

Neda ByStar Business Plan FAQs: Conventionally Asked Questions

Open FAQs for An Open Business Plan

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1 Preface

This is patterned after the Keiretsu Forum application package ...

These are frequently and conventionally asked questions.

2 Industry (please check all that apply):

Internet related

Service Business

Social Venture

Software

Telecommunications

Other:

3 Brief company description:

We are a small Internet Application Services company. Small, but with grand ambitions.

We are the visionaries behind a radically new, non-proprietary model for delivery of Internet services. We call this the By* (pronounced “by-star”) Libre Services model. Our model can transform the Internet Services industry completely, and become the new model for delivery of Internet services, planet-wide.

It is important to understand from the outset that what we are doing is an industry model play, as opposed to a conventional product or service play. What this means is that it is conceived and executed at total industry level, rather than narrow product level. Essentially, we are inventing an entire industry that today does not exist. This is new, unique, ambitious, and very large in scope.

It is also important to note that our investment philosophy and model are also radically different from the conventional model. A complete description of our investment philosophy and model is provided at the following links:

<http://www.neda.com/StrategicVision/Participating/Investment/>

<http://www.neda.com/StrategicVision/Participating/Investment/OurModel/>

But the most immediately relevant aspect of our model is that ours is an [Open Business Plan](#), published on our website and freely available for readership by anyone. This changes many things, including the dynamics and interplay between entrepreneur and investor. I will have more to say about this later.

For both of these reasons the nature and scope of what we are doing does not fit easily within the framework of your Fact Sheet application, which assumes both a conventional business model, and a conventional financing model. I have addressed all the items listed in the Fact Sheet, but I'd like to refer your pre-screening committee to the following two documents, which provide a much better picture of who we are and what all this is about:

1. The text of our 2008 Financing Solicitation email. This is our standard opening overture to potential investors, in which we introduce ourselves and describe the general concept:

<http://www.neda.com/StrategicVision/Participating/Investment/StartHere/>

2. The Executive Summary of our business plan:

<http://www.neda.com/content/generated/doc.free/neda/PLPC/110002/current/NedaSummaryBusPlan.pdf>

It is also worth noting at the outset that there is an important component of social responsibility to this initiative. As an investor forum, we are presenting you with a business model and a profit opportunity. But from our perspective this is just one piece of a bigger picture. The Libre Services model is about much more than straightforward services functionality—it has far-reaching implications beyond that, including critical civil liberties consequences such as privacy, freedom of information, and freedom of speech.

This aspect of our work may not be especially important to you, but to us it is. Our profession is Engineering. And as such we have a responsibility to safeguard the welfare of the public. This initiative is as much about our professional responsibility towards the public good, as it is about making money.

This initiative has a public (non-profit), and a private (for-profit) side. Very roughly speaking, the public side consists of the general Libre Services model, while the private side consists of our specific implementation of this model in the form of the By* services, together with our business model for deployment of By* in a commercial context. We are spearheading both sides of this initiative, each in its proper context. We are leading the public Libre Services movement under the auspices of the non-profit [Free Protocols Foundation](#). And we are leading the private side in the context of Neda Communications. The business opportunity we are presenting to you is part of that context and leadership.

It is not necessary to understand, or be concerned with, the broader societal benefits of Libre Services in order to appreciate their business potential. But as you consider our business model, it is worth bearing in mind that this just is a single element within a larger construct.

4 Marketing/ Space Clear problem? Clear pain? Barriers to entry? Competition?

The key elements of our marketing strategy are described in the following sections of our Executive Summary:

Section 1.8.1, “Marketing strategy: Engineering vs. Business polarization”

Section 1.8.2, “Marketing jujitsu: business based on non-business”

Section 1.8.3, “Marketing synergy: Libre Services leadership”

I refer you to those sections for details. Here I will provide a brief overview of the critical marketing ideas.

Regarding space: our space is the domain of Internet services, such as Google, Yahoo, MSN, AOL, Facebook, MySpace, LinkedIn, and a multitude of others. But we are not advancing another service, as peer to the aggregation of existing services. Rather, we are advancing a new model for the implementation of *all* services. Thus our marketing strategy is based on the fact that this is an industry model play, that it addresses the totality of Internet services, and that we are the leaders of this initiative. The critical elements of our marketing strategy are these:

- A militant polarization of two competing narratives. One: that of our non-proprietary Libre Services model, as a genuine Engineering construct, representing guardianship of the Internet on behalf of the public. The other: that of the existing proprietary services model, as a Business construct, representing exploitation of the Internet by commercial interests.
- Our unique leadership role in this militant polarization.

Regarding problem/pain, there is indeed a major problem, but this is not yet apparent to the Internet service end-user. Thus one could say there is a problem, but there is no pain. Or more accurately, there is pain, but there is not yet explicit awareness of pain.

But once people experience our Internet services model, this awareness will certainly come. Our model will provide users something they have yet to experience: a kind of real comfort in their Internet service experience, that today does not exist. It will provide a blessed relief from the pain that users don’t know they’re suffering. And once they’ve tasted this, their existing experience will become intolerable, and there will be no turning back.

There are two sets of distinct problems—there are what I call “shallow” problems, and what I call “deep” problems. The shallow problems are about service functionality; the deep problems are about service policy. First the policy issues: the existing proprietary service regime acts to the detriment of the user, and represents a significant hazard to the broader welfare of society, in a number of subtle but profound respects. These include a serious compromising of important civil liberties such as privacy, freedom of information, and freedom of speech. A complete discussion of this would burst the seams of this Fact Sheet, but for complete details see our document titled, *Libre Services: A non-proprietary model for delivery of Internet services*, available at:

<http://www.neda.com/content/generated/doc.free/fpf/PLPC/100101/current/full.pdf>

Second the functionality issues: the existing proprietary Internet Services industry is intensely fragmented, and this limits the user experience in many ways. Again, a complete discussion would do some serious seam-bursting; for complete details see our document titled, *The By* Concept: A Unified Model for Internet Services*, available at:

<http://www.neda.com/content/generated/doc.free/neda/PLPC/110001/current/byStarConcept.pdf>

Our new Internet services model addresses both of these sets of problems; indeed, it solves them both definitively. And both of these issues will form part of our marketing campaign, but the major emphasis will remain on the broader message: the polarization of Libre versus proprietary, and our leadership role in spearheading this.

Regarding barriers to entry and competition: our Internet services model is totally non-proprietary, thus there are no IP barriers to market entry. Under this model is not possible to gain or sustain competitive advantage on the basis of technical service functionality. Our model thus presents an entirely new competitive environment. A complete discussion of our competitive advantages within this environment is provided in Section 1.8.9, “Competitive advantages” of our Executive Summary, and Section 10, “Competitive Advantages” of the [full business plan](#), but our key advantages are these:

- We are the originators and architects of Libre Services and By*, and we are playing a unique leadership role in their industry-wide promotion and deployment. There can be only one leader, and we are it.
- We have a major conceptual lead time over any potential competitor.

5 Execution Plan Defensible IP? Solid revenue driver? Scalability?

The key elements of our execution plan are described in Section 1.8, “Key execution strategies” of our Executive Summary; again I refer you to that document for details.

Our services model is totally non-proprietary, thus there is no defensible IP. As an extension of the free software model, the Libre Services model represents a complete rejection of patents and restrictive copyright within the services domain.

Indeed, the Libre Model turns patent and copyright value accounting upside down. Under the exclusively proprietary services landscape of today, with no non-proprietary competition, these are properly considered business assets. But the presence of a competing non-proprietary model in the industry landscape can be expected to have a hugely disruptive effect. In this context, patents and copyright now become liabilities rather than assets.

Regarding revenue drivers: a detailed description of all revenue sources is provided in Section 6, “Revenue Models” of the [full business plan](#). But briefly, the revenue drivers under the By* services model include as a subset all the same revenue drivers as the existing proprietary services industry. In particular these include the subscription fee model of generalized service providers such as AOL, and the advertising model of numerous specialized no-cost service providers such as Google.

Regarding scalability: our services model is unlimitedly scalable in all respects. In particular it is unlimitedly scalable both in terms of service deployment, and in terms of revenues. The only limit to scalability is the population of planet Earth itself. For further discussion of scale-related issues, see the following sections of our Executive Summary:

Section 1.8.5, “Engineering design for scale”

Section 1.8.6, “Focus on model, scope and scale”

Section 1.8.7, “Growth of user base: timing”

6 Traction Customer satisfaction? Sales Approach? Sales Cycle? Sales Pipeline?

First note that as a model play, demonstrating early customer traction is not nearly as important as for a conventional service deployment. Our primary focus is on building the inherent model potential itself, and the machinery for large-scale execution, rather than early service deployment. Again, I refer you to Section 1.8.6, “Focus on model, scope and scale” for a complete discussion.

We do not wish to take on the burden of installed user base until we are fully ready to accept the associated maintenance and support costs. And at that time we will populate the services rapidly and at scale, based on a unique strategy possible only under the Libre model. For a complete discussion see Section 1.8.7, “Growth of user base: timing.”

In a nutshell: early-bird customers are a pain; we don’t want them.

Thus we are generally pre-deployment, and so cannot demonstrate large-scale end-user traction. We have deployed services to a limited number of individual and business clients; examples are provided in Table 3 of the full business plan. These all report complete satisfaction with their services, thus demonstrating at a minimum, the viability of the Libre Services model as a technical development model.

Regarding sales issues, our sales model will be generally the same as the existing Internet Services model, i.e. it will be based upon self-creation of service accounts by individual and business users.

But we are extending this model in a number of important directions. Regarding initial large-scale population of the services, we have formulated a strategy for mass creation of user accounts for large existing databases; our strategy for accomplishing this is described in a separate document titled, *The By**

Family of Libre Services for Network Service Providers: A strategy for rapid entry into the Internet Application Services market, available at:

<http://www.neda.com/content/generated/doc.free/neda/PLPC/110005/current/byStarGenericProposal.pdf>

A further important extension to the existing services growth model consists of our radically new Franchising growth mechanism, unique to the Libre Services model. This is described in Section 6.4, “Franchising” in the full business plan.

7 Revenue Potential Pricing Model? Pricing changes over Time?

Pricing is not a critical element of our business model, and exact pricing models remain TBD. We expect that pricing will be consistent with existing Internet Services industry norms.

Regarding revenue potential: there are multiple revenue sources associated with the By* services deployment, including the traditional advertising and subscriber-fee models associated with the Internet industry, and in addition a number of further revenue sources not present under the proprietary model. A detailed description of all revenue sources is provided in Section 6, “Revenue Models” of the full business plan. As well as identifying all revenue sources, that section also describes our strategy for phasing in the various revenue sources over time, under various financing scenarios.

Table 4 within that section provides a summary of the various revenue sources, and of our revenue phasing strategy. This table is particularly rich in information, and well worth close examination by your screening committee.

8 Profitability Current burn rate per month?

Our current burn rate is less than \$5000 per month.

Regarding profitability: Neda operated as a successful and profitable consulting company from 1991 until 1997, with average income from 1993 to 1997 of over \$1 million annually.

In 1997 Neda substantially reduced its consulting activities, and from 1998 until the present has exercised active leadership in an evolving series of industry initiatives, leading up to the present By* initiative. During this time, specifically from 1998 to 2008, Neda has not been profitable.

Company operations during this time have been partially financed by limited consulting activities, supplemented by self-funding by the founder, Mr. Mohsen Banan. At the present time the company is high on sweat equity, and low on cash.

Moving forward from this point, our operations are highly dependent on (and highly adaptable to; see Section 7.4, “Adaptability to financing” in the full business plan) the availability of financing. In the absence of funding we will return to our former active consulting mode of operations, and continue to move the project forward on that basis. In the case of full funding, we will curtail consulting entirely, and instead execute the components of our long-term strategy intensively and in parallel.

Revenue figures for 2007 are provided in the table below. Regarding the forecast figures called for in the table, I am not providing these. Financial projections are discussed in Section 13.3, “Financial projections” in the full business plan; I refer you to that section for clarification.

Revenue (figures in dollars)

Year	2007	2008	2009	2010	2011
Description	Actual	Forecast	Forecast	Forecast	Forecast
Revenue	65,000				
COGS	0				
Gross Profit	65,000				
Expenses	68,000				
EBITDA	(3,000)				

9 Management Team Relevant experience? Track record? Complete team?

Neda has a core team of engineering and management personnel with extensive experience in the technical Internet and data communications fields. Among the team there are relationships going back many years, reflecting a long history of productive cooperation. In particular the following key team members have worked together closely and committedly on this initiative since 2001: Mohsen Banan, Andrew Hammoude, Pinneke Tjandana.

Professional biographies are available on our personal ByName websites at:

<http://mohsen.banan.1.byname.net/ProfessionalBio>

<http://andrew.hammoude.1.byname.net/ProfessionalBio>

<http://pinneke.tjandana.1.byname.net/ProfessionalBio>

10 Board & Advisors Relevant experience?

The Neda board of directors consists of Mohsen Banan, and Pinneke Tjandana.

By way of background: Neda is a C-corporation. Neda was originally founded in 1991, then in 1999 was re-incorporated as a new legal entity, appropriately structured to receive external financing. This re-incorporation was carried out by the law firm of Van Valkenberg Furber Law Group (VVFLG).

The primary shareholder is Mohsen Banan; there are also several other shareholders.

Regarding advisors: we do not have any advisors in the formal sense; that is, there are no advisors having a formal relationship with the company. But we fully recognize the importance of mentor relationships, and we have such relationships with a number of industry veterans, from whom we seek guidance, critique, validation, and warning. Over the years we have benefited from the advice and mentorship of many, including:

Nick Kauser Ex-CTO, AT&T Wireless, Clearwire

Rob Mechaley Ex-President, Wildfire

Peter Currie Ex-CFO, Netscape

Bob Lukas Director, Broadcom

Norman Toms Ex-CTO, Sierra Wireless

Joe Pruskowski Founder, CacheFlow

11 ROI Potential Risk and Opportunities?

Regarding ROI we have only this to say: The ROI is expected to be extremely large.

This is stated in Section 13.4, “ROI and exit” of the full business plan, with equal succinctness.

Regarding risk: all identified risk factors are discussed in Section 11, “Risks and Competition” in the full business plan. I refer you to that section for complete details.

But briefly, we see the most significant and fundamental risk as an inability to execute on the business operations side. The major recruiting and execution risks are in the areas of management, business development, sales, and operations.

The scope of our business plan is very large, in the case of a fully-financed scenario calling for a rapid growth rate on multiple fronts. This in turn calls for the creation of a highly sophisticated business structure, and the management of a rapid and sustained scaling up of operations. The criticality of risk resides in the need to do the necessary recruiting and team-building fast enough to sustain our growth rate.

Having said this, however, the severity of this risk is greatly mitigated by the fact that, as the initial proponents of a radical new engineering and business model, time is inherently on our side.

12 Investment Required Round? Keiretsu Forum Allocation? Proposed Deal Structure?

Here is where the divergences between the traditional financing model and our own financing model become particularly evident. The italicized prompts for this section assume a particular vocabulary and set of conventions. But in the case of our model, in particular in the context of our Open Business Plan, these have greatly diminished significance.

As previously noted, our business plan is published on our website for readership by anyone. Furthermore it is not restricted in distribution; anyone who wishes to do so can forward our plan to anyone else. And yet further still, it is intended for readership among a diverse audience. The conventional closed business plan has a narrow audience and a single purpose: to secure financing. But the audience for our Open Business Plan is much bigger than this, and its purpose is more than getting funded. We are engaged in an industry-building venture, and this requires understanding, buy-in and participation by many others. Thus our business plan is intended for wide readership among all relevant constituencies: engineering, business, investment, government, academia, the media, and the public.

As I noted at the top of this Fact Sheet, our business plan is part of something very much bigger.

For all these reasons our Open Business Plan has the potential to achieve worldwide exposure. It has the critical enabling characteristic—unrestrictedness of distribution—to undergo classic, Internet-style, viral self-propagation. Of course it must also have the necessary merit to undergo such self-propagation, and whether or not it will achieve this level of exposure remains to be seen. In terms of exposure we are at the very beginning: we initiated our exposure campaign on May 28, 2008, with the initial distribution of our financing solicitation e-mail to the first batch of potential investors. Over the next several months we will be executing a sustained exposure of the many other components of this initiative, to the various other relevant audiences.

But we can say this with some confidence: our Open Business Plan, as the first of its kind, will achieve greater readership than any other plan in the history of business practice. (But you may be interested to know that this completed Fact Sheet represents the very first keystrokes we have addressed to any specific investor or investor group. One of the privileges of being local.)

In this context many of the traditional financing conventions take on lesser importance. For example, the notion of a pre-defined allocation for a specific investor no longer applies. This convention implies a behind-closed-doors financing model, not unlike a discreetly arranged marriage within a limited pool of prospective partners. But our financing model is more like a sort of sixties-era, free-love promiscuity. Our

dalliance with the Keiretsu Forum may, perhaps, lead to consummation. But we are simultaneously attempting to get our Open Business Plan in front of every other potential investor, nationwide.

As a further example, the notion of distinct and well-defined rounds of financing also need not apply. Under the traditional closed-door financing model, securing financing to continue operations is a huge burden of effort for the entrepreneur. Under this model the entrepreneur tends to alternate between two distinct modes of activity: a financing mode, followed by an execution mode, followed by the next financing mode. But the Open Business Plan allows the entrepreneur to open and close the financing door at any time, and conduct financing operations with greatly diminished resource costs. This allows a far greater granularity of financing (to coin a phrase) than the traditional model.

But having said all this, these are the best answers I can give to your prompts:

Our optimal financing schedule is \$2M initially, followed 9 months later by a second financing round of \$15M. In terms of your vocabulary, the first \$2M would be Round 1.

But this is Round 1 in a chronological sense only, without necessarily carrying the connotations and expectations that typically attach to “Round 1.” While this is the first time we are seeking external financing, the current status of this initiative (in terms of assets, maturity, completeness etc.) places us well beyond the typical Round 1 scenario.

Regarding the Keiretsu Forum allocation: specific investor allocations are not part of our financing model. As with any other investor, the Keiretsu Forum can take as much or as little as it wishes.

Regarding deal structure: we have no pre-defined structure in mind. We want \$2M. That’s it.

13 Valuation Information

13.1 What is the aggregate dollar amount of capital invested into the Company to date?

To date Neda has received no external financing, and has near-zero debt.

Thus far the company has been entirely self-funded by the founder, Mr. Mohsen Banan. In terms of dollars, this amounts to approximately \$2M. This investment has, for the most part, been off-book.

But this figure says little about the true investment in the company, and the true value of what we have accomplished.

We have invested far more than this dollar figure in terms of our unique vision, our exceptional talent, our pride of workmanship, our belief in what we are doing, and our commitment to bringing this to fruition. Based on all this we have built something quite extraordinary. We have built a sophisticated machine, that when set into motion, can redefine the entire global Internet.

13.2 Funding History

Source of capital	Date of investment	Series	Number of equity shares issued	Class of equity shares issued	Number of shares outstanding	Post-money valuation for each funding

13.3 Are previous investors participating in this round?

Not applicable.

13.4 Use of the funds raised in this round:

Use of funds is described in Section 13.2, "Use of proceeds" in the full business plan. I refer you to that section for details.

13.5 Pre-Money Valuation:

We will discuss valuation with individual investors or investor groups when they have demonstrated to us the depth of their understanding and interest in our company.

We have done our work in creating an extraordinary opportunity, in articulating it fully, and in presenting on our website everything required for an investor to conduct an initial evaluation of this opportunity. Everything is available on our website except ourselves in person, and our in-person answers to the deeper and more sophisticated questions that only the most astute investor can ask. For the right investor, we will of course make those resources available too.

A potential investor can invest in this based on one of two models. He or she can invest based on a thorough analysis and understanding of what we are doing. Or he can invest based on faith, or

intuition—based only on the general tenor and authority of our writing, and his face-to-face sense of who we are as people. From our point of view, either of these is acceptable. Under the first scenario, we expect the investor to present a valuation figure, based on the same italicized considerations you have listed (and an additional five considerations of our own, listed below yours). Under the second scenario, we expect that the investor will have similar faith in the genuine equitability of the stock position we offer, in exchange for the money we receive.

1. The basis and empirical data (if any) that is supportive of the pre-money valuation; i.e., show market data, financial models, calculations that are the basis for the value just prior to the latest capital investment.

2. Describe similar companies that you used as benchmarks for the liquidity event that you present to Keiretsu investors that demonstrates their multiple of return or internal rate of return (“IRR”) on their investment in your Company at this funding round.

3. Show the market stock price or acquisition multiples for each company described in number 2.

4. In addition to the multiple (such as 3 times revenue or 7 times EBITDA), show the dollar amount of the earnings and revenue for each of the benchmark companies at the time they were priced in the market. For acquisitions, the form of payment (description of the consideration; cash, stock, debt, etc.) paid by the buyer to the sellers in exchange for the target company must be detailed.

5. If financial models (such as a discounted cash flow analysis) were used to value your

Company for the Keiretsu funding round, all underlying revenue growth, profit margins, projected working capital needs, capital expenditure expectations, and the basis for discount rate used to present value future cash flow streams must be shown, with a meaningful explanation. An unfounded assertion pertaining to an input to the model will not be considered fulfillment of this requirement because Keiretsu Forum investors must receive a comprehensive rationale from presenters to make informed investment decisions.

In addition to the above-listed valuation considerations, we invite your screening committee, and in due course your forum members, to consider the following questions:

- What is the value of the intellectual investment in formulating Libre Services and By* as mature, coherent, defensible constructs?

- What is the value of the coherent exposition of these concepts in the form of the Libre Services and By* documents? Specifically:

Libre Services: A non-proprietary model for delivery of Internet services, available at:

<http://www.neda.com/content/generated/doc.free/fpf/PLPC/100101/current/full.pdf>

The By Concept: A Unified Model for Internet Services*, available at:

<http://www.neda.com/content/generated/doc.free/neda/PLPC/110001/current/byStarConcept.pdf>

- What is the value of the initial realization of all this in the form of our family of deployed By* services?
- What is the value of the analysis and exposition of every dimension of what is required to realize this as a new model for the global Internet Services industry, including the business dimension and our Open Business Plan? The complete, master set of documents is titled *Neda's By* Family of Libre Services*, available at:
<http://www.neda.com/StrategicVision/ByStarLibreServicesStrategy>
- Finally, what is the value of being ready at the right time? What we are doing is radical and disruptive, certainly. But we believe the Internet Services industry is now culturally ready for this. This cultural readiness consists of a growing awareness of two transformative threshold events. First, software applications are undergoing a radical shift to a service-based implementation and usage model—what is sometimes called the “transformation of software into services.” The reality and long-term implications of this are now generally well understood throughout the industry.

And second, the proprietary software model is being overtaken by the free software model. This fact is not at all well understood—there remains continuing puzzlement about the underlying dynamics of free software, and its future implications. But there is a growing awareness of the free software model as a powerful new reality to be reckoned with. The free software movement has not yet broken out as the new future reality. But it is pushing up with seismic force; the earth is already bulging. People may not know what exactly, but they know that something big is happening.

These two transformative events, and the growing cultural awareness of their implications, set the stage precisely for what we are doing. And we have everything ready and in place at just the right time.

The list of valuation considerations you have presented is not inappropriate. But it omits critical elements of the particular uniqueness of what we have accomplished. Though not so easy to quantify, each of the questions we have presented represents a significant valuation consideration.

14 Exit Strategy:

Exit is by any of the conventional mechanisms.

This is stated in Section 13.4, “ROI and exit” of the full business plan, with equal succinctness.

15 Resources Needed Beyond Capital: *Introductions to customers, distribution channels ...*

We need a very great deal beyond capital. First and foremost among our needs are talented and experienced people in every area of our business operations.

But in general, we know where to go to satisfy our needs. We already have our own trusted advisors, and our own extensive industry network. For resources beyond capital, initially we will turn to the people we know.

We are coming to the Keiretsu Forum primarily for money. This is not to say that the Keiretsu Forum members have nothing else to offer—they very well may, and if so we will certainly take advantage. But this will depend on our evaluation of individual forum members and the quality of what they can provide.

16 ENCLOSE actual 2007 B/S, I/S and C/F and projected for 2008, 2009, 2010, and 2011

See Section 13.3, “Financial projections” in the full business plan for our discussion of financial projections.