for users to lock in costs on a subscription basis.

# Experience

**SeatsX** is actively making a market in short and long-term transportation price contracts. Our expertise flows from our experience from working at the world's largest commodity risk manager, leading investment banks and the world's largest commodity hedge fund.

# Trust

**SeatsX** is a reliable, committed, long-term partner. Our parent, Simpson Holdings, Inc. has been in business since 2002 as a Texas Corporation.

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# Innovating Streets into Markets

## Hedging Transportation Exposure

Transportation is a \$5 trillion global industry and a staple of our market economy. Transportation equals freedom. But fluctuating prices for rides can wreak havoc on the budgets of commuters, students and workers, not to mention the bus metro operators, van pools and car-pools who depend upon them for their revenues or cost savings. From metro operators to common workers who drive to work in a single occupancy vehicle to commuters and students that depend on transportation to get to work or school, the number and range of people who are effected by transportation costs or businesses whose sales and profits are impacted by the price of transportation are enormous.

Given the size of the transportation industry and its impact on our economy, it is astonishing how little was done in the past to manage this price risk. Some large companies could use gasoline futures to manage fuel cost, but this was and remains an inflexible solution, carrying substantial risk for transportation companies and does not correlate to their revenue exposures. Typical consumers also could not lock in costs as fuel is variable and it only part of the cost of a vehicle. Few solutions were available to shield companies from the normal quarter-to-quarter price fluctuations in the price of a ride or seat between two transportation hubs, or, for that matter, in fluctuating costs at the pump. Yet these fluctuating prices had a direct impact on the costs of being a commuting worker or commuting student or a provider of transportation.

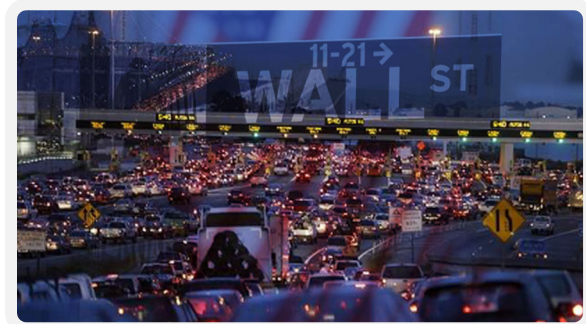
Today, all this has changed, SeatsX has created a new breed of financial and physical risk management tools and structures that can be used to immunize companies against a wide range of transportation risks and help them achieve a broad cross-section of financial goals. Already, companies in industries as

diverse as energy, manufacturing, banking, retailing and broadcasting are using these transportation risk management tools to:

- Commute Subscriptions (to lock in savings)
- Smooth revenues (compensate for loss of demand)
- Cover excess costs
- Hedge fluctuations in transportation budgets
- Reimburse "lost opportunity" costs
- Lock in transportation prices
- Diversify investment portfolios

By using transportation price risk management tools to complement existing risk management strategies, commuters can lock in their cost or swap out rides if they no longer need the or need a different time and companies can better manage their sales and earnings. This, in turn, can help them reduce their cost of capital, and, ultimately, attract a wider range of investors.

Finally, the burden of dealing with unpredictable transportation prices has become an opportunity.



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# Solutions to Transportation price risk

Applications for transportation risk management are almost intuitive in some situations. For example, a metro, van pool or car pool commuter might buy a "floor" (see Terminology) to cover lost revenue during periods when transportation prices are soft-much as a farmer might buy a floor to protect against low wheat prices. But the full potential of these risk management tools is virtually unlimited. Here are several examples of how they can be used to improve a company's bottom line:

## Compensate for Loss of Demand

Erratic financial results can inflate a company's cost of capital as lenders and shareholders demand higher rates of return on their money. To hedge profits against fluctuating transportation prices, companies or individuals can use a wide variety of risk management products. A Van Pool operator or Metro, for example, might purchase a floor that pays out if the market for seats along a route softens, while still retaining the upside if transportation pricing proves to be strong. Alternatively, the Metro could enter into a zero-cost collar to simultaneously protect and limit its revenues from price extremes outside a prescribed price band. Finally, the Metro could sell a cap against some of its transportation capacity, generating an additional and dependable revenue stream, regardless of transportation price fluctuations.

## Cover Excess Costs

In some cases, severe swings in the cost of transportation or fuel reduce an individual commuters' budget-not by shrinking their income, but by driving up their costs. One example: a commuter that must get a ride during the rush hour market at the last minute to get to work or go home. Something may come up where they need to change their schedule at home or at work quite often, and when it does, can you find another ride quickly at a reasonable cost or do they just eat the fare price? Transportation bought at the last minute at inflated prices can increase costs beyond budget. By purchasing a transportation price swap from **SeatsX**, the commuter can easily protect their budget. The swap ensures the price of transportation is constant throughout the year at an agreed upon level.

To obtain favorable pricing, commuters frequently commit to the purchase of transportation in advance. For any number of reasons-a downturn in the economy, perhaps, or an across-the-board corporate mandate to reduce costs-jobs sometimes get cut after these purchase commitments have been made. Companies that work with SeatsX can purchase an option that will allow them to sell back transportation they do not use. This can help to offset any lost savings associated with job loss or location changes.

## Reimburse "Lost Opportunity" Costs

In an ideal world, commuters would sell extra seats if they drove so they could get in an HOV and save time, and commuting riders would purchase, the exact amount of seats they need. In the real world, schedule changes, job changes, city planning forecasts are often proved wrong by fluctuating demand, and commuters find themselves sacrificing significant empty seats which hike their commuting costs. For example, if a commuter drives alone it may cost \$8,700 for an average annual commute over 250 working days. The SeatsX market may be used to protect themselves from these "lost opportunity" costs, the commuter or metro could purchase a risk management tool that would allow them to sell empty seats to other commuters rather than forego those empty seats and lose \$6,000 they could have captured over a typical year.

## Drive Sales

Many companies depend upon their transportation to drive sales and revenues. Often, though, companies are faced with the need to cut costs, and many times this will involve a reduction in their transport services budget. By using transportation risk management, such cuts may not be necessary. A price floor, for example, could allow a company to lock in commuters at above-market prices, eliminating the need to reduce the service.

## Diversify Investment Portfolios

Transportation risk management tools offer fund managers, banks, reinsurance companies and other institutional investors an opportunity to increase their investment returns without assuming any increased risk, since returns generated from these contracts are not correlated with returns in other financial markets. Indeed, as the transportation market grows, it has the potential to function as a separate asset class. Financial swaps are a primary component of this asset class.

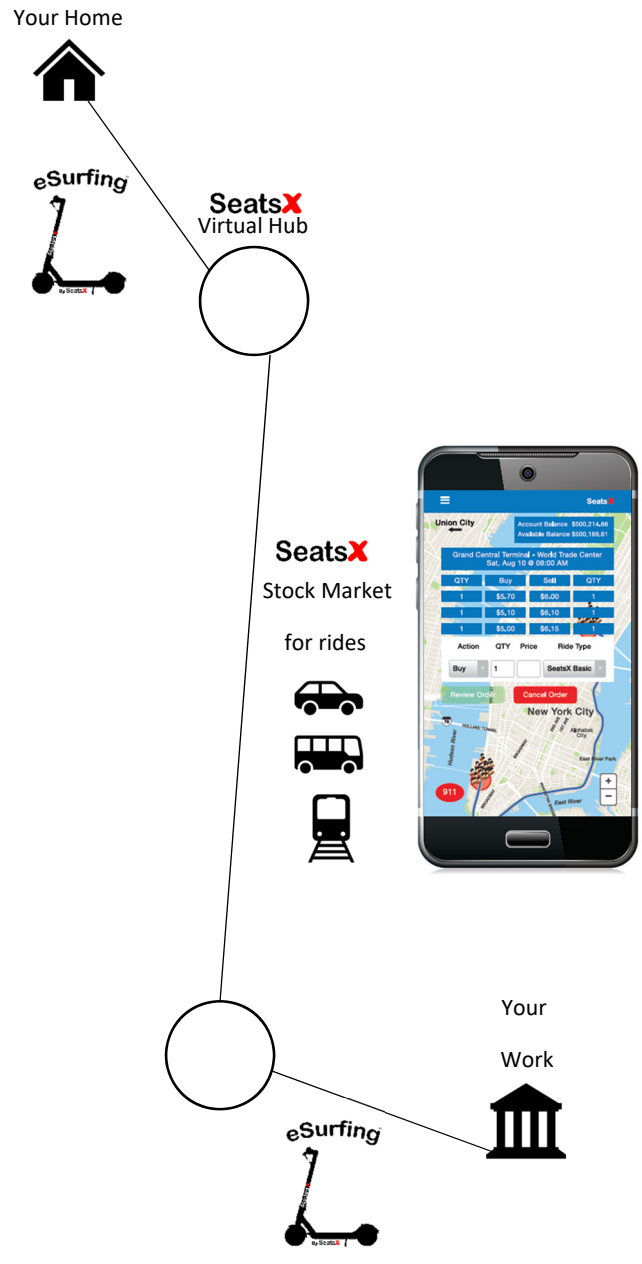
# What is eSurfing™

**SeatsX** operates a Virtual Subway throughout the world. **SeatsX** is a “hub to hub” model so that the ride can be traded as a stock or commodity which is one of our primary inventions and intellectual property developments of **SeatsX**. To achieve a hub to hub model much like a European Train System or Virtual Subway, we invented a multi-model transport option with **ScotersX** our eScooter brand that promotes zero-emission commuting to the **SeatsX** virtual hubs.

How can you get to one of the **SeatsX** Virtual Hubs?

**SeatsX** users have a loved one drop them off at a Virtual Hub, they take a car, walk, bike or eSurf. eSurfing has become the new zero-emission standard in micro-commuting to get to a **SeatsX** Virtual Hub. eSurfing on an eScooter by **ScotersX** is perhaps the lowest cost option in micro-commuting.

## An Example of eSurfing with ScotersX



# eSurfing™





# Scooter Care – We’ll Drop Off to You



ScootersX Care Program - Never be without a ScootersX. We will drop off a loaner ScootersX in Houston (within 2 hours). Pick up your ScootersX in need of repair and provide the discounted repair rates. Scooter Care customers get 50% off retail repair.

**Tire Repair with Scooter Care \$20**

Tire Repair without Scooter Care \$50 (no pickup)

**Battery Replacement with Scooter Care \$40**

Battery Replacement without Scooter Care \$100 (no pickup)

**New Brakes with Scooter Care \$20**

New Brakes without Scooter Care \$40 (no pickup)

Other repairs may require an estimate. Scooter Care customers get 50% off retail repair. Never be without your ScootersX.



# Commute Communities Subscriptions

## How do I buy a SeatsX subscription?

Want to lock in your price of transportation? Don't need your subscription anymore? SeatsX has invented the only transportation subscription in the world that allows user to not only buy a ride, sell a ride, but also trade the ride or subscription of rides like a commodity or stock. The SeatsX system allows for the ultimate in flexibility for the consumer or even provider of transportation services.

Buy a set number of HOV commutes (if HOV exists on your route, you qualify for this additional time saver).

SeatsX users may buy 10 HOV ride, 30 HOV ride, 100 HOV ride, 500 HOV ride quantities.



Visit our [SeatsX.org](https://www.seatsx.org) subscription and gear website:

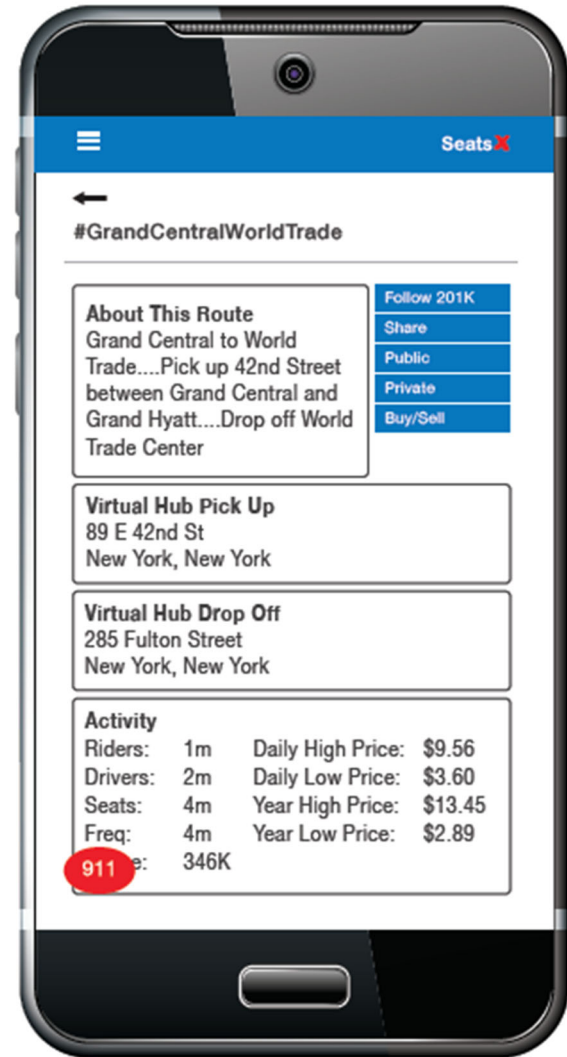
<https://www.seatsx.org/merch/seatsxsubscriptionpass-monthly>



## What is a SeatsX Commute Community?

SeatsX has also invented as intellectual property the concept of making a commute route a social community to which one may follow, friend, subscribe or like.

Go to the Commute Communities menu option for a Commute Community near you. Commute Communities are run by local captains along your commute. Fellow workers who are along your route going to work or school.





#### SWAPS:

Swaps are privately negotiated financial contracts in which two parties exchange risk exposures over a predetermined period of time. They can be used by a commuter, for example, to synthetically convert ride purchases at floating market rates to an effective fixed rate. While there are no standardized swap transactions, all swaps share a similar structure. There is no up-front charge. Instead, the parties involved typically agree to exchange payments over the life of the agreement, with one side paying a fixed price and the other side paying a variable price. Settlement is often financial, that is, cash changes hands, but physical product does not. Each month during the life of the transaction, the difference between the two prices is determined and payment made to the appropriate party.

#### CAPS AN FLOORS:

These contracts are often called “price guarantees”. In exchange for paying a fee known as the “premium,” the user is entitled to full price protection when transportation prices move above or below a specified level. A price cap gives the holder protection against rising prices without sacrificing the potential benefits associated with falling prices. Floors are the opposite of caps; they protect the holder against falling prices but allow the company to retain the upside potential associated with price increases. When a customer buys a price cap or floor, the full cost of the protection is predefined (it is equal to the premium paid). There are no potential future costs related to price movements.

#### COLLAR:

Collars are privately negotiated financial contracts that limit the user's exposure to transportation price volatility within a prescribed range. Collars combine the features of both a cap and a floor in one transaction and can be structured to be “zero cost,” meaning that they require no up-front premium from the company using them.

Collars are over-the-counter instruments that can be customized to meet a particular set of needs. For a company hedging transportation costs, for example, a collar will establish a floor, or minimum price, and a ceiling, or maximum price, to be paid.

## Understanding TCU

TCU is a transportation term that stands for “Transportation Capacity Unit” which was invented by **SeatsX**.

TCUs are a ride or seat along a given route in a bus, van pool or car pool for commuters.





# Put SeatsX resources to work for you

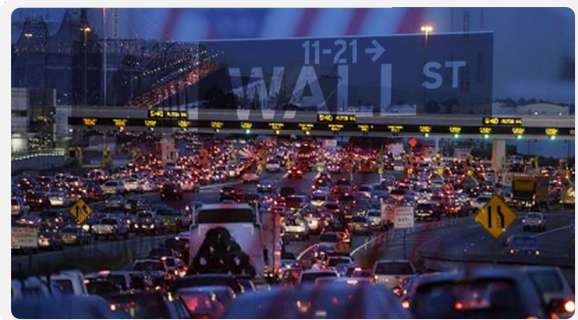
As the leader and first inventor in the development of price risk management tools for the transportation industry, **SeatsX** has the experience and resources to help you manage your transportation price risks. We can structure swaps, floors, caps and collars, as well as more complex risk management products designed to meet more complex needs. We are one of the few companies in the world that could, where appropriate, combine price protection for your transportation needs. We are one of the true innovators in transportation and may only deliver financial risk management solutions but also logistics using our technology and intellectual property to provide a marketplace to buy, sell or trade actual physical rides.

Because every transportation price risk management tool is an over-the-counter contract designed to meet your specific needs, we can offer you a wide variety of ways to structure your payments for these products.

Depending upon the structure, you may be able to pay no premium at all, or pay your premium up-front, over time or in arrears. In some cases, premiums or payouts can be made in a physical product.

You know that your sales, profits and cash flow are too important to be affected by fluctuating transportation prices. Find out more about our risk management solutions today by contacting us at 832-916-2001. We look forward to working with you.

## SeatsX



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**Call our Customer Service:**

**832-916-2001**





*In recent years, much has been written on how important it is that financial market participants fully understand the nature of their relationships with counter-parties. We agree that this is critical: unless a market participant has Informed Itself as to exactly where its counter party's responsibilities ends, it cannot easily assess where its own responsibility begins.*

*These materials describe the economic terms of transportation price risk management transactions. These transactions involve a variety of significant potential risks. Including risk of adverse or unanticipated market developments, risk of counter party default, risk of illiquidity and other similar risks. The specific risks presented by a particular transaction necessarily depend on the nature of the transaction and your circumstance.*

*Your company should not enter into any financial and physical transaction unless it fully understands the potential risks and rewards of that transaction and has independently determined that the transaction is appropriate in light of its objectives, experience, financial and operational resources, and other relevant circumstances. Please bear in mind that in proposing transactions or discussing market opportunities with you, **SeatsX** is acting as a potential arm's-length counter party and not as your company's financial advisor*

# SeatsX

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# Caps Transportation Price Risk Management Products

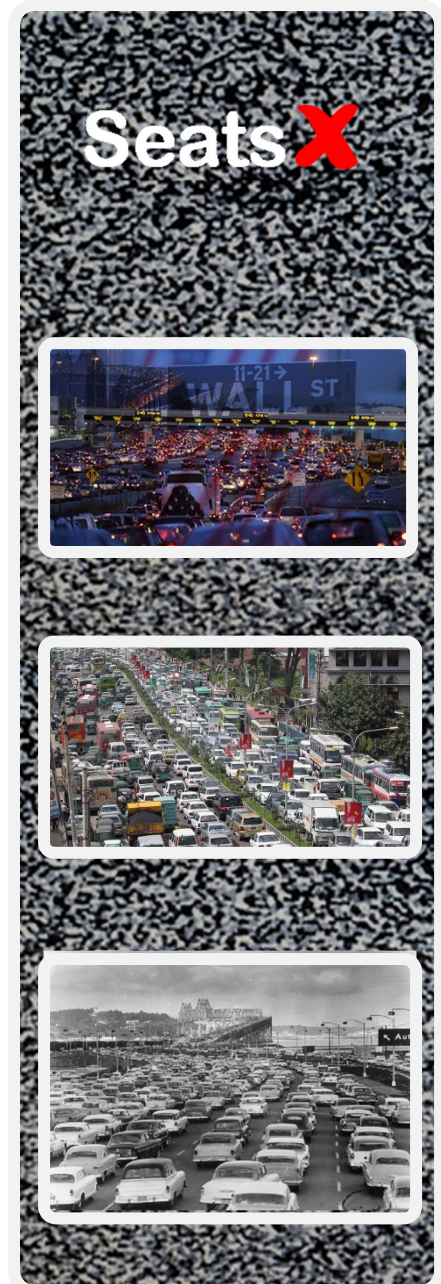
CAPS ARE PRIVATELY NEGOTIATED risk management tools that provide compensation to the buyer if market prices for a given product, such as transportation time or space, move above a predetermined level.

Caps, sometimes referred to as "call options," are arranged in conjunction with the physical purchase of transportation in order to establish a maximum price a commuter will pay for that space or ride. They provide full protection from rising prices. In addition, caps allow commuters to benefit fully from decreases in the price of commuting.

Financial caps provide cash compensation when market prices rise above a predetermined level and physical caps give the holder the right, but not the obligation, to buy transportation at a predetermined price level.

To purchase a cap, the buyer pays a cash premium to a counterparty willing to assume the underlying risk. (This counterparty is often a company such as **SeatsX** which both buys and sells transportation price risk management tools and will hedge the risk of doing so through offsetting transactions with other entities.) The premium is the only cost to the buyer in such a transaction.

Companies in diverse industries with a wide range of business applications, including revenue smoothing, hedging costs and reimbursement of "lost opportunity costs" can use caps





# Floors

## Transportation Price Risk Management Products

FLOORS ARE PRIVATELY NEGOTIATED risk management tools that provide compensation to the buyer if market prices for a given product, such as transportation time or space, move below a predetermined level.

Floors, sometimes referred to as "put options," are arranged in conjunction with the physical sale of transportation in order to establish a minimum price a transportation provider receives for transportation space. They provide full protection from falling prices. In addition, floors allow a transportation provider to benefit fully from increases in the price of transportation.

Financial floors provide cash compensation to the holder when market prices fall below a predetermined level and physical floors give the holder the right, but not the obligation, to sell transportation at a predetermined price level.

To purchase a floor, the buyer pays a cash premium to a counterparty willing to assume the underlying risk. (This counterparty is often a company such as **SeatsX**, which both buys and sells transportation price risk management tools and will hedge the risk of doing so through offsetting transactions with other entities.) The premium is the only cost to the buyer in such a transaction.

Companies in diverse industries with a wide range of business applications, including revenue smoothing, hedging costs and reimbursement of "lost opportunity costs" can use floors.



# Floor Application

XYZ Metro Group, provides multi-mode transit in 30 route markets in one metro area region. While a prosperous economy has helped the company meet most of its profit targets over the past five years, XYZ's management knows that its earnings could be severely impacted the next time the economy softens and transportation prices decline or layoffs lower ridership on premium express routes. Management wishes to protect the company's revenues against this event, while retaining the ability to benefit when transportation prices and ridership are strong. To do this, the company must first calculate the impact that price fluctuations have on its sales and profits.

## Example: Financial Floor

XYZ reviews historical TCU data for its major routes and frequencies (time-of-day slots) across 30 markets over the past five years. The company finds that, on average per quarter, it receives a \$4.30/TCU for 5,000,000 non-linked trips, or \$21.5 million

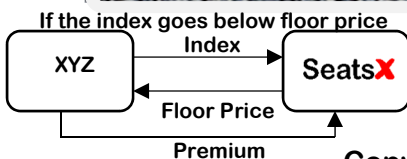
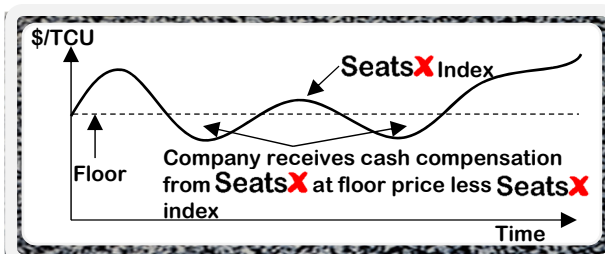
By comparing its sales records to its TCU data, the company calculates that its quarterly sales decline an average of \$500,000 or 0.1%, for every \$0.10/TCU below \$4.30 per TCU.

For the upcoming year, management wishes to protect the company against any earnings shortfall associated with TCUs falling below a \$4.30 each quarter, yet still be able to take advantage of any price increases.

The company buys a floor from **SeatsX** with a "strike" price at \$4.30/TCU, in which **SeatsX** will track the TCUs in the 30 markets from January through December and pay the company \$500,000 for each \$0.10 below \$4.30/TCU, as measured by the **SeatsX** Index.

With this contract, the company has set a floor on its potential annual revenues of \$21.5 million (\$4.30 TCU x 5,000,000 units/quarter x 4 quarters), less the cost of the floor itself. Meanwhile, if the market proves to be strong, the company will still enjoy 100 percent of any associated increase in sales and profits.

### TCU Financial Floor

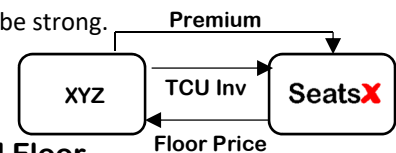


## Example: Physical Floor

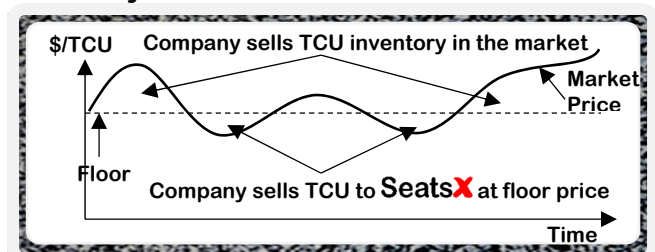
While the financial floor described above protects XYZ Metro Group against unanticipated declines in the market price for transportation capacity, it doesn't protect the company from differences between market prices, as represented by the **SeatsX** index, and the actual prices it is able to negotiate with commuters, which may be more or less than the index depending upon the company's negotiating strength. If the company is highly confident in its negotiating abilities, this may not be a concern. If it is a concern, the company may wish to eliminate this risk by buying a physical floor rather than a financial floor. Physical floors protect against this execution risk, sometimes referred to as "individual performance risk." Here's how:

- XYZ Metro reviews its sales and income records and determines that it does not want to take the chance that it might have to sell advertising inventory below \$4.30/TCU.
- The company buys a floor from **SeatsX**, giving XYZ the right, but not the obligation, to sell 100,000 TCUs to **SeatsX** at \$4.30/TCU for a total of \$0.43 million.

With this transaction, the company has put a floor on its revenues of \$0.43 million, less the cost of the floor. Additionally, company XYZ can benefit if the market proves to be strong.



### TCU Physical Floor





# Swaps Transportation Price Risk Management Products

SWAPS ARE PRIVATELY NEGOTIATED contracts that allow a company to reduce or eliminate the impact of specified market conditions on its business. There are two main types of swaps: financial and physical.

In a financial swap, a company receives financial compensation in the event of adverse market conditions, but pays out money in the event of favorable market conditions. Financial swaps are structured to cover a finite period of time and when used in the advertising industry are always tied to a specific transportation price index, such as **SeatsX**. The parties to the contract establish a "strike" price for the chosen index. When the index falls below the strike price, one of the parties owes a payment to the other. When the index price is higher than the strike price, the payment flow is reversed. Financial swaps are always settled in cash, regardless of which party is making the payment.

A physical swap is structured much like a financial swap, again with a finite life and a specified strike price. However, the contract is settled with real assets; that is, by an exchange of transportation inventory for cash. Like financial swaps, physical swaps are typically settled on either a monthly or quarterly basis over the life of the contract.





# Swap Application

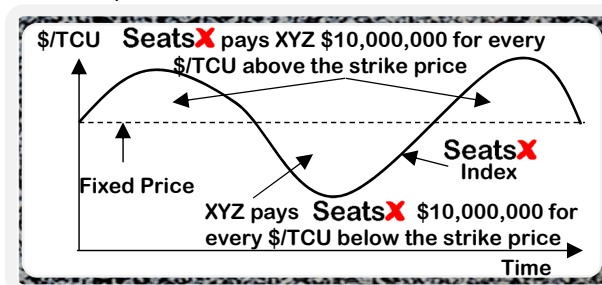
## Transportation Price Risk Management Products

XYZ Hotel and Entertainment Company is an upscale hotel and entertainment chain with 10 hotels throughout California. XYZ Hotel and Entertainment company moves over 50,000,000 people a year. Its revenues and profits are critically dependent upon cost effective transportation; the company runs transportation shuttles year-round, and also promotes sales and holiday events. Given this business model, the company's profits are highly sensitive to transportation prices. In one recent year, unexpectedly high transportation expenses reduced the company's net income by 5 cents per share.

### Example: Financial Swap

The managers of XYZ agree that adverse transportation prices should not play a role in the company's profitability. They decide that they would like to eliminate the cost of unexpected increases in transportation expenses, and further agree that they would be willing to give up the financial benefits of unexpectedly low prices to achieve this cost stability.

- A review of historical TCU (Transportation Capacity Unit) data reveals that over the past five years, transportation prices for the cities where XYZ hotels are located have fluctuated by approximately 30%.
- XYZ calculates that each dollar increase in TCU increases its total transportation budget by approximately \$50,000,000. Similarly, each dollar decrease in TCU cuts its costs by a like amount.
- The company enters into a swap agreement with **SeatsX** covering a one-year period from January through December, agreeing in advance to a specified TCU "strike" price for the **SeatsX** index. For each month that transportation prices are above the strike price, **SeatsX** will pay the company \$10,000,000 per TCU monthly  $\$/TCU$ s above the strike price. During months that index is below the strike price, XYZ will pay \$10,000,000 per TCU monthly  $\$/TCU$ s below the strike price.



### Example: Physical Fixed Price Swap

The financial swap described above serves as a hedge against volatility in the market price for transportation capacity, as measured by an index such as **SeatsX**. But it doesn't protect XYZ Hotel and Entertainment Company from differences between the index price and the actual prices it is able to negotiate in the marketplace. If the company is highly confident in its buying prowess, this may not be a concern. If not, it may wish to eliminate this risk by entering into a physical fixed price swap rather than a financial swap. Physical swaps protect against this risk of execution, sometimes referred to as "individual performance risk."

In this example, XYZ Hotel and Entertainment Company uses a physical swap to insure that it receives transportation inventory at a fixed price:

- XYZ wants to lock in a price for 5,000,000 TCUs over the course of the upcoming year and eliminate any uncertainty about future market prices during that period of time.
- The company agrees to pay **SeatsX** \$4.30/TCU for 5,000,000 TCUs over the course of the year, or a total of \$21,500,000.
- Each quarter, XYZ pays **SeatsX** \$5.375 million in exchange for 1,250,000 TCUs.

By entering into this physical fixed price swap, XYZ is assured that even if market prices increase dramatically, it will still pay just \$4.30/TCU. In exchange for this protection, it is willing to give up the potential benefit associated with unexpectedly low market prices.