CONFIDENTIAL

Company Business Plan

This report contains information that is confidential and proprietary to COMPANY INC. and is solely for the use of COMPANY INC. personnel and its agents. No part of it may be used, circulated, quoted, or reproduced for distribution outside COMPANY INC. If you are not the intended recipient of this document, you are hereby notified that the use, circulation, quoting, or reproducing of this document is strictly prohibited and may be unlawful.

Revised March 10, 2008

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY 4
1.1. Overview 4
1.2. Opportunity & Market 4
1.3. Location and Date of Founding 5
1.4. Management Team 5
1.5. Advisory Board 5
1.6. Investment Opportunity 5
1.7. Financial Summary 6
2. INTRODUCTION 7
2.1. Mission Statement 7
2.2. The Concept 7
2.3. Value Proposition 8
3. PERSON-TO-PERSON NETWORKING 10
3.1. The Incentive Structure 10
3.2. A Practical Illustration 11
3.3. Comparison with Affinity Marketing 13
3.4. Comparison with Multi-level Marketing 14
4. MARKET OVERVIEW 16
4.1. Nonprofit Sector 16
4.2. Volunteering 16
4.3. Giving 16
4.4. Telecommunications and Utility Services 16
5. NONPROFIT & CONSUMER FEEDBACK 17
5.1. Nonprofit survey 17
5.2. Consumer survey 17
6. COMPETITIVE ADVANTAGES 19
6.1. Intellectual Property 19
6.2. First Mover Advantage 19
6.3. Minimal Customer Acquisition Costs 19
6.4. Increased Customer Loyalty 19
6.5. Healthy, Set Margins 19
6.6. Transparent, Competitive Pricing 20
6.7. Unique Bundling Opportunity 20
6.8. Complementary Asset Generation 20
7. COMPETITION & RISK FACTORS 21
7.1. Consumer Long Distance 21
7.2. War for Talent 21
7.3. Intellectual property 21
7.4. Marketplace apathy 22
8. SALES & MARKETING 23
8.1. Potential Market: Revenue Opportunities 23
8.2. Growth Projections 23
8.3. Market Entry Strategy 23
8.4. Pricing 24
9. FINANCIAL OVERVIEW 25
9.1. Current Shareholders 25
9.2. Funding Needs and Uses of Funds 25
9.3. Exit Strategy 25
10. IMPLEMENTATION PLAN 26
10.1. Project Timeline 26
10.2. Financing requirements - Series A 26
10.3. Installment 1 - $1.5 million by August 31, 2002 26
10.4. Installment 2 - $2.5 million by January 31, 2003 26
10.5. Installment 3 - $3.5 million by June 30, 2003 27

APPENDIX A: **MANAGEMENT RESUMES** 28
APPENDIX B: **MARKET SHARE ANALYSIS** 28
APPENDIX C: **HEADCOUNT FORECAST** 28
APPENDIX D: **REVENUE FORECAST** 28
APPENDIX E: **OPERATING EXPENSE FORECAST** 28
APPENDIX F: **CAPITAL EXPENDITURES FORECAST** 28
APPENDIX G: **PRO FORMA INCOME STATEMENT** 28
APPENDIX H: **PRO FORMA BALANCE SHEET** 28
APPENDIX I: **PRO FORMA STATEMENT OF CASH FLOWS** 28

1. EXECUTIVE SUMMARY

1.1. Overview

The Company has developed a patent-pending process ("Person-to-Person Networking") to enable nonprofit institutions to raise funds through the reselling of a wide variety of competitive "utility" services (e.g., phone service) to their employees, volunteers, donors and other constituents.

The Company will buy select services at wholesale rates, sell them at competitive retail rates, and share the profits with its nonprofit partner organizations. Under Person-to-Person Networking, nonprofits will "spread the word" to their constituents to purchase their utilities from the Company, who will return 20% of the gross proceeds to the nonprofit, a portion of which will afford the Company positive tax considerations.

In addition, each individual who in turn recruits additional members to enlist in Company' services will receive a deduction from his own monthly utility bill, and will also forward a similar cash amount to his nonprofit of choice in the form of a cash donation.

Person-to-Person Networking™ will reduce customer acquisition costs by displacing the significant marketing dollars that mass-market utility providers (e.g. AT&T, Worldcom, and Sprint) spend on customer acquisition campaigns. These monies will instead be funneled back to those non-profits and customers who spread the word about the Company value proposition in a less invasive "push strategy" than the invasive and deceptive "pull" strategy currently experienced by the market.

Furthermore, Person-to-Person Networking yields long-term customer loyalty and dramatically increases "lifetime value" of its customers by reducing customer attrition rates by 30%.

1.2. Opportunity & Market

The Company's target market is the population of operating nonprofit organizations in the U.S. with the expectation that they will recruit their constituents (i.e. board members, workers, volunteers, and donors) which are comprised of the households that regularly give to charitable causes.

- **Independent Nonprofit Organizations**- The domestic nonprofit sector is comprised of more than 733,000 independent 501(c)(3) organizations. The vast majority of these organizations are overworked, understaffed, and underfunded. They will be the primary marketing mechanism by which their constituents will learn about and be encouraged to sign up with the Company as their utility service providers (i.e. initially, long-distance phone service). The company believes, and preliminary research suggests, that the Person-to-Person Networking value proposition is extremely attractive and will be widely adopted.
- **Target Consumers**- Person-to-Person Networking is extremely appealing to consumers, who will receive an advantageous rate (i.e. flat, with no hidden costs, at a competitive price point) and the knowledge that between 10 and 20 percent of their bill is being returned to their charity of choice. Currently, there are 110 million Americans in 70 million households who donate to charitable causes.[1]
- **Telecommunications Services**- Residential long distance telephony, Company' first service offering, is a $39 billion market. The underlying product (i.e. dial tone) is largely undifferentiated in terms of quality and service, thus causing the major players in this

[1] In the aftermath of the events of September 11, President George W. Bush challenged all 280 million Americans to donate 4,000 hours of their time to nonprofits over the course of their lifetime.

industry to use colorful yet deceptive mass marketing as the primary tool for customer acquisition.

- **Additional Verticals**- Over time, the Company can begin to incorporate other services into a single "bundle" of offerings for its customer base, including such commodified utilities as local telephone service, wireless and cell phone service, bandwidth and internet service, cable television, electricity, natural gas, water, insurance, banking, and mortgages.

1.3. Location and Date of Founding

Company is a startup located in Pasadena, California. Founded in XXX, the Company currently has a staff of three employees and anticipates a rapid growth in the third quarter of 2002. Pasadena boasts a rapidly-growing community of companies and is in close proximity to UCLA, USC, and the California Institute of Technology, rich sources of management and engineering talent for the Company's rapidly-growing staffing needs.

1.4. Management Team

(Chairman, Co-Founder) has extensive experience in traditional and alternative marketing approaches, including: viral marketing, telemarketing and call center environments, public relations, and development work in the nonprofit sector. He earned his BA in Mass Communications from UCLA.

(President) brings significant depth of experience in general management, operations (including CRM), strategy, and business development. He joined the team after helping build and manage a successful technology start-up that was ultimately sold to VeriSign. Prior to that he spent five years as a management consultant with McKinsey & Company. He earned his MBA at the Harvard Business School.

1.5. Advisory Board

Advisor 1, a business consultant with 30 years experience in new venture creation, and a founding member of the Pasadena Angels

Advisor 2, corporate attorney and managing partner of the Los Angeles office of Law Firm ABC

Advisor 3, professor of law at UCLA specializing in cyberspace privacy

Advisor 4, founding partner of Executive Search Firm ABC

Advisor 5, CPA and founding partner of Accounting Firm ABC

1.6.Investment Opportunity

Company is currently self-funded through an investor group of friends and family. The company seeking its first round of venture funding.

The Company believes it holds the potential for tremendous value creation. In its base case scenario, which assumes a single service offering (i.e.. long distance), moderately effective word-of-mouth marketing via Person-to-Person Networking™, and non-profit participation below 1 percent of eligible organizations, the Company projects annual revenue of $232 million, net income of $38 million, and positive free cash flow of $20 million at the end of its 5th year of operations.

The Company is seeking commitments for a staged investment totaling $7.5 million, payable in three installments over the course of 5 years. With the first installment of $1.5 million to fund 18 months of

operations, the Company will build its infrastructure, launch locally, and secure its first customers. The second installment, required after launch and totaling $2.5 million, will enable the company to refine its operational model and scale regionally. The final installment of $3.5 million should be sufficient to fund a national ramp.

1.7. Financial Summary

Based on the potential addressable market Company, Inc. projects the following revenue and net income over the next 5 years. Please see Section 8.5 herein for a full discussion of Company's pricing structure, and Appendices C through H detailed pro forma financials:

(x $1000)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Revenue	$2,220	$11,995	$31,671	$63,944	$96,721	$120,536	$123,706	$118,144
Cost of Goods	$952	$5,141	$13,573	$27,405	$41,452	$51,658	$53,017	$50,633
Gross Margin	**$1,269**	**$6,854**	**$18,098**	**$36,540**	**$55,269**	**$68,878**	**$70,689**	**$67,511**
Gross Margin %	*57%*	*57%*	*57%*	*57%*	*57%*	*57%*	*57%*	*57%*
Net Earnings	**($4,187)**	**($3,008)**	**$2,045**	**$7,174**	**$13,254**	**$17,691**	**$18,331**	**$17,319**
Retained Earnings	**($4,187)**	**($7,195)**	**($5,150)**	**$4,084**	**$17,338**	**$35,029**	**$53,360**	**$70,679**

2. INTRODUCTION

2.1. Mission Statement

The Company Mission is threefold:

1. To help our nonprofit partners realize meaningful, incremental, predictable, and sustainable improvements in their fundraising efforts.

2. To become the preferred provider for any number of commodity goods or services available to the constituents of our nonprofit partners

3. To create shareholder value.

2.2. The Concept

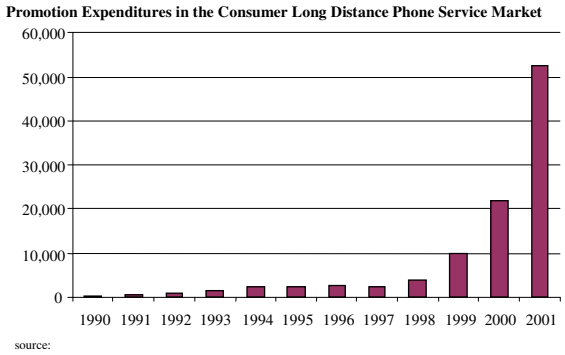
Promotional expenditures in the US consumer telecommunications and utility markets continue to balloon. Ironically, it's the loyal, long-term customers who generally carry the burden of all these marketing costs; only customers who decide to nag or switch their providers benefit from the "rewards" and discounts which are aggressively promoted to entice new consumer sign-ups. In effect, long-term customers are punished for their loyalty by paying for their providers to market and give special retention deals to new customers as they compete for market share on a global scale.

Furthermore, virtually all telecommunications and utility providers today are custodians of only a single product or service, intended for consumption by the entire addressable market. In contrast, the Company aims to be the custodian of a pool of services provided to a specific group of customers, namely the directors, employees, supporters and volunteers of nonprofit organizations.

The Company will become a full-service retailer of select competitive utility services, beginning with consumer long distance phone service ($39 billion domestic market). After proving the model with consumer long distance, the Company expects to enter additional competitive utility service markets, including local telephone service (a $48 billion market), Internet Service Providorship (ISP) ($10 billion), Wireless Telephony (a $30 billion market and growing rapidly), and Cable & Satellite television ($39 billion). In the long term, the company has the capacity to scale its service bundle to provide electricity ($93 billion), natural gas ($33 billion), and other services pending further deregulation and/or sufficient commoditization.

The Company plans to use its proprietary, patent-pending customer acquisition model - Person-to-Person Networking™ - to effectively target the 733,000 operating nonprofit organizations and their 110 million board members, employees, volunteers, and donors . By aggregating nonprofits and their supporters, the Company believes it will be able to secure significant group purchasing discounts on behalf of these customers. The Company plans to distribute these savings back to its nonprofit partners in the form of increased donations, and to its customers in the form of low service fees, by funneling the vast mass marketing dollars currently spent by brand-name retailers such as AT&T back into the company and its customers.

As a result of its unique Person-to-Person Networking™ approach, the Company expects the demand for its services to grow rapidly ("virally") through word-of-mouth, thereby dramatically reducing the Company's customer acquisition costs. In addition, the Company believes its incentive structure effectively rewards loyal customers – yielding a low rate of attrition and increasing the lifetime value of its customers.



2.3. Value Proposition

The Company's value proposition is designed to be particularly compelling to loyal customers of competitive utility services and to nonprofit organizations and their volunteers. By creating significant value for these stakeholders, The Company intends to become both a premier consumer services organization and a preferred nonprofit partner. In addition, by aggregating a large, loyal consumer group, the Company further expects to become the preferred affiliate partner and co-marketer for a wide variety of utility service providers.

2.3.1. Consumer benefits

The Company believes its service offering and marketing approach will appeal to consumers for three primary reasons:

1. **Pricing will be competitive, transparent, and easy to understand**

   As the Company's mission suggests, The Company will act as an agent on behalf of loyal, caring consumers – that is, on behalf of the broad cross-section of good people who support charitable causes. The Company's philosophy is to reward these uncelebrated heroes of the nonprofit sector, not obfuscate pricing in an attempt to wring out incremental profits at the margin.

2. **Historically wasted marketing dollars will be redirected to charitable causes.**

   With Person-to-Person Networking™, our customers will actively direct the company's marketing funds towards their favorite charitable causes, not passively bankroll the new ad campaign, the promotion du jour, and telemarketer that calls during dinner.

3. **Person-to-Person Networking™ will provide a mechanism to lower the purchase price for utility services while simultaneously helping charitable causes.**

   By virtue of its linked, aligned incentives, Person-to-Person Networking™ provides a mechanism to effectively lower the price a referring customer (a Person-to-Person Networker™ if you prefer) pays for services – while simultaneously raising meaningful additional donation revenue for charitable causes.

This combination of benefits, e.g. a competitive and transparent price, a powerful way to support one's favorite charity, and a mechanism to lower, even eliminate, one's utility bill produces an environment that generously rewards customer loyalty. Asking your loyal customers to bankroll mass advertising, incessant telemarketing calls, and "new customers only" promotions, while keeping their rates as high as possible, has the exact opposite effect – which we believe explains why annual churn rates of 35-50% are common among the major carriers today.

2.3.2. Nonprofit partner benefits

The Company provides nonprofits a powerful tool for generating 12 extra donations, per supporter, per year – a new revenue stream of predictable, sustainable and unrestricted income. And because the tool is free of charge and requires virtually no administration or other overhead, the ROI for the charity is enormous.

In addition, because of Person-to-Person Networking's unique, self-propagating incentive structure, the tool provides a mechanism to potentially expand any given organization's reach well beyond its traditional core group of supporters. Through their Person-to-Person Networking™ efforts, these core supporters provide entry to a dynamically and geographically expanding supporter population, well beyond the reach of affinity programs.

2.3.3. Volunteer benefits

Volunteering is at the heart of citizen action, central to nonprofits' operations, and a significant component of the US national fabric. Consider this: an estimated 110 million people volunteer an estimated 20 billion hours annually (3 1/2 hours per volunteer per week)!

Recognizing that volunteers regularly incur personal expenses above and beyond the charitable "work without pay," The Company has devised a mechanism that helps volunteers earn commissions to help offset the cost of their essential telecommunications and utility services. In fact, the more funds a volunteer helps raise on behalf of his favorite cause, the larger his discount and the lower his utility bill becomes – by design!

2.3.4. 5.4 Service Provider benefits

By working with nonprofits and aggregating their independent support networks, the Company is well positioned to acquire a significant and growing customer base. Moreover, by emphasizing world-class customer service and delivering on the promise of meaningful loyalty rewards inherent in the Person-to-Person Networking™ model, the Company believes it will cultivate an incredibly attractive customer base – large, growing, loyal, and passionate. As the sole custodian of a customer base with these attributes, the Company expects to become the preferred affiliate partner and co-marketer for a wide variety of utility service providers.

3. PERSON-TO-PERSON NETWORKING

Promotional expenditures in the US consumer telecommunications and utility markets continue to Person-to-Person Networking™ is a proprietary, patent-pending marketing system that innovatively links charitable contributions with customer referral commissions to provide compelling incentives for consumer action.

3.1. The Incentive Structure

The incentive structure is actually two-fold:

1. *At the top level (or "tier"), the Company's nonprofit partners will recruit its constituents to sign up for Company-provided services, 20% of whose monthly bills will be forwarded to the nonprofit in the form of a donation.*[2]

   Significantly, because Person-to-Person Networking™ empowers an Company customer to easily help any charity raise funds – regardless of whether that charity has formally begun "promoting" the Company model to its supporter base – the Company expects that many nonprofit organizations will benefit from Person-to-Person Networking™ irrespective of whether they ever actively promote the program. They may simply begin receiving checks from Company consumers who favor them, and in turn will become aware of and promote Company to the remainder of their constituency when they recognize the benefit of the program.

   Assuming a typical monthly consumer long distance phone bill is a conservative $25, for every customer that signs up with The Company for consumer long distance service, the Person-to-Person Networking™ model would provide an incremental $30 per year in annual donations to a particular charity (10% donation x $25 average monthly long distance bill x 12 months). Thus, a mere 10 customers sign on to the Company on behalf of Charity X, Charity X would receive an incremental, unrestricted, recurring monthly donation – enough money to buy, for example, a new desktop computer.

2. *At ensuing tiers, the consumers of Company-provided services will recruit additional consumers, 10% of whose payments will be forwarded to the recruiting consumer (i.e. "Recruiter") and 10% of which will be forwarded to the Recruiter's nonprofit of choice.*

   The first portion of this incentive – the 10% directed to the nonprofit – is designed to provide an ongoing charitable contribution to the Company's nonprofit partners.[3]

   The second portion of this incentive – the 10% commission to the referring customer – is designed to:

   - Reward dedicated volunteers (i.e. Recruiters) for their admirable work on behalf of charitable causes.
   - Provide a compelling incentive to help catalyze widespread volunteerism by motivating fundraising activity by otherwise non-donors.

---

[2] Note that this payment stream will actually be made to the Company, which will, in turn, redistribute it to the designated nonprofit.

[3] Importantly, there are no sign-up fees, no administration costs, and no administrative overhead for the benefiting nonprofit. The organization simply needs to be a recognized 501(c)(3) to participate, and to find one volunteer or supporter to begin the referral process.

- Empower consumers to directly impact the price they pay for essential services.

For every new customer, the referring customer effectively achieves an approximate 10% discount on his or her own monthly bill.[4] Were a customer to refer 10 new customers to Company, the referring customer's own bill would essentially be offset by the commission credits earned for those 10 customers (10% of each person's bill x 10 bills). And for customer referrals beyond the first 10, the referring customer will receive a rollover to reduce their next monthly bill.

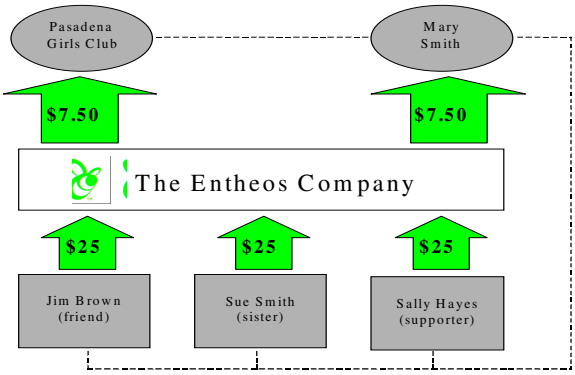
By innovatively linking meaningful charitable contributions with substantial customer referral commissions, the Company believes it has developed a viral – and potentially "perpetually viral" - marketing mechanism for customer acquisition. Thus, Person-to-Person Networking™ all but eliminates the Company's need for traditional direct-to-consumer marketing expenditures, resulting in a sustainable 10-30% margin advantage for The Company relative to its competitors.

3.2. A Practical Illustration

3.2.1. The "Pull"

Angela Adams, a supporter of Big Sisters of America, hears about the Company through a friend who is supporting his own favorite nonprofit through the Company. After registering, either online or by phone, Angela then proceeds to dedicate 20% of her monthly long distance phone bill to Big Sisters. She then proceeds to refer three of her friends to the Company: Bob Brown, Charlie Campos, and Denise Daniels.

For simplicity, let us assume that Angela, Bob, Charlie, and Denise all have $25 monthly long



distance phone bills. Immediately after Bob, Charlie, and Denise switch their long distance service to Company, Big Sisters of America begins to collect donations of $12.50 per month, or $150 per year:

1. 20% ($5.00) of Angela's bill, as a top tier consumer

2. 10% ($2.50 x 3) of Bob's, Charlie's, and Denise's bill, as second tier consumers.

Angela, in turn, begins to realize commissions, in the form of $7.50 per month, or $90 per year, the equivalent of a 30% reduction in her own $25 monthly phone bill, thereby further rewarding Angela's word-of-mouth participation in the system.

Thus far, the following benefits have been realized by all involved:

[4] In the case where the referring and referred monthly bills are identical, discount is exactly 10%.

1. The Big Sisters of America gains $150 per year (1 customer x $25 monthly bill x 12 months x 20% PLUS 3 customers x $25 monthly bill x 12 months x 10%), in incremental, discretionary donations, with no overhead, no fees to offset, and no strings.

2. Angela Adams receives a $90 (3 customers x $25 monthly bill x 12 months x 10%)credit towards her annual long distance phone bill for recruiting new consumers

3. Angela, Bob, Charlie, and Denise all benefit from a flat, predictable fee for their long distance phone service without having to "jump through hoops" to understand their phone bill or subsidize their providers' marketing efforts to recruit new customers.

4. The Company gains 4 customers and $120 in revenues (4 customers x $25 monthly bill x 12 months x 10%)

5. TAX DEDUCTION IMPLICATIONS

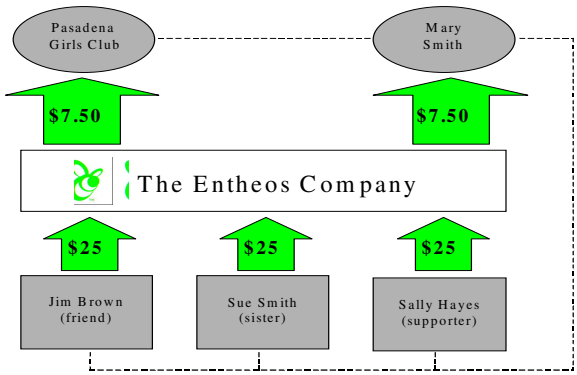
6. Bob, Charlie, and Denise have all been exposed to Person-to-Person Networking and its easy-to-use fundraising and bill-lowering tool should they decide to engage in the practice of recruiting other members.

3.2.2. The "Push"

Big Brothers of America learns of the Company system through a direct-sales campaign by the Company. It recruits 10 office employees to support the charity by signing up for Company services, and, through its standard monthly newsletter, it recruits 10 Big Brothers and the families of 10 Little Brothers to sign on to Company in an effort to support Big Brothers, their favorite charity.

If each consumer has a monthly long distance phone bill of $25, the following benefits have been realized, again with no overhead, no fees to offset, and no strings:

1. Big Brothers of American gains 30 customers and $1800 in donations (30 customers x $25 monthly bill x 12 months x 20%).



2. All 30 customers benefit from a flat, predictable fee for their long distance phone service without having to "jump through hoops" to understand their phone bill or subsidize their providers' marketing efforts to recruit new customers.

3. The Company gains 30 customers and $240 in revenues (30 customers x $25 monthly bill x 12 months x 10%)

4. TAX DEDUCTION IMPLICATIONS

5. 30 customers have all been exposed to Person-to-Person Networking and it's easy-to-use fundraising and bill-lowering tool should they decide to engage in the practice of recruiting other members.

3.3. Comparison with Affinity Marketing

It is informative to compare Company' charitable contribution model to that of affinity marketing programs, such as Working Assets or MBNA. Working Assets is a reseller of consumer telecommunications and other services that channels 1% of revenues to a limited set of nonprofit organizations, designated by Working Assets and selected from by consumers. MBNA markets affinity-based credit cards to various alumni groups, paying a negotiated cut of their fee revenues to the alma mater of participating alumni.[5]

Similar to Company with its Person-to-Person Networking™ strategy, both Working Assets and MBNA appeal to one's connection with a group or cause to attract customers, and provide financial rewards to this "favorite" charity as a hook. However, there are several important distinctions between Person-to-Person Networking™ and these affinity programs, including:

1. **Donation levels and amounts**.

   Donations available to non profits via Person-to-Person Networking™ are significantly higher than those typically available from affinity programs. Specifically, Person-to-Person Networking™ directs 10% of company revenues to charitable causes, versus 1% for Working Assets or the negotiated percentage off the MBNA credit card fees.

   The primary reasons for this are:

   - MBNA and Working Assets must still set aside a portion of their revenues for mass-marketing expenditures; they are not driven by the word-of-mouth mechanism that sets Person-to-Person Networking apart. Many, if not most, of their participants, are recruited directly by these companies.

   - The margin on phone service is greater than that of the market basket of good and services that, for example, MBNA, provides. That is, MBNA can only afford to set aside 1% of a consumer's expenditures for a particular charity because it is derived from the pool of all goods and services purchased with an MBNA credit card. By definition the margin is far lower for all goods and services in the world than it is for a relatively high-margin product such as phone service.

2. **Directability of giving**

   The Company model provides for each Volunteer Networker to choose the charity for which he wants to donate. In contrast, MBNA credit card customers have only limited options for charity designation (e.g., college/university alumni funds). Similarly, Working Assets supports only a select group of charities. Moreover, because Working Assets' customers elect a representative body to make charitable allocation decisions, the customers only indirectly choose which subset of these pre-selected charities they support.

3. **Marketing reach and effectiveness**.

---

[5] In many cases, only a portion of an MBNA bill will be channeled to the nonprofit, such as 1% of those monies spent at a PARTICULAR RETAILER such as Safeway supermarkets, for example.

Person-to-Person Networking™ is specifically designed to reach not just core supporters of a particular charity or cause, but beyond. For instance, let's suppose Bob Brown, in our example above considers the American Cancer Society to be his "preferred" charity. All else being equal, Bob is more likely to devote his personal fundraising efforts to help the Cancer Society than Big Sisters (Angela Adams' preferred charity). Because Person-to-Person Networking™ enables – indeed incentivizes – Bob to help the charity of his choice, he is in a better position to communicate the Company' value proposition to his friends and family as well as to other supporters of the American Cancer Society – and thus employ the system beyond the initial affinity group chosen by Angela.

In conclusion, though Person-to-Person Networking™ is similar to affinity marketing in its appeal to a customer's connection with a group or cause, it is expected to be a far more effective and efficient mechanism for attracting customers.

3.4. Comparison with Multi-level Marketing

It is also important to contrast Company' Person-to-Person Networking™ strategy with multi-level marketing ("MLM") approaches practiced by companies like AmWay (personal hygiene, cosmetics, etc.), Excel Communications (telecommunication services), and Mary Kay (cosmetics). There are some important similarities – as well as some critical differences.

Person-to-Person Networking™ and MLM share three important characteristics:

1. The direct, personal nature of the sales process.

2. The economic advantage of avoiding traditional mass marketing expenditures.

3. An incentive structure that helps perpetuate active participation by all customers.

However, that's where the similarities end. There are some crucial differences that separate the two incentive structures:

1. **The presence/absence of a tiered, multi-level commission structure**

   MLM programs are based on a staggered, multiple level commission structure: the originator of a "line" gets a commission on their direct sales as well as on the sales of every person "below" them in their line, in perpetuity. The multi-level structure is designed to encourage every participant, at every level, to build a broad and deep sales organization.

   In contrast, Person-to-Person Networking™ offers a commission only on direct sales, that is, only to the person who made the referral. Borrowing from the multi-level lexicon, one can consider Person-to-Person Networking's commission structure to have one (and only one) level.

2. **The Underlying Motivation to Participate**

   The motivations underlying the two marketing models are very different. Person-to-Person Networking™ is intended to help charities raise money, as well as enable consumers to directly impact the amount they pay for commoditized utility services. In contrast, multi-level marketing programs are typically pitched as programs for financial independence, replete with promises of fabulous wealth creation for all participants. (And of course, multi-level marketing systemically fails to deliver on the promise of said fabulous wealth to the vast majority of its practitioners.)

3. **Inventory**

   With Person-to-Person Networking, there is no inventory to receive or distribute because the underlying mechanism for wealth creation is a service, not a good. Furthermore, Person-to-Person Networking does not impose the need for its nonprofit partners or consumers to pay

expenses relating to marketing, distribution or overhead. In contrast, MLM programs almost always require resellers to take inventory of their products before selling them. This might be good for the MLM companies themselves, but in the long run such outlays are a disincentive for new members to join.

4. **Hidden Expenses**

   Person-to-Person Networking is easily understood; potential customers and recruiters can gain a complete understanding of its benefits and responsibilities with a simple phone call or visit to the company's website. In contrast, MLM programs often require new members to spend inordinate sums of money on cultlike participatory exercises such as expensive seminars and startup materials.

The ultimate result of these differences between MLM and Person-to-Person Networking is that with MLM, a large portion of participants feel a greater incentive to recruit new members, create a skeleton infrastructure, and sit back to wait for the money to roll in, rather than sell product and begin to benefit from the system by effecting transactions that actually generate money.

Finally, it is worth stating that MLM has a built-in stigma attached to its processes and practices that keep potential participants and customers from buying into the system or its products.

In conclusion, Person-to-Person Networking™ and multi-level marketing (MLM) share important similarities related to the reach and effectiveness of their marketing approach (e.g., direct, personal marketing versus mass marketing; and an incentive to participate and effectively communicate the Company's value proposition). However,Person-to-Person Networking™ does not share – nor suffer from – four critical shortcomings of the multi-level model. Specifically, Person-to-Person Networking™ offers only a commission on first-person referrals, not on all downstream sales under the proverbial "pyramid" structure inherent in MLM. In addition, Person-to-Person Networking™ is intended primarily to help charities raise money and appeals to consumers innate proclivity to "do good"; it does not promise fabulous wealth. Furthermore, there is no physical inventory to receive and distribute. And finally, no hidden expenses create a barrier to the recruiting of new members, or lead to disenfranchisement caused by the inevitable financial struggle to become successful.

4. MARKET OVERVIEW

4.1. Nonprofit Sector

The nonprofit sector is the 4th largest sector of the economy, contributing $372 billion to the 1998 US GDP. It is comprised of more than 733,000 independent nonprofit organizations that control more than $1.4 trillion of assets and incur over $677 billion of expenses each year.

However, the sector is fairly concentrated, with the top 0.1% of organizations receiving almost 20% of donations. As a result, the vast majority of designated 501(c)(3) organizations are overworked, understaffed, and underfunded. We believe this situation presents a massive opportunity to provide efficient fundraising tools for the entire nonprofit sector, including and especially the smaller organizations that have been historically "squeezed out" by their larger counterparts.

4.2.Volunteering

56% of US adults (110 million people) volunteer an estimated 20 billion hours annually (3 1/2 hours per volunteer per week).

Volunteering is a social endeavor. Only about 10% of volunteers initiate activity on their own – 90% of individuals volunteer ***when asked***. 42% of volunteers find out about activities through personal contact, while 35% learn about volunteer opportunities through participation in an organization. We believe this dynamic strongly supports the adoption of Person-to-Person Networking™ among our target customer base.

4.3.Giving

Over 70 million US households report nonprofit contributions.

The average contributing household donates more than $1,000 annually, or 2% of household income. 84% of all nonprofit contributions are made by households in which one or more family members volunteered. Contributing households with a volunteer donate 250% more, on average, than contributing households without volunteers. Again, we believe these dynamics make the Person-to-Person Networking™ model particularly attractive to our target customer base.

4.4.Telecommunications and Utility Services

Consumer long distance (our first product) is a $39 billion market segment that has been deregulated since the breakup of AT&T in 1984. Because the underlying product (i.e., dial tone) is undifferentiated and widely available, marketing – rather than network capacity or quality – has become the basis of competition. Consequently, the industry wastes billions of dollars annually on customer acquisition, continues to obfuscate pricing with dubious promotions and hidden costs, and woefully underserves and undersupports its established customer base.

Person-to-Person Networking™ is ideally suited to attract, retain, and better serve this historically underserved and undersupported customer base. Furthermore, after proving the model with consumer long distance, the Company expects to enter additional competitive utility service markets, including Local Telephone Service ($48 billion domestic market), ISP ($10B), and Wireless ($30B) to name just a few.

5. NONPROFIT & CONSUMER FEEDBACK

5.1. Nonprofit survey

Over the past several months, the Company met with nine local charitable organizations to solicit feedback on our business model and to gauge interest in using Person-to-Person Networking™ as a fundraising tool. The participating charities were chosen to reflect a broad cross-section of the addressable universe of 733,000 operating nonprofits in the U.S. They range from the ABC Institute of Science – a small technology research organization with 3 employees and an annual budget of $120,000 – to the Boys and Girls Clubs of America – an organization with approximately 70 staff members (including Directors, employees and full-time volunteers), approximately 4000 supporters (e.g., current donor list), and an annual budget of $2.7 million.

The response we received from these 9 nonprofit organizations is very encouraging:

- 3 nonprofits stated their intent to adopt, implement and promote Person-to-Person Networking™ as soon as The Company was ready to provide the service. All three of organizations have written letters of intent (LOIs) explicitly confirming this level of interest. (see Appendix B)
- 3 additional nonprofits expressed a strong interest in using Person-to-Person Networking™, and are keen to present the opportunity to their governing Board for approval. Again all of these organizations have either written or have agreed to write LOIs certifying their interest. (see Appendix B).
- 2 organizations weren't interested at this time, but encouraged us to circle back to them when we were closer to actually launching the service. These charities are the Foothill Unity Center and the Wellness Community.
- 1 organization expressed interest – but is currently re-evaluating both their charter and their nonprofit status (they are considering becoming a for-profit entity).

In summary, six out of nine charities surveyed expressed a strong interest in adopting Person-to-Person Networking™ – and have written or are writing LOIs to formalize this interest. Admittedly, the sample size is small, and these results may not be fully representative. Nevertheless, given the diversity of nonprofits included in the survey, the Company believes these early results validate the concept and the value proposition for our nonprofit partners. The Company plans to conduct further, more rigorous market research to improve our product and service offering before launch.

[NOTE: These preliminary results are presented here to illustrate that the Company's stated value proposition is indeed perceived to be valuable by its key partner group, the nonprofits. To be clear, these results are NOT used to drive the Company's Base Case financial model. Instead, the Base Case is based on a bottoms-up set of assumptions that are logical, reasonable and conservative – especially relative to these results.]

5.2. Consumer survey

The Company has also conducted a de facto survey to assess the perceived value of Person-to-Person Networking™ to the consumer. Although the sample size again is small, and the survey too informal to be conclusive, the results are very encouraging.

As part of his due diligence – prior to joining the team – the President presented the concept of The Company and the mechanics of Person-to-Person Networking™ to a group of 11 of his friends. He specifically inquired about (1) their willingness to switch providers for their residential long distance service to a company like The Company; and (2) the likelihood that they would use Person-to-Person Networking™ to help their preferred charity raise funds and/or to impact their own telecommunications expenses. Both their stated willingness to switch providers, and their stated interest in becoming Volunteer Networkers™, is noteworthy:

- 8 of the 11 friends he surveyed responded that they would "definitely switch" their long distance company to The Company if someone they knew presented the opportunity outlined in this business plan
- In addition, 4 of these 8 "switchers" (new customers) expressed that they are "very likely to actively promote" the concept and the service to a number of their friends, colleagues and family members. As one friend of his put it, "Why wouldn't I?"

Thus, 73% of consumers surveyed stated they would happily switch to Company, and 50% of these future customers further stated that they would also become Person-to-Person Networkers™ – thereby perpetuating the customer acquisition model. Again, the sample size is small, and these results may not be fully representative. Nevertheless, given the diversity of individuals included in the survey, the Company believes these preliminary results help validate the concept and demonstrate the attractiveness of the value proposition to consumers. Again, the Company will conduct additional, more rigorous market research to optimize our product and service offering before launch.

[Note: Again, these results are NOT used to drive the Company's Base Case financial model; that model is based on a bottoms-up set of assumptions that are logical, reasonable and conservative – especially when viewed in the context of these results.]

6. COMPETITIVE ADVANTAGES

6.1. Intellectual Property

On February 5, 2001, the Founder of the company, filed a Utility Patent Application for a "Service Independent Marketing System". Prior to its filing, the application was additionally reviewed and endorsed by the company's corporate law firm. The patent application is currently pending.

The application describes, and aims to secure the exclusive use of, the business process referred to as Person-to-Person Networking™ herein. If granted, the patent should effectively prevent any other company from using a similar, linked donation-commission incentive structure to aid in the re-selling of any product or service. Thus, in much the same way that Priceline is exclusively exploiting "Buyer Driven Conditional Purchase Offers", the Company expects to exclusively leverage Person-to-Person Networking™.

6.2. First Mover Advantage

As the inventor of Person-to-Person Networking™ and the first company to offer linked donation-commission incentives to attract customers and encourage volunteering, the Company expects to enjoy a 6-12 month lead on potential competitors – regardless of whether the patent gets granted. And of course, if the patent is granted, this lead will be even more significant and defensible.

The Company believes that Person-to-Person Networking™ creates a significantly stronger customer-to-company bond than most other marketing programs, discount rates, or promotions. For example, another retailer going after our customers would have to entice these customers to stop helping their favorite charity raise money; stop supporting their friend who told them about this simple and empowering way of giving; and sign-up for services all over again – knowing that a significant component of their payments will once again go towards incessant ads, mailings, telemarketing calls, etc. instead of towards the good causes they had been supporting. Our first mover advantage should thus help us protect the customer relationships we establish.

6.3. Minimal Customer Acquisition Costs

Today, customer acquisition costs of approximately $150-200 per long distance customer are typical at current providers. At The Company, Person-to-Person Networking™ is estimated to reduce customer acquisition costs to under $20 per customer at the extreme high end – and probably be much lower at scale. The company will only engage in extremely targeted sales, marketing and communications initiatives to key organizations in the nonprofit sector, relevant media outlets and other publics that can be reached without outbound telemarketing, "new customer only" promotions, and media blitzing.

6.4. Increased Customer Loyalty

The consumer long distance industry is plagued by annual churn rates of around 40 percent. By not asking our loyal customers to bankroll massive new customer acquisition costs, but instead aiming the company's marketing funds towards supporting public charities and discounting our loyal volunteer/customer's bills, the company believes it will experience significantly lower churn rates.

6.5. Healthy, Set Margins

The company believes that the active participation of the nation's nonprofits and their valued supporters all but demands a company that continually provides premier services, for good value. We believe a 'cost plus' pricing rule – that passes discounts back to consumers while it guarantees healthy margins and

longevity for the company – to be more attractive than either short-term promotions to grab market share or concessions in service or quality to become or remain the low price commodity clone.

6.6. Transparent, Competitive Pricing

In our function of representing our consumer base to service providers, we seek to negotiate the best services at the best prices – and pass the savings on to our customers. Thus, our customers are assured that they always have our best price *without* having to nag, haggle or switch. This too should have a positive effect on our churn.

6.7. Unique Bundling Opportunity

The convenience of bundling is often offset by its economic disadvantages. Many consumers believe that they can save money if they buy services separately – and therefore either shy away from bundling, or resign themselves to paying a higher bill.

At The Company, consumers have strong financial and emotional incentives to buy everything they need from us. On the one hand, our competitive, transparent pricing rule will permeate ALL our service offerings, thereby eliminating any economic penalty for bundling services. On the other hand, every added service (1) increases our customers' donations to charity, (2) increases our volunteers' discounts and credits, and (3) decreases our customers' waste of traditional customer acquisition funds.

This puts The Company in a unique position where increasing "share of customer" is as beneficial to the customer as it is to the company. After proving the model with consumer long distance, the Company expects to bundle complementary services such as Local Telephone Service, ISP, and Wireless, to name just a few.

6.8.Complementary Asset Generation

Over the long term, the company will gain control over a great many complementary assets – such as enduring customer relationships, supplier relationships and scope of services. Then, as new products and services are invented and introduced to the consumer market, the company will be in a unique position to reap rewards from a wide variety of innovations, well beyond Person-to-Person Networking™ and its resulting competitive advantages that now form the core value proposition of The Company.

7. COMPETITION & RISK FACTORS

As with any new venture, there are certain risk factors that must be overcome. Company has painstakingly taken steps to identify and mitigate the risks posed to its business and/or investors. These risks include:

7.1. Consumer Long Distance

The $39 billion Consumer Long Distance Market, our initial target, is highly competitive. The principal competitive factors affecting the Company are pricing and diversity of products, services and features. The Company's ability to compete effectively will depend on its continued ability to retail high quality, market-driven services at prices generally equal to or below those charged by the major competitors.

	Rev's (1999)	Market Share	Comments
AT&T	$21.19B	53.5%	Traditional Marketer. Churn Rate 30-40%
MCI	$7.17B	18.1%	Traditional Marketer. Churn Rate 60-80%
Sprint	$3.80B	9.6%	Traditional Marketer. Churn Rate 35-50%
Teleglobe/Excel*	$1.78B	4.5%	Multi-Level Marketer. Churn Rate 70-80%
Qwest	$0.83B	2.1%	Traditional Marketer. Churn Rate N/A
Global Crossing	$0.32B	0.8%	Traditional Marketer. Churn Rate N/A
Working Assets	$0.14B	0.2%	Affinity Marketer. Privately Held
Other	$4.40B	11.2%	Includes ACN, Big Planet, etc.

Several of the Company's competitors have enormous financial and technical resources. As the Company grows, it expects to face increased competition, particularly from AT&T, MCI, and Sprint. Competition within the industry is expected to increase further as a result of dominant Local Exchange Carriers – Verizon, SBC Communications, BellSouth, Qwest Communications – being permitted to provide and bundle long distance service.

The Company's lower customer acquisition cost should keep its rates generally below those major competitors – even in the unlikely event of similar churn rates (see competitive advantages).

7.2. War for Talent

Attracting talented, experienced and credentialed executive leadership is a key challenge – especially in business start-ups seeking venture finance.

To shore-up against such risks, we have engaged a retained executive search firm significantly earlier than common in the corporate life cycle. Further, we have plans to leverage a pre-existing professional relationship with a recruitment management company specializing in identifying and retaining qualified executive talent at reduced cycle time.

7.3. Intellectual property

Patents and product development are the main tools used by Person-to-Person Networking can gain a medium- and long-term competitive lead in the market. It is possible that, as with all intellectual property, Company's patents may be challenged if they are perceived to be too general and obvious, or

* Excel's MLM business accounts for approximately half of their CLD revenues

infringe on particular elements of existing patents. To date, Company's patents have withstood numerous challenges, in part, because they have been accepted as innovative and because the Company has vigorously defended them.

Our patent strategy is aimed to reserve us the exclusive right to future cash flow from Person-to-Person Networking™. However, the patent has not been reviewed by the United States Patent Office, nor can we be sure that we will be able to defend it against our formidable competition, if granted.

Further, while the patent application specifically protects against other potential re-sellers (i.e., anyone who buys a product/service at wholesale, and then re-sells it to others), it does not protect against competitors that own the means of producing the product/service directly (i.e., a "principal").

We however believe that constraint could become an asset of the company. In effect, it puts The Company in a position to bundle and sell any variety and combination of services, simply by executing an agreement with the respective service providers. Alternatively, a competitor intending to offer a similar service bundle would be forced to outright acquire the entire business whose services he intended to sell. Then, when that particular service isn't attractive to the consumer market any longer, The Company gets to terminate an agreement while a competitor would have to sell off the business. We believe that to be an insurmountable barrier for all but the very largest competitors.

Thus, we are confident in our application – both with respect to the protection it should provide as well as the quality of the application. It was prepared by a leading, globally respected IP attorney. As for defensibility, the company is represented by a highly distinguished firm with respect to intellectual property litigation.

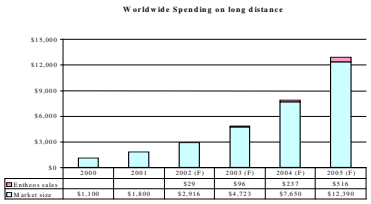
7.4. Marketplace apathy

Since 1984, residential telecommunications providers have bombarded customers with a baffling amount of pitches, leaving many of us numb. Many other service market sectors are starting to exhibit similar marketing onslaughts.

Therefore, even though our system's one-to-one approach offers customers relief from all the traditional pitches, we have to assume that initially the guard will be up.

8. SALES & MARKETING

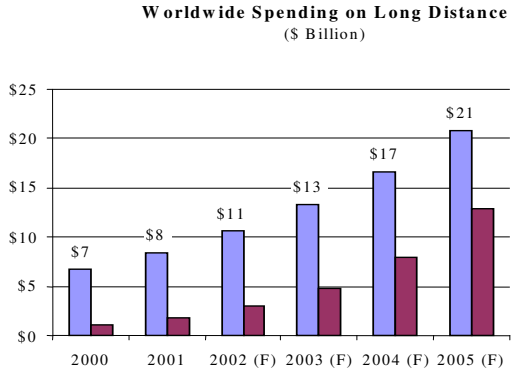
8.1. Potential Market: Revenue Opportunities



Source:

8.2.Growth Projections

Based on sales projections the market is poised to reach nearly $15 billion by 2005. Many startups cite "conservative" figures and proceed to forecast multi-billion-dollar sales figures for a nascent company within a few years of operations.



Sources:

8.3.Market Entry Strategy

8.3.1. Market Segmentation

- Small & Medium Enterprises (SMEs)
- Large Enterprises

8.3.2. Vertical

Company's vertical analysis will evaluate the industries and segments within those industries that would be most likely to need Company's solution, and the company will then market to those verticals & sub-verticals.

8.3.3. Geographic

Countries like the US, Great Britain, Germany, etc.

8.3.4. Channels of Distribution and Direct Sales

1. Distribution Channels:
2. Sales Channels
    - Direct sales (making lists, cold calling, mailings)
    - Exploring VC & CEO contacts

8.3.5. Branding and public relations

1. Trade shows:
2. Getting written up in publications
3. Contributing to nonprofit journals and white papers
4. Developing a strong website and submitting Company to the major search engines
5. Getting/giving sponsorships—For example using the conferences as a way to sponsor dinners where Company's product gets featured.

8.4.Pricing

- **Proposed by Product Unit and Enterprise Solution**
- **Industry Comparison**

9. FINANCIAL OVERVIEW

9.1. Current Shareholders

9.2. Funding Needs and Uses of Funds

Company is currently self-funded through an investor group of friends and family. The company seeking its first round of venture funding.

The Company believes it holds the potential for tremendous value creation. In its base case scenario, which assumes a single service offering (i.e.. long distance), moderately effective word-of-mouth marketing via Person-to-Person Networking™, and non-profit participation below 1 percent of eligible organizations, the Company projects annual revenue of $50 million, net income of $25 million, and positive free cash flow of $15 million at the end of its 5th year of operations.

The Company is seeking commitments for a staged investment totaling $7.5 million, payable in three installments over the course of 5 years. With the first installment of $1.5 million to fund 18 months of operations, the Company will build its infrastructure, launch locally, and secure its first customers. The second installment, required after launch and totaling $2.5 million, will enable the company to refine its operational model and scale regionally. The final installment of $3.5 million should be sufficient to fund a national ramp.

9.3. Exit Strategy

Therefore, a goal of the Company is to grow into a major player, fueled by sales, additional private investment, and potential debt financing as the need arises. Ideally, an Initial Public Offering 2-3 years after seed investment is a medium-term goal that will provide substantial funds for further investment and expansion.

Realistically, Company's product line has the potential to pose a major threat to the likes of current consumer long distance phone service providers. As such, there is a high likelihood that the success of Company will result in a major investment or acquisition in the same 2-3 year timeframe as laggards require the Company's proprietary technology to maintain their current market share and grow the network security market as proposed herein.

10. IMPLEMENTATION PLAN

10.1. Project Timeline

At a high level, the Company is planning to

- Build the infrastructure required to support a significant local pilot program in January 2003;
- Refine its operational model and execute a measured regional rollout over the next 4-6 months; and then
- Begin a full-scale national ramp in Q3 2003

10.2. Financing requirements - Series A

The Company strongly believes its investors should take a measured, staged investment approach to help manage and mitigate the inherent risks of this project. For this reason, the Company seeks to secure a Series A *commitment* for $7.5 million, but staged according to the following timetable and tied to achieving the milestones outlined below.

10.3. Installment 1 - $1.5 million by August 31, 2002

Key milestones:

1. Recruit key management team members (e.g., VP of Marketing)
2. Hire core development team
3. Hire core "launch team members" (i.e., lean marketing, business development, operations teams)
4. Write/finalize technical "requirements document" for scalable, reliable, redundant technical infrastructure, including for example an e-commerce enabled website and robust customer databases
5. Build the aforementioned technical infrastructure, and ensure seamless integration with partners (e.g., with billing systems of dialtone provider)
6. Identify short list of preferred providers for each business process to be outsourced (e.g., provisioning, billing, 3rd party verification)
7. Negotiate and close key service provider relationships, including meaningful JVs/partnerships where strategically desirable
8. Demonstrate delivery of stable, high-quality dialtone provisioning and customer service
9. Identify 10-15 charity Launch Partners (i.e., pilot participants) and lay groundwork for active joint marketing program (for launch only)
10. Actively engage and co-market Company services to Launch Partners' supporters (core as well as other supporters)
11. Sign up first customers, begin recognizing revenue commitments
12. Identify and recruit Advisors (Board Members) who may provide significant strategic and/or marketing value, e.g., the Chairman of the American Red Cross or other Top 25 national charity
13. Initiate PR and very targeted marketing campaigns

10.4. Installment 2 - $2.5 million by January 31, 2003

Key milestones:

1. Fill out core management team members (e.g., appropriate CXO's, VP of Customer Care)
2. Build out development, marketing and operating teams
3. Monitor and track performance of the model, e.g., customer acquisition rates and costs, charity partner sign-up rates and participation levels, etc.
4. Optimize business parameters and marketing materials in anticipation of national rollout
5. Begin to ramp regionally

10.5. Installment 3 - $3.5 million by June 30, 2003

Key milestones:

1. Scale management and operating teams to accommodate national rollout activity levels
2. Reinforce tech infrastructure to accommodate scale and ensure reliability and redundancy
3. Begin preparing investment materials and game plan for raising the Series B financing

Appendix A: MANAGEMENT RESUMES

Appendix B: MARKET SHARE ANALYSIS

Appendix C: HEADCOUNT FORECAST

Appendix D: REVENUE FORECAST

Appendix E: OPERATING EXPENSE FORECAST

Appendix F: CAPITAL EXPENDITURES FORECAST

Appendix G: PRO FORMA INCOME STATEMENT

Appendix H: PRO FORMA BALANCE SHEET

Appendix I: PRO FORMA STATEMENT OF CASH FLOWS