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uVerse's objective is to provide Digital Lifestyle Aggregation applications—enabling the management and availability of personal assets across the desktop, disparate web services, and the mobile internet. uVerse has undertaken a trial whilst working with providers such as Webshots and FotoTime, and intends to establish its proposition as a platform that brings together transactions between digital lifestyle providers and end-users.

1.1 Proposition

With the continual accumulation of personal media, and multiplication of service providers, the issues of managing and sharing your assets and presence is increasingly disjointed, duplicated, and unappealing. Digital Lifestyle Aggregation seeks to addresses this by bringing everything you need together in one place—spanning the key functions of social networking, personal publishing, media and device management, personal presence, and mobility.

1.2 Product

uVerse will first produce a desktop application providing the ability to visualise, organise and exchange the medias being created with digital cameras and associated Digital-Hub technologies. The product will function as a desktop media-hub for personal assets such as photos, videos, music, writings, and metadata. It will directly integrate web services, such as online sharing, feeds, and print services, whilst supporting the emerging trends of blogging, podcasting, and vidcasting.

uVerse's product will operate as an open platform for managing and delivering media and services, empowering consumers with the ability to 'mix and match' their providers, ensure data-portability, and access their aggregated information through more intuitive methods than currently offered.

1.3 Model

uVerse will generate income for itself and its partners through the sale of application licences, online subscriptions, and also through commissions derived from delivering customers to service providers. Revenue is thus drawn from multiple streams, ensuring resilience and flexibility in the market.

Customers will be reached cost effectively both through partnerships with services providers, retailers, and OEMs who will distribute a free white-label version of the product to their users, and through employing community building and viral techniques. Research from the trial application has shown that there is a high conversion ratio of users from the free product to the paid-for product.

1.4 Projection

The operational projection is drawn directly from data correlated across the trial and current market, but does not represent all revenue potential—excluding sources such as advertising and merchandise.

	Year 1	Year 2	Year 3
Users	***60k***	***500k***	***4.5m***
Customers	***10k***	***90k***	***900k***
Sales	330k	3.5m	36m
Gross Profit	330k	3.0m	34m
Overheads	150k	1.4m	8m
Pre-Tax Profit	**180k**	**1.7m**	**26m**

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1.5 Offer

uVerse is seeking a software development partner to provide its expertise and resources in the development of uVerse's proposition, in exchange for a share holding in the project. Such a stake would be negotiable and based upon the level of commitment made and degree of pro-active involvement in ongoing aspect of the business and its strategies.

1.6 Advantage

uVerse's goal is to establish a leading market share through quality and innovation, by driving the adoption of standards amongst providers, and by bringing appealing, tactile and usable interfaces to consumers—on a par with, if not exceeding the quality, integration and appeal found in Apple Computer's products. uVerse will employ the knowledge lead it has acquired from its trial and close work with service providers, and having completed fundamental architecture designs, whilst development may also be undertaken in cooperation with the open-source community to leverage existing assets for more effective R&D.

Through its service-neutrality retail partners distributing the uVerse product can earn commissions without making exclusive distribution agreements with providers, and service providers are able to offer much enhanced functionality over their usual basic 'uploader' applications. The service delivery is through a controlled environment, that is fluidly integrated into the user's workflow and lifestyle. uVerse's integrated white-label solution lowers the provisioning requirements for such providers in photo-sharing and photo-finishing channels whilst providing uVerse with direct access to new users.

1.7 Market

uVerse's initial market is that of consumers with digital cameras (60m in US & EU '05, with 15% growth anticipated during '06) or camera-phones (300m in US & EU '05), and subsequently consumers of digital media (video, music) and online services. There are no known products currently on the market or in development with equivalent integrated digital lifestyle aggregation functionality, however there are other products that can compete on individual featuresets in the retail market…

In photo-management, the sector is fragmented with no clear leader. uVerse therefore stands to gain leadership through its strong offering with a below-market price-point and tactile appeal. Integrated photo-sharing is available with few products, such as Kodak and HPs offerings bundled with their cameras, and in all cases are tied into specific service providers. Competition could arise from Adobe and Google, but is unlikely due to their specific operational directions, and from Microsoft R&D who's 'codename Max' concept has similar goals for developing appealing interfaces, if not extensible or neutral functionality.

The music and video sector and delivery market is dominated by iTunes. To gain a share of the market uVerse will leverage the position it establishes in the digital-imaging market, and with its service-independent platform. Competition could arise from the open-source Songbird project, however development collaboration would reduce the impact, likewise content distribution agreements with content delivery providers such as Veoh might be used to all parties advantage. Google and Amazon could be competition, however both may also represent partnership and distribution opportunities.

In photo-sharing and photo-finishing software provisioning, most solutions are developed bespokely for individual providers, offering only basic functionality. There are few white-label providers such as Pixology, and uVerse will seek to partner with these providers directly to market its own offering.

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2.1 Structure and Management

uVerse Ltd. was formed in July 2005. The company's sole founder and shareholder is the Managing Director Mr. Jacob Jay from whom the company has acquired the rights to develop and market the concepts originally developed and trialed under the names Holocore and iVerse during 2004–2005.

Mr. Jay has eleven years industry experience in design, development, and systems, having previously held a position as IT Director at a London marketing-communications agency. Here over eight years he managed the company infrastructure to supports its move from traditional publishing to intranet and web development, whilst designing and developing solutions for its clients in sectors such as facilities management, insurance, e-commerce, and datacenters.

Mr. Jay will be responsible for all operations, whilst additional management members will be added when operations support them—the appointment of a business development director is anticipated during the first year.

2.2 Alliances and Partnerships

During the research and market-test phase uVerse has established informal relationships with a number of key industry providers in the digital-imaging industry.

uVerse's current distribution partners are Webshots (a CNet company) and FotoTime, with others such as Fotki and Zoto providing promotion. uVerse is currently in talks with Kodak Digital Imaging (an Eastman Kodak company) to provide it with software development services, and iView Multimedia for them to distribute uVerse's product on their CD-ROMs. Relationships with many other providers also open for discussion, representing potential sales and resale opportunities.

uVerse is also undertaking the establishment of relationships with print-service providers such as QOOP to provide fulfilment for the print functionality in the desktop application and will undertake to form further content delivery partnerships for its product.

2.3 Intellectual Property

uVerse has developed unique software mechanisms that may be patentable in the US, however it is not the intention of uVerse to develop unique IP at this stage. Software and related processes are not patentable in the EU.

The novel methods and architecture uVerse has developed and demonstrated, and the extensive API integration knowledge gained during the initial phase provide the company with a valuable lead for developing its mould-breaking product in the consumer digital imaging marketplace.

2.4 Strengths and Opportunities

- → uVerse's strength's lie in its knowledge, innovation, and ability to become an early-adopter of emerging technologies—whilst building upon tried and tested industry-established features.
- → uVerse's weaknesses are its restricted resources for developing new technologies and responding to market pace.
- → uVerse's opportunities derive from establishing a lead in the massive growth of consumer digital imaging technologies by exploiting the weaknesses of its competitors and undeveloped opportunities.
- → uVerse's threats are the volatility of its competitors and the speed with which savvy competitors can develop their own technologies.

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3.1 The Desktop Application

The desktop application software will be develop in distinct phases to offset the costs of development and fully leverage emerging technologies whilst listening to its customers. For details of these phases and their corresponding specifications see the appendices.

Initially the product provides users with picture organisation, printing and sharing functionality. The desktop application would be available free with limited functionality for all users, but may be upgraded at a cost of $15 or $35 for enhanced functionality. The application would also function as a new user introduction and setup assistant, providing the user with the possibility of interactively choosing to trial promoted services such as when bundled with cameras or PCs.

Organise

Enables users to manage all their pictures in a variety of familiar and novel methods and to assign annotations. It also allows users to browse and view their pictures using a number of distinct views (traditional window panes, rich graphical interfaces). The product will also be able to transparently interface with other image management applications should the user prefer to use them whilst still benefiting from its other features.

Purchase

Enables users to order high quality professionally printed products from their pictures for delivery by mail or collection. These products would include photographic prints, postcards, bound books, photo albums, mugs, mouse mats, etcetera. Such functionality would be directly integrated into the application, but would support a number of service providers for greater choice.

Share

Enables users to share their pictures with others via the internet, either using one of many supported service providers or via email. The product employs novel mechanisms to enable data-synchronisation and duplication, preventing many of the pitfalls of manually uploading small batches of photos.

3.2 The Online Service

This product will initially provide a basic service that would later be developed to offer support for and tight integration with technologies such as personal presence.

The online service is a hosted web application (website) that will enable users to upload pictures (images and movies) organised with annotations for hosting and display. Visitors (user assigned restrictions permitting) may then view, interact with, and browse using various distinct views (such as by location or event). The online service also allows visitors to purchase prints and other printed products for delivery.

The online service would be available on an annual subscription plan:

→ $25 ‘base’: unlimited sharing
→ $45 ‘plus’: unlimited sharing, storage, printing and basic customisation
→ $90 ‘pro’: unlimited sharing, storage, printing, extensive customisation options and the facility to sell photographs

The online service is designed with a highly scalable architecture that can be expanded to support further users by simply supplementing new hardware, - with negligible reconfiguration.

Note: This product is not a core requirement of the proposition, but is a method of further monetising user acquisition; it could be developed at a later date, or independently.

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4.1 Objectives

To be known as customer-focused company offering products synonymous with usability, aesthetics, and innovation, whilst attaining a leading market share. To become the “iTunes” of consumer digital imaging and ‘digital lifestyle aggregation’.

4.2 The Digital Photography Market

Demand in the device side of the digital media market has driven similar growth in the follow-on services sector. These services include in-home and online printing, desktop organisation software, online sharing, and blogging services.

Revenue associated with film, photo developing, and printing has historically accounted for about two-thirds of personal photography spending. [3]

By eliminating the need for the purchase and development of film, digital imaging disrupts the value chain associated with the business of consumer imaging. Digitisation eliminates many of the intermediary services that used to exist between the user’s capture of an image with a camera and the ability to display and share the image. Consumers can now see, store, and share their images in digital form, without sending rolls of film to a developing service and without ever making a print. The digitisation of imaging also alters user behaviours toward images in even more radical ways, for example by making it feasible to create much larger image collections, and by creating new ways of sharing or manipulating images.

Digital Photo Printing

Photo-finishing is the core competency and main revenue stream for today’s key online digital photo services. While storage is offered by Kodak Gallery, Shutterfly and others, it is done so generally for free or at cost as an incentive for printing. This was seen to be a natural business direction from traditional film printing.

According to Daniel A. Carp, Chairman and CEO of Eastman Kodak Company, consumers are currently storing nearly 1 billion images at Kodak’s Gallery (Ofoto) service. Yet Ofoto focuses its growth strategy on finding new ways for consumers to print their photos at home or in retail locations. Their recently announced partnerships with major drug chains and big box retailers are consistent with this strategy.

While Ofoto currently provides simple online album sharing features, where users can send photos to other users, most features on Ofoto focus heavily on printing revenue, which is Kodak’s core competency.

Digital Photo Organisation

Image management products offer the capacity to store, organize, print, and in some cases process or manipulate images. This integrated capability for networking, organising, storing and manipulating images is the most distinctive feature of digital imaging.

One of the most widely used packages is Adobe Album, indeed this is bundled with some cameras, however Adobe’s focus is in editing and ‘touching-up’ images. Recently Google acquired the Picasa package and is now distributing it free—this application includes novel features but lacks good support for annotations and is likely to be tied into future Google services. Apple has in turn developed iPhoto which is popular amongst Mac users for its classic ease-of use but lacks innovative features beyond the integrated online printing.

There are several other popular packages from small software development houses and independent developers. All the applications fail to address the integration of sharing, other than by email. Those that do provide sharing functionality do so using non-portable methods or at the expense of a greater feature-set.

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Most online service providers have added some degree of organisation features to their systems, however there are significant hurdles in the adoption of these for mass-organisation, specifically ease of use (web applications are less flexible and responsive than desktop applications) and the trust issue (users are reluctant to trust someone else to store all their data).

Digital Photo Sharing

The growth in the number of consumers taking digital photos has spawned many service providers looking to cash in on users wanting to share their images with friends, family, colleagues or the public in general. As previously mentioned most of these providers seek to generate income through printing services. Recently however a new breed of 'photo-sharing' websites have emerged, these charge an annual fee of upwards of $25 for hosting (publishing) a user's photos on their website in their own virtual albums. The features, usability, appearance and target markets of these services vary tremendously.

Most notably Flickr has become enormously popular—rapidly building up its traffic from nothing. Within its first year it gained tens of thousands of paying users simply by word of mouth. They were recently acquired by Yahoo! (who already have their own photo-hosting service), whilst Hewlett Packard had previously acquired Snapfish, and Kodak acquired Ofoto.

Blogging

A blog [contraction of web-log] is a web page made up of frequently updated entries that are arranged chronologically—like a what's new page or a journal. The content and purposes of blogs varies greatly, from links and commentary about other web sites, or news about a company/person/idea, to diaries, photos, and even fiction. Blogs connect audiences directly with the author, and enable two-way communication in manner that has captured the attention of even large corporations – many are now establishing blogs to more directly communicate with their stake holders.

4.3 Demand

During 2005 over 60 million digital cameras and 300 million cameraphones were sold in the US and EU, whilst over half of households in the US now own a digital camera. High growth rates in the consumer digital camera market are astounding industry vendors—two more years of strong growth are predicted before sales peak with 100 million units predicted to ship in 2008. Factors that contribute to ongoing high growth rates include the growing market of first-time buyers, and the rate of digital camera users replacing or purchasing an additional digital camera.

Key market locations are the United States, Europe and Japan, with Asia being the fastest growing emerging region.

Research indicates that 20% of users rely on online services for sharing, whilst up 78% use online sharing methods including email. 25% of digital camera owners were attributed as purchasing an off-the-shelf image management product.

> *Image management products have failed to make themselves the center of printing and sharing activities. Most users share digital images using standard email and print their images using stores or home printers. For 83% of the relevant population, the link between online services and an image management product is effectively nonexistent.*
>
> *There is no dominant or even leading image management product. Neither camera-bundling, computer-bundling, off the shelf sales, nor online image management have emerged as the preferred or model. [1]*

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4.4 Unique Selling Propositions

uVerse integrates products and services for ease of user adoption, whilst leveraging multiple channels to ensure its success. uVerse addresses the following issues.

→ Few desktop applications leverage the inherent need to seamlessly bridge traditional desktop applications with the new breed of online web-based services, to enable data-portability.
→ Few applications provide novel, aesthetic, and easy-to-use interfaces when managing data.
→ Online photo-sharing services do not integrate with desktop image management.
→ Of those service that provide desktop integration (and usually only for uploading), most lack a full feature-set, or are modelled on print-derived revenue.
→ Desktop image management applications do not integrate online photo-sharing services.
→ Of those applications that provide online integration do so for a very limited number of services, or tie the user to one provider, giving no flexibility, choice or exit path.

These issues have also been identified by independent market research:

> *The potential for vertical synergies between digital camera hardware, image management software, and online services are not being successfully exploited in the current marketplace. The weakest link in the digital value chain is the reluctance of the user population to embrace online services for storage, sharing or printing. The "seamless integration" of the PC and camera with the photo sharing and processing capabilities of the Internet envisioned by many manufacturers and software producers does not exist yet.*
>
> *The absence of a dominant product or model in the image management product market is good in the sense that there is room for entry, competition and innovation. But it also indicates that consumers do not think that the problem of image management has been solved adequately.[1]*

4.5 Customers

The end-users of digital-imaging technologies (cameras, cameraphones) will be uVerse's core customer. uVerse will initially focus on both new and existing digital camera users, and then cameraphone and mobile device users. It will then leverage its presence in the digital imaging sector to reach into markets such as video, music and content organisation and delivery to fulfil its 'digital lifestyle aggregation' goals.

Original equipment manufacturers (OEMs) and online service providers will be secondary customers by way of marketing partnerships and licensing deals, for distribution of the products to their users—customer aggregation.

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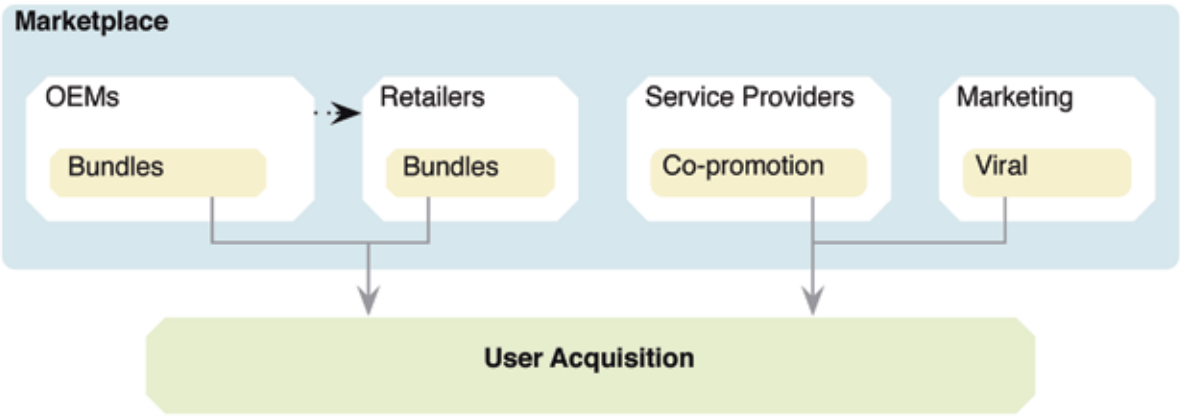
4.7 Promotional Strategy

uVerse's approach is to avoid the costs of advertising and to leverage existing customer acquisition channels—so implementing a highly cost-effective strategy.

A digital camera user can acquire image management products in four distinct ways:

1. It comes bundled with their digital camera (usually by the manufacturer)
2. It can be purchased at retail (either online or at a store)
3. It can be independently downloaded from the Internet (for free or as a trial)
4. It can come bundled with their computer (usually by the manufacturer)



uVerse will promote its products through all these channels. Through bundling with OEMs uVerse will directly reach users at no cost. Through bundling with retailers uVerse can also reach purchasers of cameras and other products with whose manufacturers no bundle deals were established. Through a pro-active online presence uVerse can promote its products through word of mouth, blogs and viral marketing, reaching users who have already purchased their devices.

By providing free versions of its desktop application (and online service) uVerse enables viral marketing to increase its market share and customer-base, whilst also generating revenue from print services.

Through Partners

White-label distribution through OEMs and retailers is a value-added proposition for all parties, earning the distributor (and uVerse) a percentage-based fee for every newly acquired user and income from residual services, whilst providing functionality to the user, and customers to service providers (and uVerse).

Distribution through service providers allows the provider to save on development costs whilst giving their users a value-added offering, uVerse in turn benefits from direct access to their customers.

uVerse's products allow seamless white-label re-branding for distribution by partners, with fully automated attribution and reporting for revenue-sharing.

> *The photo industry is defined by innovation in equipment and opportunity in digital services. Digital cameras have penetrated the mainstream and have sent the industry rethinking how to help consumers save, organize and share their digital memories.*
>
> *As the digital camera market matures, industry revenue will increasingly depend on accessories, consumables and services. [2]*

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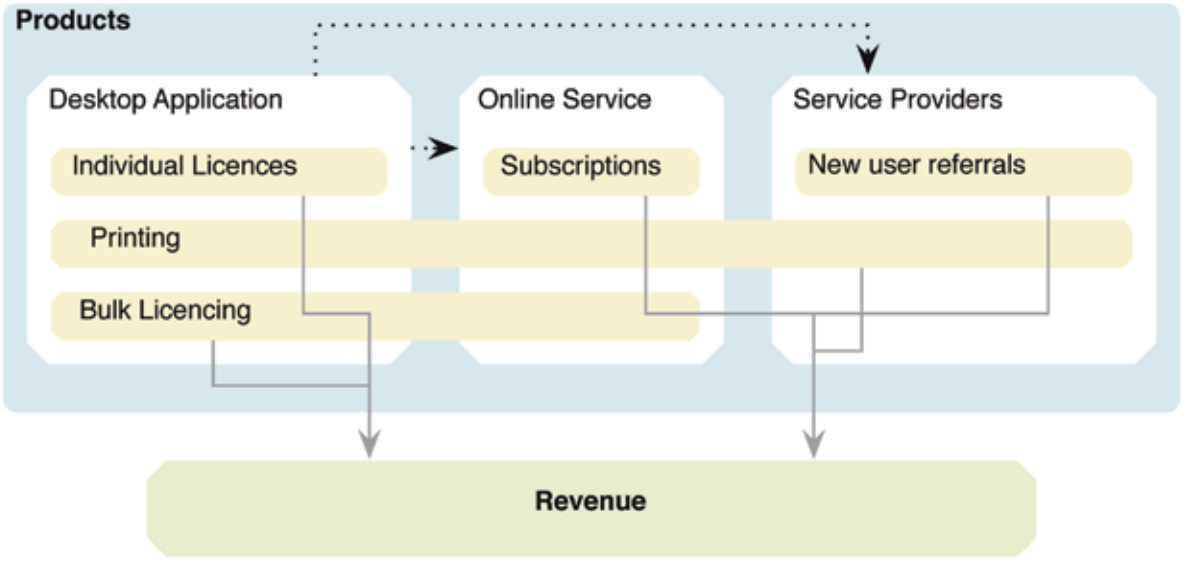
5.1 Revenue Channels



uVerse's revenue is not dependent upon sales of any one product or channel but is derived from the sales of its offerings through leveraging the placement of its desktop application product to drive users to its strategic partners—thus earning commissions for new user referrals, print services usage and other product-delivery partnerships. Furthermore uVerse may licence its products to OEMs, providers, or media/communications operators.

5.2 Assumptions

Assumptions used in the model are correlated to demonstrable figures, either from the industry or from uVerse's trial. As noted above uVerse's revenue model is flexible, this model demonstrates one of many potential models and does not make particular use of retail sales, and makes no allowance for potential merchandise or advertising revenues.

The model is structured around a three-tier annual growth strategy. Year 1 establishes a viral presence and limited distribution through partnerships, with customer acquisition corresponding to one third that of small photo-organisation developer PicaJet (35,000 customers). In Year 2 small-scale distribution agreements would be initiated with retailers and OEMs, whilst customer acquisition reaches one third that of mid-sized ACD Systems (300,000 users). Year 3 would further expand these agreements with user acquisition reaching one quarter that of iTunes' current user-base (20m).

Each potential user (unit of exposure) is converted to a customer or revenue at assumed ratios. The model assumes an overall ratio of conversion to users of the free desktop application at a ratio of 12% for viral acquisitions (representing twice that achieved during the trial*, in consideration that the trial product represents far less than half its potential) and 24% for OEM and retail acquisitions (in consideration of the captured market). These users then convert to licenced customers at a ratio of 10% (1.2% of unit exposures) as per the trial; with referrals to new services at 10%, and print revenue at 4%.

A median price of $29 if used for the online service, representing 20% at $45 and 80% at $25 (no allowance is made for take-up of the $90 subscription rate).

**Note that in scaling the figures from the trial to the potential Windows market size, the differential with the 5% Mac market was assumed to be 60% (not 90%), thus providing ~30% margin.*

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5.3 Exit Strategies

The primary exit strategy for the shareholders of uVerse is an acquisition of the company in a 1-3 year time frame—by a company who will directly benefit from the added proprietary traffic, and revenue that uVerse generates. This company is likely to be a software or service company, or a manufacturing company. The secondary strategy is a management buy-out.

5.4 Key Figures

Product	Revenue	Costs
Desktop application	$10.80–$14.00	$0.00–$8.00
Online service (first year)	$11.00–$19.00	$16.00–$24.00
Online service (renewals)	$24.00–$29.00	$6.00–$11.00
New user referral	$2.00–$10.00+	$0.00–$3.00

Sales Targets

→ First year: 60k users, 10k customers, $330k revenue

→ Second year: 500k users, 90k customers, $3.5m revenue

5.5 Marketing Costs

In following with its marketing strategy, uVerse has no direct marketing costs. $30,000 is however allocated in the first year for an initial retail trial (100,000 insertions at $0.30 each). Note that not all of these expenses may be necessary, if for example an OEM agreement is effected promptly—it is however expected that OEM agreements will not have an impact on the distribution channel until the second year.

Partners distributing uVerse's products may earn commissions for each new user and their subsequent residual service usage; key partners may also be offered equity as part of the distribution agreements. The commission is based upon a split (negotiated in each case; 50/50 assumed here) of earnings from the upstream provider, and a fixed fee for sales of uVerse products. In general each successfully acquired customer will earn the partner $5-$10 plus residual use.

New user referral and usage tracking is fully automated using uVerse's own systems. These examples exclude residual income (annual renewals and prints).

Retail acquisition example

Using above assumptions each user costs $3 to acquire. Each referral (10% of unit insertions) generates $5 for uVerse and its partner, each desktop application licence (2%) earns the partner $5 and uVerse $14 (licence minus referral fee), each online service subscription (1%) earns partner further $5 and uVerse $24 (subscription minus referral).

Per 100,000 units	uVerse	Partner
Referrals	$50,000	$50,000
Desktop application	$28,000	$10,000
Online service	$29,000	$10,000
Revenue	$107,000 (1.07 per unit)	$70,000 (0.70 per unit)
Gross Profit	$77,000 (0.77 per unit)	—

OEM acquisition example

Where bundled with an existing OEM CD-ROM there is no per unit insertion cost, otherwise income is identical to those of retail acquisition.

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5.6 Sales Costs

Desktop application

The sole costs incurred on a unit-by-unit basis for sales of the desktop application are payment processing fees of approximately 3.5%, and the negligible costs of operating the web server.

Online service

Cost of sales for the online service consists of bandwidth, hardware storage costs, and payment processing fees.

uVerse plans on collocating its servers at the Peer1 collocation facility in New York, USA, which charges for both bandwidth and floor space. Bandwidth will be the highest percentage of the variable costs associated with photo hosting. Bandwidth costs per Mbit/Sec have been falling for several years now. While bandwidth can be found for as little as $25/Mbit, these assumptions take into account using a higher quality provider, and rolling-in the costs for rack space.

Because uVerse's infrastructure scales in relatively small and inexpensive increments, the potential for over-capacity is limited to a maximum of 1,000 customers / $10,000.

	Base	Plus/Pro
Value	$25	$45
Hardware (1st year)	$5	$16
Bandwidth	$6	$6
Processing	$1	$2
Total (1st year)	$12 (48%)	$24 (52%)
Total (2nd year)	$7 (27%)	$8 (19%)

5.7 Development, Equipment and Deployment Costs

Initial software development will be undertaken by uVerse's development partner in a joint venture and in exchange for a share holding.

Online service

Storage capital and deployment costs are estimated at ~$10/customer (one-time, median). Bandwidth and collocation costs are $6/customer (per year).

The initial cost of hardware (servers, routers, etc.) to establish the service (for the first 2,000 customers) is anticipated to be $36,200. For every 1,000 customers the cost of hardware is $10,000 and bandwidth $500 per month.

Note: Hardware and bandwidth costs scale with the number of customers but could benefit from reductions with sufficient subscriber volume.

References

[1] "The Role of Camera-Bundled Image Management Software (IMS) in the Consumer Digital Imaging Value Chain", a survey by Syracuse University.

[2] "Photo Industry 2005: Review and Forecast" by the Photo Marketing Association International.

[3] "Sense in Communication", Douglas Galbi.

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6.1 Purpose

The role of the joint venture is to bring uVerse's proposition to market through the employment of a partner to leverage its expertise and resources in the software development process. The partner will in exchange for its investment gain a share holding in the venture and the opportunity to develop a presence and reputation in new markets.

6.2 Function

uVerse Ltd. will issue shares to the partner on terms to be agreed by both parties. The terms will provide uVerse with the option to buy back the holding at a later date should it be in a position to do so, or for the partner to increase its holding by further contributing to the venture.

The issuance of shares will be undertaken in stages corresponding to the completion of specific pre-agreed milestones for the implementation of functionality, with one initial issue at the commencement of the agreement in good-faith. A board position is negotiable and would be offered in recognition of the partner's interest for taking a pro-active role, in not only developing the software, but also in shaping the future of the company and its products.

The terms will make allowance for potential dilution of holdings due to further issuance of shares such as for the purpose of securing venture capital investment at a later date. Terms will require dilution in the case of issuance to support securing distribution agreements with potential partners.

6.3 Scope

Ongoing development would become funded by uVerse as its cash-flow permits, with the establishment of dedicated self-funded facilities—anticipated for the second year. These facilities could be managed by or outsourced to the partner under a separate agreement.

The development phases for the desktop application that the partner may undertake as its initial investment commitment follow.

Phase 1 — Photo-sharing

Porting of the key functionality developed during the trial to a new Windows XP+ application.

→ Core processes and application architecture
→ Read EXIF (JPEG +IPTC), Video (QuickTime, AVI), import from iView (VBScript), import from 2 other photo album applications (proprietary, e.g. Adobe Album)
→ Write EXIF (JPEG +IPTC)
→ Transcode video (to QuickTime)
→ Resize JPEG (+EXIF)
→ Data storage architecture (temporary in working memory)
→ Data abstraction architecture (conversion rules for annotations and attributes)
→ Display organisable list of [opened/imported] images/videos (window and fullscreen views)
→ Plugin architecture (for loading service attributes and running functions)
→ 20 service plugins

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Phase 2 — Photo-organisation
Development of novel interface and conversion to permanent datastore.

→ Data storage architecture (database, fast lookup and filtering)
→ Display interfaces and data-reference architecture (modular)
→ Immersive animated graphical user interfaces (for organise, edit, and present views)
→ Download and export functions (service-specific, and sync back to applications)
→ Comprehensive setup assistant (service guide)
→ 20 additional service plugins
→ 2 additional import from applications

Phase 3 — Multi-media *casting
Expansion of media-handling and service integration, delivery.

→ Core architecture and service functionality refinements (live update/sync)
→ New internal media types: audio, text (corresponding new views)
→ Content delivery/feeds (directories, subscribe, browse)
→ Share/publish content (feeds, blogging services)
→ 1 additional set of immersive views
→ 20 additional service plugins
→ Additional import from applications

Phase 4+ — Convergence
Support for emerging trends, core feature expansion, additional interfaces.

→ Image touch-up
→ Immersive feed layouts
→ Personal presence, social networking
→ Locative data, mapping
→ Data visualisation, personal library
→ Exciting technologies…

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uVerse Ltd. Revenue Model

(revision JV1)

key: adjutsable input / dynamic result

(see assumptions)

Confidential

	YEAR 1: Establishment					YEAR 2: Growth					YEAR 3: Expansion				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Units															
Total exposure	25,000	50,000	100,000	250,000	**425,000**	400,000	400,000	650,000	1,400,000	**2,850,000**	5,650,000	5,650,000	5,650,000	10,150,000	**27,100,000**
Newusers	3,000	6,000	12,000	30,000	**51,000**	48,000	48,000	78,000	168,000	**342,000**	678,000	678,000	678,000	1,218,000	**3,252,000**
Cumulative desktop users	*3,000*	*9,000*	*21,000*	*51,000*	***51,000***	*99,000*	*147,000*	*225,000*	*393,000*	***393,000***	*1,071,000*	*1,749,000*	*2,427,000*	*3,645,000*	***3,645,000***
Cumulative desktop licences	*600*	*1,800*	*4,200*	*10,200*	***10,200***	*19,800*	*29,400*	*45,000*	*78,600*	***78,600***	*214,200*	*349,800*	*485,400*	*729,000*	***729,000***
Cumulative online subscriptions	*0*	*0*	*0*	*0*	***0***	*2,880*	*5,760*	*10,440*	*20,520*	***20,520***	*61,200*	*101,880*	*142,560*	*215,640*	***215,640***
Cumulative users	3,600	10,800	25,200	61,200	**61,200**	121,680	182,160	280,440	492,120	**492,120**	1,346,400	2,200,680	3,054,960	4,589,640	**4,589,640**
Revenue															
Desktop licences	$14,400	$28,800	$57,600	$201,600	**$302,400**	$374,400	$374,400	$662,400	$1,526,400	**$2,937,600**	$6,422,400	$6,422,400	$6,422,400	$11,606,400	**$30,873,600**
Online subscriptions (first year)	$0	$0	$0	$0	**$0**	$34,452	$51,156	$78,300	$136,764	**$300,672**	$372,708	$608,652	$844,596	$1,268,460	**$3,094,416**
Online subscriptions (renewals)	$0	$0	$0	$0	**$0**	$0	$0	$0	$0	**$0**	$25,839	$38,367	$58,725	$102,573	**$225,504**
Partner referrals	$1,500	$3,000	$6,000	$15,000	**$25,500**	$24,000	$24,000	$39,000	$84,000	**$171,000**	$339,000	$339,000	$339,000	$609,000	**$1,626,000**
Printing/Merchandise	$216	$648	$1,512	$3,672	**$6,048**	$7,128	$10,584	$16,200	$28,296	**$62,208**	$77,112	$125,928	$174,744	$262,440	**$640,224**
Advertising	$0	$0	$0	$0	**$0**	$0	$0	$0	$0	**$0**	$0	$0	$0	$0	**$0**
Bulk Licencing	$0	$0	$0	$0	**$0**	$0	$0	$0	$0	**$0**	$0	$0	$0	$0	**$0**
Total Revenue	**$16,116**	**$32,448**	**$65,112**	**$220,272**	$333,948	**$439,980**	**$460,140**	**$795,900**	**$1,775,460**	$3,471,480	**$7,237,059**	**$7,534,347**	**$7,839,465**	**$13,848,873**	$36,459,744
Operations															
Desktop Development	$0	$0	$0	$0	**$0**	$52,500	$52,500	$52,500	$52,500	**$210,000**	$157,500	$157,500	$157,500	$157,500	**$630,000**
Online Development					**$0**	$11,250	$11,250	$11,250	$11,250	**$45,000**	$33,750	$33,750	$33,750	$33,750	**$135,000**
Development Equipment					**$0**	$20,000				**$20,000**	$60,000				**$60,000**
Online service equipment					**$0**	$8,640	$8,640	$14,040	$30,240	**$61,560**	$122,040	$122,040	$122,040	$219,240	**$585,360**
Online service hosting	$0	$0	$0	$0	**$0**	$2,160	$4,320	$7,830	$15,390	**$29,700**	$45,900	$76,410	$106,920	$161,730	**$390,960**
Licences and Subscriptions					**$0**	$12,000				**$12,000**	$36,000				**$36,000**
					$0					**$0**					**$0**
Total Operations	**$0**	**$0**	**$0**	**$0**	$0	**$106,550**	**$76,710**	**$85,620**	**$109,380**	$378,260	**$455,190**	**$389,700**	**$420,210**	**$572,220**	$1,837,320
Gross Profit	**$16,116**	**$32,448**	**$65,112**	**$220,272**	$333,948	**$333,430**	**$383,430**	**$710,280**	**$1,666,080**	$3,093,220	**$6,781,869**	**$7,144,647**	**$7,419,255**	**$13,276,653**	$34,622,424
Gross Margin	100%	100%	100%	100%	**100%**	76%	83%	89%	94%	**89%**	94%	95%	95%	96%	**95%**
Sales															
Commissions (OEM, Retail)	$0	$4,800	$9,600	$19,200	**$33,600**	$48,000	$76,800	$76,800	$124,800	**$326,400**	$268,800	$1,084,800	$1,084,800	$1,084,800	**$3,523,200**
Insertion costs (Retail)	$0	$0	$0	$30,000	**$30,000**	$75,000	$75,000	$75,000	$75,000	**$300,000**	$150,000	$150,000	$150,000	$1,500,000	**$1,950,000**
Payment Processing	$504	$1,008	$2,016	$7,056	**$10,584**	$14,310	$14,894	$25,925	$58,211	**$113,340**	$238,733	$247,430	$256,400	$454,210	**$1,196,773**
Travel	$0	$0	$10,000	$10,000	**$20,000**	$10,000	$10,000	$10,000	$10,000	**$40,000**	$20,000	$20,000	$20,000	$20,000	**$80,000**
Administrative															
MD	$0	$0	$0	$0	**$0**	$27,500	$27,500	$27,500	$27,500	**$110,000**	$50,000	$50,000	$50,000	$50,000	**$200,000**
Business Development	$0	$0	$0	$0	**$0**	$27,500	$27,500	$27,500	$27,500	**$110,000**	$35,000	$35,000	$35,000	$35,000	**$140,000**
Support	$0	$0	$10,000	$10,000	**$20,000**	$45,000	$45,000	$90,000	$90,000	**$270,000**	$103,275	$169,380	$235,485	$354,240	**$862,380**
Total Payroll	*$0*	*$0*	*$10,000*	*$10,000*	*$20,000*	*$100,000*	*$100,000*	*$145,000*	*$145,000*	*$490,000*	*$188,275*	*$254,380*	*$320,485*	*$439,240*	*$1,202,380*
Rent	$0	$0	$0	$0	**$0**	$5,000	$5,000	$5,000	$5,000	**$20,000**	$15,000	$15,000	$15,000	$15,000	**$60,000**
Legal/accounting	$0	$0	$15,000	$15,000	**$30,000**	$15,000	$15,000	$15,000	$15,000	**$60,000**	$20,000	$20,000	$20,000	$20,000	**$80,000**
Internet access	$0	$0	$0	$0	**$0**	$4,800	$4,800	$4,800	$4,800	**$19,200**	$14,400	$14,400	$14,400	$14,400	**$57,600**
Miscellaneous	$2,000	$2,000	$2,000	$2,000	**$8,000**	$4,000	$4,000	$4,000	$4,000	**$16,000**	$12,000	$12,000	$12,000	$12,000	**$48,000**
Total Sales and Admin	**$2,504**	**$7,808**	**$48,616**	**$93,256**	$152,184	**$276,110**	**$305,494**	**$361,525**	**$441,811**	$1,384,940	**$927,208**	**$1,818,010**	**$1,893,085**	**$3,559,650**	$8,197,953
Pretax Income	**$13,612**	**$24,640**	**$16,496**	**$127,016**	$181,764	**$57,320**	**$77,936**	**$348,756**	**$1,224,269**	$1,708,280	**$5,854,661**	**$5,326,637**	**$5,526,170**	**$9,717,003**	$26,424,471
Balance	$13,612	$38,252	$54,748	$181,764		$239,084	$317,020	$665,775	$1,890,044		$7,744,705	$13,071,343	$18,597,512	$28,314,515	