

BUSINESS PLAN

FOR

ADDRESS-ON-DEMAND.COM

A universal database that provides accurate consumer and business addresses over the Internet for order fulfillment, shipping, sales, and related applications. Charging just a few cents per transaction, Address-on-Demand will be able to eliminate manual entry of customer-address information and solve a problem that costs U.S. businesses billions of dollars per year.

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EXECUTIVE SUMMARY

Commercial enterprises need accurate customer-address information at many different points during the sales lifecycle. Some popular business models, such as internet retailing and catalog sales, involve little more than order-fulfillment operations whose continued existence hinges on the ability to obtain inexpensive, accurate shipping information. Nonetheless, no system currently exists that can automatically generate addresses. As a result, U.S. businesses lose billions of dollars annually from direct and indirect costs associated with the manual entry of customer-address information.

Address-on-Demand provides an efficient, inexpensive way to reduce those losses by using the Internet to deliver up-to-date address information for more than 130 million individuals and businesses. For just a few cents per transaction, Address-on-Demand will generate accurate address information and eliminate time-consuming, error-prone manual data entry.

The Problem

Businesses manually record customer information one or more times for each order fulfillment transaction – at the point of initial contact, when an order is placed and when shipments/invoices are prepared. There is typically little or no integration between those functions, and the lack of data sharing means that a single customer's address information must be keyed at each stage of the sales cycle. The labor cost associated with manual entry of the information is enormous.

Manual entry of customer data often results in erroneous information being entered, which compounds the problem. According to a United States Postal Service study, 4.5 billion pieces of business mail are never delivered because of incorrect addressing. Internet merchants have found that 3% - 7% of their shipments are returned due to address errors. For each returned shipment, merchants incur a variety of expenses including charges for the return shipping, restocking, verifying addresses and reshipping the item. If the goods are not returned, merchants are faced with charge backs and loss of the goods.

The address databases that already exist cannot be used to solve this problem. Current systems fall into one of three categories. One type indicates whether a given address physically exists, but does not correlate a named addressee to the location. Another permits an end user to type in a name and address and will confirm whether the name and address are valid, but will not auto-generate address information. The third, Internet-based information systems operated by vendors such as EntryPoint (eWallet), Microsoft (Passport) and Novell (DigitalMe), do generate address information, but the underlying databases only contain the meager information that is provided voluntarily by consumers. Thusfar, that business model has not generated a lot of interest, probably because of privacy concerns and lack of a trusted market leader.

The Address-on-Demand Approach

At the core of the problem is the fact that businesses are forced to manually enter name and address information. Address-on-Demand changes the paradigm by automatically populating that information, leaving clerical or fulfillment personnel only the responsibility of verifying and correcting the information supplied.

An Address-on-Demand-driven transaction would work as follows: when a customer makes a contact or places an order, just one piece of information, typically a telephone number, is obtained from the customer which is used to retrieve and display that customer's address and billing information – whether or not that customer has done business with the vendor before. The displayed information can then be

verified with the customer, substantially decreasing the likelihood of erroneous data-entry. The customer record is then stored in the Address-on-Demand database, remaining available to the vendor, as needed, over the Internet. Any data updates by the user such as adding billing information or changing the customer address will be recorded in the Address-on-Demand database, improving the accuracy and completeness for each and every data record.

In contrast, Internet services such as eWallet and Microsoft Passport attempt to solve the problem of consumers having to log in and enter address and payment information at each different e-commerce site. As such, those services collect a wide variety of personal information about consumers, including passwords, addresses, and credit-card information. Address-on-Demand's service is more narrow in focus but broader in application, collecting only address information for order fulfillment but being useful for both on-line and non-on-line transactions. And because Address-on-Demand does not collect any information beyond addresses, it avoids privacy-related problems. Management anticipates that Address-on-Demand will complement the various "electronic-wallet" services. In fact, establishing early partnerships with these services is one of the Company's objectives. Because Address-on-Demand only deals with non-private data and is not aligned with any e-commerce vendor in particular, its chance of establishing working relationships with all vendors is high.

Business Model

The Address-on-Demand database will be accessible to businesses and in the case of e-commerce sites their customers. Registered businesses will pay \$.03 (or so) per database access. Each business is expected to access Address-on-Demand information at one or more points during the fulfillment process. The cost model could incorporate a minimum monthly charge along with various discounts for volumes, similar to the phone-billing model.

To encourage vendors to sign on and give the opportunity for its database to mature in accuracy and completeness, the service will be free in the first six to nine months of service.

The initial Address-on-Demand data will be licensed from database companies who provide information compiled from USPS and telephone company records. This data is the best available, but has imperfections because of factors such as unlisted phone numbers or business addresses with separate "bill-to" and "ship-to" addresses. As a result, Address-on-Demand's database will improve with usage and over time and become the most reliable source of address information. In fact, management anticipates that the quality of the Address-on-Demand data will eventually be better than any other data available and that Company may will be in a position to relicense this unique data.

Management

The President, founder and sole shareholder of the company at this point is John N. Smith. Mr. Smith is also the founder and majority shareholder of XYZ Corporation, which develops and sells information-management software currently used for telecommunications, network management, conceptual modeling and data visualization. XYZ Corporation was founded in 1986 and currently has close to 30 full-time employees. Mr. Smith has started dedicating 80% of his time to Address-on-Demand and is actively searching for a full-time COO and a chief technical officer.

Financial Projections

The following table sets forth summary financial information on the projected operations of the Company for the Years 2000 through 2003. Please refer to the financial projections included in the Company's business plan for additional details and for an explanation of the assumptions underlying the projections.

BUSINESS DESCRIPTION

Company Information

Address-on-Demand, Inc. is a new company currently developing a name and address retrieval database as well as an information delivery system. The founder and chief executive of the Company is John N. Smith. Mr. Smith is also the President and founder of XYZ Corporation, a software company that specializes in data visualization products. XYZ Corporation's Website is located at <http://www.xyz.com>.

The Address-on-Demand Model

Address-on-Demand technology establishes a new paradigm. Currently, no business can initiate a customer interaction or process an order without relying on manually-entered data. This is true whether the information is keyed in by the business or by the customer. In either case, the possibility of human error is introduced because a substantial amount of detailed information must be communicated and keyed into a database. There is no way to independently verify the information prior to shipping.

Address-on-Demand reverses the process of data entry, shifting the human element from initial entry to mere data verification. When a new order is placed with a seller, only one piece of purchaser information is required to access a wide range of information on the purchaser. This information "key" is typically the purchaser's telephone number. Once the key is entered, the correct information is retrieved from the Address-on-Demand databases in real-time and can then be verified by comparison to the order form or with the customer over the telephone, thus substantially decreasing the likelihood of error.

Address-on-Demand technology works with business-to-consumer and business-to-business marketing and is highly useful for new as well as existing customers. The Address-on-Demand database will be constantly updated from numerous external sources and will usually be more accurate than any seller's database, even with respect to its own customers.

Technology Architecture

There are three components: the server, the client, and the web site. The server side involves a distributed network of database and web servers containing address and other relevant information about businesses and consumers (see diagram on pg. 6). These databases will be keyed by phone number and other data fields. The actual number of hosts will be dependent on the amount of traffic and the architecture is scalable to accommodate the addition of hosts for load sharing, balancing, and redundancy purposes. The design incorporates independent components that can run on the same or different processors: address retrieval from one or more databases, address validation and correction, and access login for billing purpose.

The client side involves two components - a stand-alone utility that retrieves and displays the information for drag-and-drop into the customer application and an integrated "plug-in" component. The most seamless approach is to have the plug-in module integrated with the customer applications (shipping, accounting, and sales management). This module communicates with the database server over the Internet to send the request and retrieves the desired address information. Address-on-Demand will work with major software applications vendors to add this module in their applications. The integration effort is minimal and typically takes only a few hours. In the absence of the integrated plug-in, there is a stand-alone utility that retrieves and displays the address information for users to drag into their application; there is the added inconvenience for users to drag in these fields but it minimizes the risk of error associated with manual data entry.

The web site allows customers to subscribe to the service and check on the status of their accounts – account balances and access statistics. Once the plug-in is integrated with an application, the first time a customer attempts to use the service within that application, it will suggest that they sign up for the service and lead them to the web site to register. There the customer will provide credit card information for payment purposes and will be given an access ID, which they will enter in their application to enable the service. This access ID is subsequently included in the message request for address verification, which is used for validation and billing purposes.

Registered vendors can update the consumer and business information on behalf of their customers directly through the application. These updates are reviewed, verified and rejected if the address is invalid. There will be other measures to protect from hackers mangling the data, such as detecting when a large number of update requests comes from the same source IP address.

The client software is rather simple and the emphasis will be on optimizing the user interface. The bulk of the software to be developed will reside on the server software which consists of communications software, database software, address validation and correction, and billing along with other administrative functions.

The initial source of data will be licensed from the marketing or credit reporting companies. Address-on-Demand will also try to establish partnerships and licensing arrangements with electronic wallet companies to use their data. This will provide the ideal combination due to the limitations of each data source, limited accuracy for one and incompleteness for the other.

The design incorporates three databases – the initial data feeds (could be several as described in the above paragraph), the AOD's repository for updates and additional user-provided data such as billing information, and a private customer database for caching and data sharing purpose. The AOD's repository grows with each use and will solve the problems of data inaccuracy and incompleteness over time.

Revenue Model

The Company anticipates being a low cost provider of digital information to a wide-range of businesses. Registered users of the Company's product are projected to pay \$0.03 per database access. Businesses shipping goods to other businesses and consumers are expected to access the Company's database on average three (3) times to obtain accurate shipping information at (a) the time the order is placed, (b) the time the order is fulfilled, and (c) the time the order is invoiced. Based on other enterprise-wide application uses, users of the Company's database may access the database on a more frequent basis than that currently projected for additional sales and marketing, accounting and finance, and other uses. The following table is merely a summary of financial information. Please refer to the attached financial projections for month-to-month detail.

Table 3
Revenue Model

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<i>Business-to-Consumer Model:</i>				
US households (projected)	103,245,963	104,344,445	105,456,124	106,566,127
Average household penetration	1.25%	7.08%	16.83%	27.83%
Shipments per month	1	1	1	1
Database accesses per shipment	3	3	3	3
Cost per database access	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03
Annual household revenues	\$ 1,393,281	\$ 7,982,350	\$ 19,171,923	\$ 32,033,778
<i>Business-to-Business Model:</i>				
US businesses (projected)	11,000,000	11,275,000	11,556,875	11,845,797
Average business penetration	1.25%	7.08%	16.83%	27.83%
Shipments per month	2	2	2	3
Database accesses per shipment	3	3	3	3
Cost per database access	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03
Annual business revenues	\$ 297,000	\$ 1,725,075	\$ 4,202,080	\$ 10,682,540
<i>Total Company Revenues</i>	\$ 1,690,281	\$ 9,707,425	\$ 23,374,003	\$ 42,716,318

Future Growth and Add-ons

The Company's projections are based on shipment of goods to U.S. households and businesses from U.S. businesses. Not taken into account are shipments of goods to foreign consumers and businesses by U.S. and foreign-based businesses. Taking these transactions in to account could easily double the Company's revenues. Over time the international market for the Company's database may exceed that of the U.S. market. Given the lack of a centralized database for name and address verification in nearly all foreign countries, it is anticipated that, as the Company's database of foreign names and related addresses grows, shippers of goods to foreign countries will increasingly rely on the Company's database for verification purposes. Given the Company's strategic positioning, it is anticipated that this reliance will exceed that of shippers to U.S. households and businesses. International address related errors exceed U.S. address related errors by a factor of more than 6:1.

The Company further anticipates marketing its database as an enterprise-wide solution for a variety of business concerns beyond shipping name and address verification. The company expects that there is a large market of businesses interested in using its database for domestic and international sales and marketing functions, fulfillment record keeping functions, and other data mining and warehousing needs. The Company plans to expand its marketing for such functions and services, permitting client-companies to access its database on the same per use cost, thereby continuing to expand its revenue generation capabilities.

SMALL PARCEL TRANSPORTATION INDUSTRY

Industry Background

The small-parcel transportation industry specializes in time-sensitive transportation services for documents, packages and freight. The industry is global in scope and employs over 800,000 people, with 510,000 in the U.S. Carriers operate in over 200 countries and deliver more than 25 million packages per day. Annual industry-wide revenues are in excess of \$70 billion. The U.S. component of the industry is dominated by three players: the United States Postal Service (“USPS”), United Parcel Service (“UPS”), and Federal Express (“FedEx”).

According to a USPS study, more than 4.5 billion pieces of business mail per year are never delivered because of incorrect addressing. A recent *Information Week* study found that nearly 13% of businesses mailing databases contained name or address errors. And a study by Forrester Research concluded that the hard costs associated with miss-shipments due to address errors exceeded \$135 million annually. It is beyond dispute that address-related errors cost U.S. businesses billions of dollars every year.

While the USPS has attempted to remedy the problem of address errors through its Coding Accuracy Support System (“CASS”) and its Delivery Sequence File (“DSF”) database, the solution provided has been to merely ensure that a given address physically exists. There currently exists no system capable of verifying that a specific person or business is associated with an address. Consequently, businesses shipping packages have no independent method for verifying the accuracy of the shipping information other than manual input of customer data. Because of data entry errors and personal and business relocations, significant numbers of packages are returned

Order-Entry Methods

Many retailers offer goods for sale through distribution channels other than traditional “brick and mortar” locations. These merchants include catalog operations, Internet retailers, and business-to-business sales organizations. In all cases human intervention is required to both place and fulfill the order. Customers ordering products from retailers, whether on a business-to-business basis or business-to-consumer basis place their orders in one of the following manners: telephone, facsimile, mail or Internet.

Traditionally, catalog operations have relied on telephone call centers to receive an order from a customer. Typically, seventy percent (70%) or more of a cataloger’s sales were derived from telephone orders. The remainder came from customers completing merchandise order forms and submitting them to the retail catalog operation principally through the mail and, to a lesser extent, via facsimile transmission. However, the 1998 Christmas selling season saw a sharp rise in the number of Internet orders and signaled a significant shift from paper and telephone systems to digital order delivery. Holiday shopping on the Internet approached \$4 billion in 1998, more than triple the 1997 figure. Total online sales totaled \$13 billion in 1998 and this amount could hit \$50 billion in 1999. Inherent in all these means of order delivery is the human factor, whether on the ordering end or on the shipping end, which is prone to error.

Order Shipment

Domestic package delivery is a huge business still dominated by the USPS. However, private carriers deliver a significant number of packages, both domestically and internationally. The following table sets forth the approximate size of the shipping market and the major national carriers.

SALES STRATEGY

Market Penetration Methodology

The Company intends to execute a multi-phase marketing program aimed at penetrating each industry segment that will benefit from the Address-on-Demand databases. Database users consist of (a) software companies that produce applications requiring customer-address information (e.g. ERP, accounting and fulfillment software), (b) shipping services, and (c) medium to large product/service vendors who need automated access to accurate customer-address information. The Company has prepared a phased marketing plan for each industry segment. The Company has budgeted approximately \$1.5 million for initial advertising and anticipates spending approximately twenty-five percent (25%) of its operating revenues on its continuing marketing campaigns.

Strategic Partnering with Software Companies

The first phase of the Company's marketing plan is to enter into strategic relationships with manufacturers who develop software for transaction lifecycle management, including accounting, contact management and enterprise resource planning applications. The Company will approach these manufacturers and offer to integrate the Address-on-Demand code with the manufacturers' software at no charge. By integrating the Address-on-Demand utility, end users will be able to access the Address-on-Demand database seamlessly, and the data will automatically appear in all of the appropriate fields on a user's screen. Building relationships with software manufacturers is a top priority for the Company and will be a major focus of the marketing staff during the first quarter of the Company's operations. Given the cost savings for businesses utilizing the Address-on-Demand databases, the Company believes that it will obtain widespread use of its product. There are fewer than 50 major vendors in this area, so the technical work required to integrate the Address-on-Demand software will not be substantial and the Company will be able to focus considerable resources on each potential partner.

Strategic Partnering with Carriers

The second phase of the Company's marketing plan is to enter into strategic relationships with one or more shipping carriers, such as FedEx, UPS, and Airborne. All major shippers already offer some level of processing capability over the Internet with proprietary software. By integrating the Address-on-Demand utility with that software, the Company will allow end-user product shippers to access the Company database directly from the carrier's screen and see the correct address information automatically appear in the "Ship to" fields. This will benefit the end users by eliminating the requirement for manual data entry, and will benefit the carriers by allowing them to offer the Address-on-Demand service to their customers.

Subscriptions from Individual Businesses

The third phase of the Company's marketing plan is to increase awareness of its brand among consumers, i.e. medium to large firms with order-fulfillment operations. This will be accomplished through advertising in trade publications and direct-mail campaigns. Unlike the first two phases, which have the goal of integrating Address-on-Demand software with an existing application, this phase will target businesses who will subscribe individually to the Address-on-Demand service. In this case, the Address-on-Demand information will appear in a small window on the user's screen. The information can then be simply moved into the appropriate fields on the user's screen by dragging and dropping. Any business will be able to subscribe after a free limited-time trial period.

COMPETITION

Existing Competition

We are not aware of any service similar to what we are proposing to offer.

Potential Competition

There are two categories of businesses that could provide competition with Address-on-Demand's products/services, namely the electronic wallet companies/services and the Consumer and Business Marketing or Credit Reporting companies.

There are many "electronic wallet" solutions vying to solve the problem of the on-line consumers having to enter the same information at each e-commerce site. This information includes logins and passwords, shipping & billing information, and credit card information. Some solutions store that information on the user's workstation while others save the information on a central repository. The on-line problem is very real although acceptance of current solutions seems limited at this point – it is probably a combination of privacy concerns and technological complexity, i.e. setup and configuration difficulties, as well as the absence of a market leader. Some of the current electronic wallet companies include EntryPoint eWallet, Microsoft Passport, Novell DigitalMe, and Q*Wallet.

Companies in the consumer and business marketing and credit reporting arena have existing large databases on consumers and businesses. The data typically is collected from different sources such as phone directories. The three major national consumer credit reporting companies are Experian Corp., Equifax, Inc. and Trans Union LLC. They each maintain extensive databases of consumer credit information and provide such information to banks, credit card issuers, home mortgage companies, retailers, utilities, telecommunications companies, healthcare administration companies, and others.

The major business credit reporting company is Dun & Bradstreet, Inc. (D&B). D&B maintains a database of over eleven million businesses that is updated regularly by its research staff. Updates are manually provided through interviews by D&B analysts, Yellow Pages listings, U.S. courthouse public records, the USPS NCOA system, new and changed telephone number listings, and other means.

There are several companies that provide direct marketing information on consumers and businesses in the U.S. and Canada, including Abacus Direct Corporation (purchased by DoubleClick, Inc.), Acxiom Corporation (controlled by the Pritzker family), Harte-Hanks Communications, InfoUSA, Inc., and Trans Union LLC (controlled by the Pritzker family).

Barriers To Entry

Once Address-on-Demand begins operations, it will be difficult for other players to compete successfully in the Company's target market. Existing on-line services (the only companies currently set up to auto-generate address information) will not have sufficient records in their databases to provide a universal address-retrieval system. As such, the only way those businesses could commence a competitive service would be by licensing the same information that Address-on-Demand is starting with. By that time, however, Address-on-Demand will have two key competitive advantages.

First, the Address-on-Demand data will become more complete and accurate over time, quickly reaching the point at which it will be impossible to commercially obtain address information of equally high quality. As Address-on-Demand is used, the accuracy of each consumer record will be confirmed by

telephone and all inaccurate records will be corrected. The corrected records will then be placed back in the Address-on-Demand database. The very use of the database will itself result in a constant process of updating and improving the quality of the information. After only a few months, Address-on-Demand will have a substantial competitive advantage.

Second, by establishing strategic relationships with software manufacturers early, Address-on-Demand will be able to integrate its utility with popular software applications. Once the software manufacturers' customers become accustomed to working with Address-on-Demand model, those vendors will not have an incentive to establish other strategic relationships.