
Internet Marketplace

BUSINESS PLAN

ABC INTERNET MARKETPLACE, INC.

*16001 Institution Avenue
Burlington, Vermont 05401*

ABC Internet Marketplace, Inc. will provide a sophisticated web-based tool that will help manufacturers save money by managing the market risk in their purchases. Using focused business strategies led by respected industry professionals, ABC sets a course for success.

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INTERNET MARKETPLACE BUSINESS PLAN

EXECUTIVE SUMMARY

ABC Internet Marketplace, Inc. of Burlington, Vermont, is proud to announce a successful breakthrough in the application of financial tools for the manufacturing sector.

ABC Marketplace provides a unique vehicle to insulate manufacturers from business uncertainties and losses through a mechanism that disseminates true prices and materials availability now and in the future.

This business plan describes our sophisticated Web-based financial market and trading platform, which allows manufacturers to manage risk caused by changes in product prices, trade tariffs, interest rates, and currency exchange rates.

ABC Marketplace will apply its pilot phase of the project to the electronic industry, which in 1998 reached \$500 billion in revenues within the United States. Forecasts through 2005 anticipate uninterrupted growth in the electronics industry. This situation has evolved because of the increased demand for electronic products in industrialized nations. Worldwide revenues for 2005 are forecast at \$1.5 trillion, which represents an average growth rate of 15 percent.

Management Team

The ABC Marketplace management team has a proven record of several successful startup companies and has expeditiously guided numerous multimillion-dollar programs. Our management staff has served as executive officers at several Fortune 1000 companies as well as at smaller corporations.

The ABC Marketplace team consists of professionals well versed in an array of required disciplines. Each member of the team is a significant contributor to a particular element of this venture and was hired for that expertise as well as for his or her fit with the other staff members.

The principals of ABC Marketplace have a long-established relationship with a number of reliable and reputable distributors and manufacturers, many of which will assist in the final testing process of the ABC system. These valuable resources will serve as our preliminary subjects during the final development stage of the system.

Market Environment

Our first trading market will be the electronics industry, specifically, semiconductor manufacturers. The market for new applications of semiconductor products shows no direct dependency on sustained general economic status. Though the market for semiconductor products is complex, we find that this market grows regardless of national economic conditions.

The cornerstone of this business plan is the application of financial tools in the manufacturing sector. Using proven commodity trading techniques to minimize financial losses, we will be able to manage risk as never before in the manufacturing environment. The advent of the Internet has made it possible for the development of a unique system that will combine all the necessary building blocks for a financial market and trading platform over the Internet.

Financial Forecasts

ABC Marketplace is expected to grow rapidly after the first year of its operations and to achieve revenues of \$921 million by the fifth year of its operation.

Estimated sales during the first year of operations are \$5.2 million (starting in 2000), rising to \$99.6 million and \$305.2 million in the second and third year, respectively.

Gross margin in the fourth and fifth year is calculated to be 75 percent, and post-tax income about 40 percent. Positive cash flow is expected in the latter half of the second year.

The business opportunity presented here is to capitalize on a long-recognized market need that could not be suitably addressed through traditional tools.

Although there have been rapid gains in productivity in almost all aspects of manufacturing due to advances in technology and management techniques, the buying-selling process has generally lagged behind because of a lack of modern tools. One of the essential reasons for this is the high cost of owning and maintaining the infrastructure required to create a common global platform, an essential component for such a risk management system.

The Internet and the ever-increasing acceptance of it as a serious tool for commerce have removed most of the barriers to the creation of a common global platform. The combination of the Internet and our implementation of advanced risk management concepts in manufacturing has created a wholly new opportunity for manufacturing firms. Informal marketing surveys and the enthusiasm of significant members of the manufacturing sector attest to the interest in and need for our proprietary service.

The total required capital to bring the service to beta testing (Phase II) and on to full implementation (Phase III) is estimated at \$16 million, with a positive cash flow expected in the latter half of the second year of operation.

The investors are expected to realize a return on investment on the order of five to ten times that investment in approximately three to four years, at which time the company will go public or sell out to a strategic buyer.

In summary, using innovative technology and an experienced and seasoned management team, this business plan identifies an opportunity to enter a marketplace that has enormous potential for revenue and profit growth.

ABC Internet Marketplace, Inc., headquartered in Burlington, Vermont, is seeking financing of \$16 million over the next two years to expand its existing operations.

Founded by Fred McKenzie, Patrick Ogilvey, and Kishore Manji in March 1996 as a Vermont "C" corporation, ABC Marketplace is primarily in the business of operating a financial market and trading platform for the manufacturing sector. The company's founders recognized that technology was key to bringing their idea to fruition and that a technology partner was needed to develop the product. In August 1998, ABC selected Mindware Pertech, Inc. as its technology partner. Mindware Pertech, Inc. in turn purchased 28 percent of ABC Marketplace stock and joined the board of directors.

In January 1999, the board of ABC Marketplace felt the need to add additional business talent in order to move the project from developmental stage to full implementation. To achieve this, ABC invited Kishore Manji to join the company's board of directors.

The ownership of ABC Marketplace, Inc. is structured as follows.

STOCK OWNERSHIP

Owner	% of stock
Fred McKenzie	41.00%
Mindware Pertech, Inc	21.00%
Kishore Manji	20.00%
Robert Kline	13.00%
Others	5.00%

Conclusion

COMPANY OVERVIEW

History

Business Problems

Almost all manufacturers are exposed to losses in three areas:

1. Increased cost of in-process materials (IPMs), that is, raw materials
2. Inventory write-downs due to obsolescence or price changes
3. Production losses due to the short supply, or lack of supply, of IPMs

ABC Marketplace provides a unique vehicle to insulate manufacturers from these uncertainties by providing a mechanism by which true prices and materials availability are disseminated now and in the future.

Our sophisticated Web-based platform with proprietary tools allows manufacturers to manage risks caused by changes in underlying product prices, trade tariffs, interest rates, and currency exchange rates.

ABC Marketplace derives its earnings from trade commission, currency translation, sale of data, and subscription to the technology index created by the exchange.

Risk Management Defined

Risk, an element of uncertainty, is a relatively broad term in manufacturing. Its significance has recently become known mainly because of uncertainties resulting from international trading activities. Manufacturers are aware of the risk involved in building up inventory; they know that should the market go soft, an untimely liquidation can be very costly. Those who build “on order” assume a similar risk; a sudden increase in the price of raw materials reduces profits.

Risk management has become a fundamental tool to minimize these financial losses. Although the need for such a tool has long been known, the technology for implementation has never before existed. Now that the Internet has made it possible for the creation of such a platform, ABC Marketplace has developed a unique system that will combine all the necessary building blocks for such a financial market and trading platform.

Key Goals and Objectives

Rapid advance in technology and the break up of trade barriers have created a true global economy, which in turn has created uncertainties in the pricing structure of manufactured products. Such uncertainties result from underlying changes in product prices, trade tariffs, interest rates, and currency fluctuation—all of them leading to volatile markets around the globe.

These uncertainties are most visible in the global electronics market. ABC Marketplace will initially target the semiconductor sector in the global electronics market, starting with integrated chip (IC) makers and their users. The semiconductor sector alone generates \$150 billion among some 10,000 manufacturers worldwide.

In addition to the electronics market, ABC Marketplace will soon target other manufacturing sectors such as chemicals and pharmaceuticals. Eventually, we will expand to still other sectors—for example, telecommunication and construction.

PRODUCTS & SERVICES

Earnings at manufacturing firms are frequently affected by inventory write-downs due to softening of the market or increased cost of in-process materials (IPMs), technology changes (obsolescence), or production losses stemming from a short supply of IPMs. The loss in production not only affects earnings, it also causes serious erosion of market share.

This in turn affects cash flow, which can then seriously threaten the viability of any manufacturing firm. Long-term viability of a manufacturing firm is also affected by restricted or closed markets, which result in artificial—that is, inflated or depressed—prices.

Even though there have been rapid gains in productivity in most aspects of manufacturing due to advances in technology and management techniques, the buying-selling process has generally lagged behind because of a lack of modern tools. One of the essential reasons for this deficiency is the high cost of owning and maintaining the infrastructure required to create a common global platform necessary to eliminate the risk of doing business globally.

The acceptance of the Internet as a serious tool for commerce has removed most of the barriers to the creation of a common global platform. E-commerce, along with our implementation of advanced risk management concepts in manufacturing, has opened a new opportunity for manufacturing firms.

ABC Marketplace addresses these business uncertainties by providing an open market for manufacturers and distributors that will mitigate much of this uncertainty through risk management.

ABC Marketplace has developed a state-of-the-art, Web-based, double auction system that uses highly sophisticated and efficient algorithms to automate continuous bid and offer matching with real-time clearing. Our platform includes an integrated automated physical delivery system and automated currency translation system with currency exchange and banking.

ABC Marketplace provides the following services:

1. A spot and forward buying-selling platform for a new class of commodities
2. A risk management vehicle for the manufacturing and distribution business
3. The convenience and efficiency of a trading platform with integrated clearing service
4. The incorporation of currency translation into commodity prices
5. The convenience of working over the Internet
6. A unique platform that brings together buyers, sellers, investors, and speculators across many continents and time zones
7. Business hours from Sunday 9:00 P.M. through Friday 7:00 P.M. EST
8. Product index and global market data

An illustrative scenario:

The standard method of buying or selling generally fixes the price for delivery sometime in the future. In mid-January 1998, the spot market price for 16 MB EDO DRAM in the U.S. market was \$3.10 (OEM quantity). If the order for 20,000 devices with delivery date of 30 days was placed (or received) in mid-January, it is expected that a payment of $\$3.10 \times 20,000 = \$62,000$ be made by mid-February 1998. The open market price at that time was \$2.65.

In mid-February when the delivery is made, the spot price is \$2.65 and the contract is worth \$53,000. The difference of \$9,000 resulting from the price drop is due to the risk that the manufacturer or consumer took by assuming the price stability.

ABC Internet Marketplace allows the manufacturer and the consumer (OEM) to pass on this unwanted risk to an intermediary who is willing to take such risks. Forward pricing is a mechanism by which the risk element is passed on to an intermediary. In this example, on January 16, 1998, the spot price was \$3.10 and the 30-day forward price was \$2.88 (per device with minimum quantity of 1000). The 30-day forward price is the adjusted price for 30-day delivery. The order (buy or sell) for 20,000 devices is executed based on 30-day forward price. The new contract price is then \$57,600 ($\$2.88 \times 20,000$). The difference between the order date price \$62,000 and delivery date price \$57,600 is narrowed from the original \$9,000 to \$4,400, and the savings is more than 50 percent.

Product Points

ABC has a comprehensive system platform for trading:

1. **Product development and trade:** The products for trade are developed on the basis of market share, multiple sources of production, universality of consumption, and uniformity of product specification.
2. **Financial clearinghouse:** This facility ensures funds are available between the parties, clears the trade, and maintains the performance bond.
3. **Commerce:** Spot transaction of products is a link to global warehouses. The clearinghouse guarantees the delivery of items being traded. For this purpose, modest-size warehouse spaces will operate as bonded warehouses. The warehouses will be outsourced to major carriers.
4. **Safeguards:** ABC Marketplace ensures customer satisfaction by incorporating several essential safety measures, including:
 - a. **Guaranteed trade:** All trades are sent to an automated clearinghouse to check the matched orders between the buyer and the seller. The clearinghouse verifies the amount of the contract and credit, and debits the buyer's and the seller's accounts. The clearinghouse routinely computes the required performance bond that needs to be maintained by the buyer and the seller for enforcing the contracts. (Adjustment on the amount of performance bond will be made daily.)
 - b. **Guaranteed delivery:** All spot or cash transactions are based on items available in our designated bonded warehouse. Forward and futures contracts that result in deliveries will be available five days before the contract expiration date. The point of delivery is the nearest designated warehouse to the buyer.
 - c. **Quality assurance:** All original suppliers are ISO 9000 compliant, and their goods are routinely inspected, certified, and graded by internationally recognized quality inspectors.
 - d. **Warranty:** The original manufacturer's warranty will be sent to the buyers.

Patents and Intellectual Properties

ABC Internet Marketplace does not use or depend on any external intellectual properties. However, since ABC is the first to market these products, many of our proprietary technologies will be patented. These patents and technologies will keep us ahead of any future "me-to" or mimicked implementations.

How ABC Marketplace Operates

ABC Marketplace provides an open market for manufacturers and distributors to address their business uncertainties through risk management. It provides up-to-the-minute prices and availability of manufactured products.

ABC Marketplace performs three basic functions:

1. Discovers a true market price for products
2. Provides a vehicle for risk management
3. Provides real-time global market data and a technology index

A continuous double-sided auction allows that a "true" price of a product be established. A hedging mechanism helps the manufacturer to plan a stable production schedule and to competitively price the product.

ABC Marketplace has developed a state-of-the-art, Web-based, continuous double auction system that uses highly sophisticated and efficient algorithms to automate bid and offer matching with real-time clearing. Our platform also includes an integrated automated physical delivery system and an automated currency translation system with currency exchange and banking.

Two internationally respected market leaders in package delivery services and global banking manage our delivery system and banking services.

ABC Marketplace provides all this functionality through an automated communication network system for online transactional and analytical processing, and uses the Internet as its backbone.

ABC Internet Marketplace will build a reputation for superior customer service and attention to customer satisfaction. Its essential benefits include the following:

Wide Range of Services

ABC Internet Marketplace has the ability to provide a variety of services within its overall service of commodity trading. ABC Marketplace will allow customers to buy and sell products. ABC Marketplace will also be positioned to provide instant global market data to manufacturers, thereby enabling them to extract the most commonly used historical data on process and trade volume. Buyers and sellers can use the market data instantly, and as soon as a transaction clears it will be instantly available on the ABC Web site.

Integrated Services

ABC Marketplace provides an interface with the existing Web-based account management of a financial institution for an online clearing that is an integral part of the trading platform. By so doing, the clearing functions will include the creation of virtual fiduciary accounts for traders, cash management, and international treasury management and audit trail.

Personalized Services

Each ABC customer will have access to a service representative who is solely responsible for the customer's account. In addition, following any trade and clearing, there will be value-added services such as currency conversion and integrated delivery management that can be applied to e-commerce applications.

Customer Solutions

ABC Marketplace provides customers with solutions to managing business risk. We are the first future trading platform to include:

1. A two-sided continuous auction forum (bid and asks)
2. Real-time spots and forwards pricing for in-process materials (IPMs)
3. Integrated trade execution, clearing, and settlement
4. Integrated currency exchange at the interbank rate
5. An integrated physical delivery system for spot market transactions

One-Stop Trading

The system provides seamless integration between order matching, order execution, and clearing (leading to order confirmation) in an online environment. The concept of real-time clearing is central to the process of global trading. A centralized clearinghouse enables the marketplace to operate worldwide with maximum efficiency and at a low maintenance cost.

Customer Benefits and Value

ABC Market's Unique Selling Points

THE MARKET**Customer Description**

ABC serves a wide range of customers, primarily those engaged in manufacturing, distribution, investors, and derivatives. A profile of a typical customer would be:

- Fair understanding of the product being traded
- Familiarity with the market that uses the product
- Understanding of the manufacturing process
- Familiarity with the concept of currency forward, product
- Familiarity with performance bond and margin requirements

CUSTOMER PROFILE

Customer Profile	Items	1999 projected	2000 projected	2001 projected	2002 projected	2003 projected
Fortune 1000	ICs	\$620,000	\$16,433,700	\$90,523,600	\$111,463,625	\$191,625,000
	Interconnect	\$0	\$1,350,000	\$9,418,000	\$13,473,625	\$43,800,000
	Passives	\$0	\$405,000	\$7,756,000	\$9,186,563	\$19,710,000
	Chemicals	\$0	\$0	\$7,977,600	\$4,899,500	\$13,140,000
	Others	\$0	\$0	\$1,108,000	\$1,469,850	\$4,927,500
\$5 million companies	ICs	\$3,853,500	\$60,475,500	\$125,758,000	\$281,721,250	\$410,625,000
	Interconnect	\$0	\$12,094,500	\$16,620,000	\$39,196,000	\$131,400,000
	Passives	\$0	\$4,563,220	\$14,958,000	\$20,210,438	\$29,565,000
	Chemicals	\$0	\$0	\$15,512,000	\$22,047,750	\$26,280,000
	Others	\$0	\$0	\$1,662,000	\$3,674,625	\$4,927,500
Distributors	ICs	\$470,100	\$1,827,100	\$4,210,400	\$10,043,975	\$13,140,000
	Interconnect	\$0	\$226,500	\$554,000	\$1,469,850	\$2,190,000
	Passives	\$0	\$181,200	\$443,200	\$918,656	\$1,095,000
	Chemicals	\$0	\$0	\$221,600	\$293,970	\$1,095,000
	Others	\$0	\$0	\$0	\$0	\$5,475,000
Brokers/Investors	ICs	\$308,200	\$1,283,500	\$7,534,400	\$9,799,000	\$13,687,500
	Interconnect	\$0	\$226,500	\$121,880	\$3,062,187	\$3,285,000
	Passives	\$0	\$120,800	\$886,400	\$1,837,312	\$3,285,000
	Chemicals	\$0	\$17,677	\$554,000	\$975,800	\$1,095,000
	Others	\$0	\$0	\$0	\$244,975	\$1,095,000
Total		\$5,251,800	\$99,205,197	\$305,819,080	\$535,988,951	\$921,442,500

Target Market

In Phase I, ABC Internet Marketplace will focus on semiconductor makers and consumers. The global aspect of this market, coupled with rapid technological changes, has created a particularly volatile market. This is an ideal market for ABC Marketplace. According to the International Semiconductor Association, the semiconductor market generated \$150 billion in revenues in 1994.

The three major marketplaces for ABC Marketplace are NAFTA, the Pacific Rim, and the European Union (EU). Within these markets, there are about 10,000 manufacturers. We expect 3,800 of these manufacturers to become members of ABC Marketplace. Many small to medium-size manufacturers are expected to be attracted by the low-cost opportunity that ABC Marketplace provides to showcase and sell their products in an open market.

Electronics Market Segments (in \$billion)

Segment by Industry Sector	Projected							
	1998		1999		2000		2001	
Semiconductors	\$130	68%	\$137	68%	\$180	70%	\$210	73%
Interconnects	\$22	16%	\$25	16%	\$38	15%	\$42	15%
Passives	\$22	11%	\$23	11%	\$27	10%	\$21	7%
Chemicals	\$10	5%	\$10	5%	\$12	5%	\$14	5%
Total Market	\$184	100%	\$165	100%	\$257	100%	\$287	100%

Accurate data from trade publications and official trade associations were used in all pro forma projections, charts, and graphs. All information was obtained from the U.S. Department of Commerce, Semiconductor Industry Association, Institute for Interconnect and Packaging Circuits, and *Ward's Business Reference Book*.

Market Size**Market Size**

	\$ billions
U.S. market for in-process-materials (IPM) (1993)	\$1,046
Electronics (NAFTA) (1998)	\$490
Semiconductors, worldwide	\$130

The expected number of participants, worldwide, is estimated as follows.

Type of Organization	Number	Total Users
Large manufacturers (15 users per manufacturer)*	500	7,500
Medium/small manufacturers (3 users per manufacturer)*	3,000	9,000
Small independent distributors	1,200	1,200
Major electronics distributors (30 users per distributor)*	40	1,200
Brokers/resellers	1,500	1,500
Total number of participants		20,400

*The number of users is based on product groups and location. The above numbers may be considered conservative.

During the first three years, ABC Internet Marketplace plans to target the electronics industry. According to the U.S. Department of Commerce, in 1998, this industry generated just under \$500 billion in revenues. Judging from the market share of Japan, Pacific Rim, and Europe, the global market for this industry can easily top \$1 trillion. For the first year of its operations, ABC Marketplace will restrict itself to the semiconductor sector. According to the Semiconductor Industry Association, U.S. manufacturers accounted for nearly \$137 billion in revenues during 1997. In the second year of its operation, ABC Marketplace will expand its offerings to include interconnects, passive components, chemicals, and wafer production. IPC (Institute for Interconnect and Packaging Circuits) data for interconnects sales among U.S.-based manufacturers for 1998 was \$22 billion, and the global market for interconnects is estimated to be much higher.

In the third year of operation, ABC Marketplace will expand into chemicals and plastics. This sector, according to *Ward's Business Reference Book*, 1993 (Volumes 3 and 4), generated \$115

billion in sales. This will be followed by expansion into pharmaceuticals and nonferrous and ferrous metals.

ABC Marketplace will attract customers and electronic traders (ETs) from Fortune 1000 companies, businesses with at least 20 percent of electronic content and over \$5 million in revenues, component brokers, distributors, individuals, and businesses with an interest in speculative markets. According to *Ward's Business Reference Book*, 1993 (Volumes 3 and 4), there are 252 publicly traded electronics companies and 208 computer manufacturers (SIC 36 and 35). Similarly, the 1994 U.S. Department of Commerce SICs classification lists some 369,145 manufacturing-related companies.

SIC code 36 lists 3606 companies in California, 981 in Illinois, and 727 in Vermont, whereas SIC code 38 lists 2124 companies in California, 54 in Illinois, and 643 in Vermont. ABC Marketplace has based its business plans on 10,000 manufacturing companies worldwide that are primarily or partially (minimum 20 percent electronics content) involved with electronics.

One of the principal goals for ABC Marketplace is to attract major OEM industries (notably the auto and aerospace industries) for which electronics constitutes a significant component. However, to be attractive to such players, ABC Marketplace must trade 20 percent of all products that collectively contribute to 80 percent of OEM purchases. (We plan to address this issue beyond the third year of operation.)

Target Market

Segment by	Year 1	Year 2	Year 3	Year 4	Year 5
Industry Sector	1999	2000	2001	2002	2003
Semiconductors	100%	76%	69%	77%	70%
Interconnects	0%	21%	17%	12%	19%
Passives	0%	3%	8%	5%	6%
Chemicals	0%	0%	6%	6%	5%
Total	100%	100%	100%	100%	100%

MARKET SEGMENT

End of SEGMENTS	Year 1	Year 2	Year 3	Year 4	Year 5
Fortune 1000 companies	\$619,920	\$1,895,818	\$101,167,500	\$161,540,000	\$342,736,000
\$5 million sales companies	\$4,322,220	\$81,376,900	\$172,200,000	\$290,500,000	\$466,396,000
Distributors	\$77,490	\$4,090,400	\$6,457,000	\$18,904,500	\$21,984,000
Brokers	\$154,980	\$9,236,200	\$18,942,000	\$35,750,000	\$50,000,000
Investors	\$77,490	\$3,067,900	\$8,500,000	\$28,650,000	\$40,000,000
Total	\$5,252,100	\$99,667,218	\$307,266,500	\$535,344,500	\$921,116,000

Competition

Industry Information

As stated in the opening section of this plan, ABC Marketplace is creating a new market for the trading of contracts, especially as pertains to small and medium-size businesses. Consequently, verifiable industry statistics are difficult to come by. However, some generalizations are as follows:

- The futures marketplace is growing dramatically
- Manufacturers are looking for ways to reduce operating risk
- Businesses are becoming more globally oriented

Competitive Information

ABC Marketplace intends to become the most significant player in the marketplace. Consequently, ABC chose its strategic locations and marketing strategy carefully.

Management has pooled their creative resources and industry knowledge to create ABC's much sought-after service. The reputation of these individuals assures our customers that they will receive only the best professional expertise.

Current Competition

No other company performs all the critical functions that ABC Internet Marketplace performs. ABC Marketplace differentiates itself from the cash market—the only market available at this time—by introducing forward pricing and risk management practices. The introduction of the forward market will undoubtedly change the way manufacturers conduct business.

The largest regional broker that can become a potential competitor to ABC Marketplace is NECX, which has been in business for the past 12 years and has revenues of more than \$300 million. However, ABC Marketplace intends to close the gap within five years. The 3 percent market share that NECX has maintained is due to the minimal competition it faces in the electronic brokerage market. Once ABC Marketplace commences its aggressive marketing campaign, we expect to capture a dramatic increase in the size of the market.

The following table provides a synopsis of the competitive environment.

Competition

Business Type	Electronic Trading & Futures	Electronic Trading & Futures	Independent Distributor	Electronic Trading/ Auctioning	Electronic Trading
Size of Business	Startup	Large	Medium	Startup	Startup
Geographical Presence	Global	U.S./select locations	U.S./select countries	North American	N/A
Number of Employees (payroll)	140 (within 5 yrs.)	N/A	133	25	N/A
Years in Business	2	6	12	3	N/A
Market Share	15% (within 5 yrs.)	5%	3%	0%	N/A
1998 Sales	Startup	N/A	\$340 million	Startup	Startup
Growth Rate	150% (year to year)	20%	10%	30%	10%
Advertising & PR Budget	35% of projected sales	Negligible	5% of sales	N/A	N/A
Greatest Strength	Risk management	Established customer	Established market	Auction/clearing	N/A

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Key Weakness	Untested market	Open cry dependency	Brokering only	No liquidity established	Regulatory measures applied
Cost	\$1.00 per trade	\$1.00 per trade	Commission as % of sales	Commission as % of sales	N/A
Range of Service	Complete	Complete	Limited	Limited	N/A
Profitability	60%	Poor	10-20%	20-30%	Below average
Strength of Sales Force	Startup	Minimal	High	Low	Low
Standing in Industry	First of its kind	First of its kind	Top broker	Startup	N/A
Future Potential	Will include all markets that trade in nonproprietary, commoditylike products	Trades all commodities already in the market	Limited to electronics market	Limited to electronics market	N/A

Competitive Advantage

ABC Marketplace has, and can maintain, a competitive advantage for several reasons.

One reason is ABC Marketplace's ability to offer a one-stop trading service. This applies to customers seeking online clearing and currency translation, which is not available in today's marketplace.

Another ABC Marketplace competitive advantage is its extensive in-house software development programs. ABC has developed its own proprietary software, which allows us to offer more services to our customers—services that are not currently available in the marketplace.

Finally, ABC Marketplace has a cost advantage over its competitors. As the lowest-cost trading platform, ABC Marketplace offers the most cost-effective way to initiate trades.

Marketing Strategy

Philosophy

ABC Marketplace's marketing strategy has been shaped by the personal experiences of Kishore Manji and Fred McKenzie. Both Mr. Veeravagu and Mr. McKenzie have extensive experience in the manufacturing industry. They have firsthand knowledge of the negative impact on earnings due to price changes that result in inventory write-downs or increased cost of in-process materials, technology changes (obsolescence), and production losses due to the short supply of IPMs.

They have conducted a number of informal oral surveys to determine what their customers look for while trying to minimize the risk in buy or sell contracts. The results of this survey—along with several brainstorming sessions with industry leaders in the manufacturing, financial, and banking sectors—indicated that price stability, currency exchange, and efficient delivery service are the key elements that customers desire.

Therefore, based on their research, the founders of ABC Marketplace hypothesized that trading and risk management services for the manufacturing industry will be a promising and lucrative business venture.

Goals & Objectives

Marketing Tactics

In our preliminary phase, ABC will conduct a live test period at no charge to the users. This will allow ABC to compile certain market research data. These primary data will address the degree of liquidity of the market in general as well as verify some specific issues:

1. The concentration ratio for buyers and sellers
2. The range of price movement
3. The current degree of forward market pricing
4. The size of existing brokers and dealers
5. The extent of cash market

ABC Internet Marketplace has set its marketing objectives on capturing 14 percent of the electronic market in the next five years. This will be achieved in three phases. In Phase I, we have planned an aggressive marketing campaign through direct selling to reach the middle-tier manufacturing firms, distributors, and brokers. In Phase II, we will concentrate sales efforts on Fortune 1000 corporations and investors. And in Phase III, we will focus on adding new products and segments to the target market, which in turn will dramatically increase the number of transactions per visit, rather than on trying to continuously increase the number of users or electronic traders.

The direct sales effort will obtain support from a focused public relations and awareness campaign. The focus of this effort will be manufacturers, industry experts, financial consultants, and traders. We will reach these groups through sponsorship, seminars, and the Web.

Because of the global implications of trade and in order to maximize the trade volume in different time zones, ABC Marketplace will develop independently operated regional "trading centers." These centers will serve the additional purpose of maintaining local contacts with customers and users. This will also ensure that no single trading center has an advantage over another trading center.

ABC Marketplace expects to increase its market share from 1.25 percent in the third year to 5.5 percent in the fourth year and 14 percent in the fifth year.

The advertising efforts of ABC Internet Marketplace will concentrate on PR activity, trade shows, seminars, the Internet, TV/CNBC, various financial magazines, and direct mail. The advertising budget will be 3 percent of gross sales in the first 12 months of operation. The following table represents the projected advertising efforts, month by month, for the first year. Over five years, the advertising budget will amount to \$130 million.

Advertising (Figures in '000)

Type of Media	Jul 1999	Aug 1999	Sep 1999	Oct 1999	Nov 1999	Dec 1999
Internet	\$75	\$100	\$150	\$150	\$150	\$150
Trade publications	\$0	\$150	\$200	\$150	\$150	\$150
Direct sales/seminar	\$75	\$200	\$100	\$150	\$150	\$0
Total Spending	\$150	\$450	\$450	\$450	\$450	\$300

Advertising

Advertising (Figures in '000)

Type of Media	Jan 2000	Feb 2000	Mar 2000	Apr 2000	May 2000	June 2000	Jan-Jun Total
Internet	\$100	\$100	\$100	\$100	\$150	\$150	\$700
Trade publications	\$100	\$100	\$150	\$150	\$150	\$150	\$800
Direct sales/seminar	\$50	\$150	\$150	\$150	\$100	\$150	\$750
Total Spending	\$250	\$350	\$400	\$400	\$400	\$450	\$2,250

Sales Promotions

The sales promotion aspect of ABC Marketplace will consist of collateral material for the account executives. This includes brochures, videos, and multimedia CBTs. An incentive program has been established that awards each account executive points for recruiting users and bonus points for transaction volumes generated from these users during the first 12 months from signup. These points are redeemed for cash at the end of each month.

In addition to the sales incentives, ABC Marketplace will participate in trade shows that cater to electronic manufacturers, component distributors, and brokers. The budget for sales promotions is set at 9 percent of gross sales.

Pricing

ABC Marketplace will price its services around transactions. This will permit users to pay as they go. The pricing schedule is as follows.

PRICE SCHEDULE

	Transaction	Fee
1.00	Inquiry per product	
1.01	Less than 1 million daily inquiry	\$0.050
1.02	More than 1 million daily inquiry	\$0.025
2.00	Placing orders per item per contract	\$0.100
3.00	Order execution and clearing per item	\$0.900
4.00	Updating order	No Charge
5.00	Order execution acknowledged per item	\$0.050
6.00	Currency translation/trade	\$1.000
7.00	Historical data	\$25/page

As a part of our marketing strategy, the price schedule has been set significantly lower than that of competitors in the industry. The low transaction fee will encourage greater participation.

In addition to the transaction fee, ABC Marketplace will receive revenues from the sale of market data. ABC Marketplace will market this data at \$25.00 per page.

Sales Approach

Both Kishore Manji and Fred McKenzie have extensive industry experience, which they will certainly use to generate leads for the sales team. Kishore Manji, in particular, plans to follow up with many of his industry associates and recruit them as members of ABC Internet Marketplace.

As part of their expansion plans, the founders intend to bring onboard a senior industry executive with electronics industry expertise and knowledge to strengthen the sales team. We intend to buy "mailing lists" for organizations such as Semiconductor Industry Association and trade publications. These lists will provide the sales team with detailed information on manufacturing companies, distributors, brokers, and (OEMs). The sales representatives will contact the owners, CFOs, and CEOs of these companies and follow up with a "vision in process" package and closing call. Additionally, the founders and the sales representatives will

attend every possible event that would have industry contacts in attendance. This form of networking has proven to be very effective.

ABC Marketplace plans to adopt “solutions selling” as its selling system. The sales process will use the following four channels:

Executive sales: Kishore Manji will head this program with strong support by Fred McKenzie.

Direct sales: ABC Marketplace plans to hire experienced sales staff to call directly on prospects. The bulk of ABC Marketplace members will come through direct sales. Kishore Manji will manage the team.

Web-based selling: ABC Marketplace plans extensive use of Web resources to focus sales through direct-response advertising.

Telemarketing: ABC Marketplace plans to hire experienced sales staff who can handle inbound and outbound sales calls. Inbound calls will come from Web advertisements and seminars. The sales staff will also place outbound calls.

We also plan to conduct a highly publicized orientation and training program to certify electronic traders, who will be the core users or hedgers. Such certification will have the advantage of controlling the number of traders as well as reorienting corporate buying and selling practices toward an open market concept. An added advantage will be a built-in premium that will be associated with the service.

- a. **Bronze (10,000 seats):** Holders of these seats can trade only the limited items classified under any specific subgroup—for example, all items under ICs.
- b. **Silver (1600 seats):** Owners can trade a particular group of products—for example, all subgroups of semiconductors, but not another subgroup such as plastics.
- c. **Gold (150 seats):** Owners can trade any products. Each manufacturer, distributor, or broker is entitled to buy a seat at a price determined by ABC Marketplace. All members must be certified before buying a seat.

The next tables provide an overview of the business that is expected.

Sales Targets

Description	Q3 2000	Q4 2000	Q1 2001	Q2 2001	Year Total
Commission	\$11,550	\$269,755	\$1,054,742	\$1,966,140	\$3,302,187
Market Data	\$3,465	\$80,927	\$316,422	\$589,842	\$990,656
Other Sales	\$0	\$0	\$0	\$0	\$0
Others	\$0	\$0	\$421,897	\$786,456	\$1,208,353
Gross Sales	\$15,015	\$350,682	\$1,793,061	\$2,158,757	\$5,501,195

Sales Targets

Description	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Year Total
Commission	\$5,301,186	\$9,971,907	\$16,997,475	\$26,345,319	\$58,615,887
Market Data	\$1,590,356	\$2,991,572	\$5,099,243	\$7,903,596	\$17,584,766
Other Sales	\$80,000	\$295,000	\$480,000	\$700,000	\$1,555,000
Others	\$2,120,474	\$3,988,763	\$6,798,990	\$10,538,128	\$23,446,355
Gross Sales	\$9,092,016	\$17,247,242	\$29,375,708	\$45,487,042	\$101,202,008

Sales Targets

Description	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Year Total
Commission	\$33,722,502	\$41,534,295	\$48,302,265	\$57,117,555	\$180,676,617
Market Data	\$10,116,751	\$12,460,289	\$14,490,680	\$17,135,267	\$54,202,985
Other Sales	\$950,000	\$1,160,000	\$1,255,000	\$1,350,000	\$4,715,000
Others	\$13,489,001	\$16,613,718	\$19,320,906	\$22,847,022	\$72,270,647
Gross Sales	\$58,278,253	\$71,768,302	\$83,368,851	\$213,415,405	\$311,865,249

Sales Targets

Description	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Year Total
Commission	\$62,993,568	\$72,889,608	\$82,570,620	\$96,952,185	\$315,405,981
Market Data	\$18,898,070	\$21,866,882	\$24,771,186	\$29,085,656	\$94,621,794
Other Sales	\$1,475,000	\$1,710,000	\$1,940,000	\$2,175,000	\$7,300,000
Others	\$25,197,427	\$29,155,843	\$33,028,248	\$38,780,874	\$126,162,392
Gross Sales	\$108,564,066	\$125,622,334	\$142,310,054	\$376,496,453	\$543,490,168

Sales Targets

Description	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Year Total
Commission	\$111,471,360	\$133,774,740	\$148,802,940	\$150,866,760	\$544,915,800
Market Data	\$33,441,408	\$40,132,422	\$44,640,882	\$45,260,028	\$163,474,740
Research Data	\$2,250,000	\$2,250,000	\$2,250,000	\$2,250,000	\$9,000,000
Others	\$44,588,544	\$53,509,896	\$59,521,176	\$60,346,704	\$217,966,320
Gross Sales	\$191,751,312	\$229,667,058	\$255,214,998	\$258,723,492	\$935,356,860

The founders of ABC Internet Marketplace believe that a professionally managed launch will generate great excitement for the company and its services. ABC Marketplace plans to hire a professional PR consulting firm to market the launch effectively through press conferences and press releases, TV/CNBC interviews of the founders, presentations to professional groups, and focused prelaunch informational mailings.

The following table represents the cost allocation for public relations activities for the first 12-month period. The budget for these promotions is set at 6 percent of gross sales.

Public Relation (Figures in '000)

Type of Media	Jul 1999	Aug 1999	Sept 1999	Oct 1999	Nov 1999	Dec 1999
PR Firm	\$0	\$20	\$20	\$20	\$20	\$20
TV/CNBC	\$0	\$0	\$0	\$0	\$0	\$0
Total Spending	\$0	\$20	\$20	\$20	\$20	\$20

Public Relation (Figures in '000)

Type of Media	Jan 2000	Feb 2000	Mar 2000	Apr 2000	May 2000	Jun 2000	Year Total
PR Firm	\$10	\$10	\$10	\$10	\$5	\$10	\$155
TV/CNBC	\$10	\$10	\$10	\$10	\$15	\$20	\$75
Total Spending	\$20	\$20	\$20	\$20	\$20	\$30	\$220

Every business faces risks in today's economy, and ABC Internet Marketplace is no exception. Although risk management through futures trading is now common in traditional commodities, extending the concept of risk management to other disciplines is a new idea. We will be competing against established distributors and large brokers. Many large manufacturing companies maintain long-term contracts with their suppliers and thus may not feel the need for our services.

The risk elements are largely attributed to the newness of the concept to a manufacturing environment. The selling arm of more traditional manufacturing sectors equates open market with low price. The well-known method of static pricing passed on to the customer through the established distribution channel will be challenged by the open market. Additionally:

1. Brand-name producers will resist being associated with generic products. The benefits of the marketplace will eventually remove the major producers' resistance to change. They will then have to decide to participate in the open market or risk the loss of market share. We believe that once our marketplace has reached its critical mass, this concern will cease to exist.
2. The less critical element in this concept is the assumption that corporate purchasers will have difficulty in foregoing their close and convenient relationship with their suppliers in favor of an open market. The marketplace has safeguards that will guarantee the suppliers' quality, reliability, and promised delivery. The marketplace provides services beyond those currently offered by distribution channels. The purchasers will be reminded that such services will be given at no extra charge, whereas the present suppliers will certainly add that to the cost of the goods.
3. Most manufacturers are familiar with "contract" purchase, but the idea of "forward" pricing and "hedging" will have to be considered a new business practice.

Publicity and Public Relations

Description of Risks

4. ABC Marketplace is a global trading environment. Its operation may affect some country currency and/or export-import laws and regulations. It may also have as yet unknown regulatory implications.
5. The viability of an open market will depend on the volume of trade. This implies that the market must have a sufficient number of traders to affect the market price. This critical mass of traders is essential to make the market alive. Our marketing strategy is based on recruiting and training electronic traders (as well as enlisting the present traders within the industry). A significant cost is earmarked for this task.
6. ABC Marketplace assumes the position of an intermediary when immediate matches are not found and a trader defaults. Offsetting those positions may lead to certain monetary losses.

Contingency Plans

Since the pilot phase concentrates on an initial free-of-charge test phase, we believe any contingency plan will be better devised during and after such tests.

ABC Internet Marketplace has considered the business risks in detail and has developed an effective multilayered strategy systematically addressing each of these risks.

During the startup phase, ABC Marketplace intends to focus its marketing and selling energies on the \$5 million-plus manufacturing and distribution businesses. This market generates more than 50 percent of the overall market and remains largely ignored by both manufacturers and consumers. The clear ability of ABC Marketplace to allow electronic traders to maximize profits through risk management in a global market and at a very low cost will ensure the participation of significant users. The efficiency, ease of logistics, and low cost of this concept ensures the success of ABC Marketplace.

As a part of its marketing strategy, ABC Marketplace will invest in public relations, trade shows, and seminars to reach out to all possible players in the ABC Marketplace. Many of these activities will be directed at brokers and investors. Investors have been very active in the futures market and will be happy to expand their investment into a new market formerly unavailable to them.

Not only will ABC Marketplace be successful in attracting traditional players, potentially, all financial and brokerage firms are likely to find this new market attractive.

The very low cost of operation and the nature of the business virtually ensure a high level of trading in any economic climate. Further, ABC Internet Marketplace plans to secure a \$5 million line of credit at a favorable rate of interest. In the unlikely event that sufficient revenue is not generated, or should there be a downturn, this line of credit will allow ABC to withdraw cash when needed. In addition to the credit line, the business will set aside 5 percent of the net earnings in a nonpenalty interest-bearing account. This account will be accessed only if there is an emergency cash flow problem.

OPERATIONS

ABC Internet Marketplace is a collection of database servers, as well as Web servers, housed in a physical location known as a center (or node). The customers inquire or order via the World Wide Web. The data is collected, processed, and stored in our databases. The processed data is then sent back to customers via the Web in the form of market data or executed trade. If an order is executed, the database "clears" the trade within an escrow account. This is accomplished by transferring money from a customer's fiduciary account to an escrow account via its link to a financial institution. The customer is required to deposit money in the fiduciary account before a trade can be executed.

If the physical delivery is to be made, the database collects the supplier's input and upon order confirmation generates a pro forma bill of lading. The bill of lading will be transmitted to an international carrier for release of goods and immediate dispatch.

Center locations: ABC Marketplace consists of 28 interconnected centers in different geographical locations. The location of a center is based on the marketplace of the product and the product's proximity to producers and consumers. For example, for electronics components, we have chosen Taiwan, Japan, Singapore, Germany, and the United States. Each center operates during its local time and has on-site personnel. Sensitive data are interchanged among the centers via VPN (includes clearing); otherwise, all centers are available to users for all transactions on the Web. Although the clearing is performed in a single location, the settlement takes place in the center where the match has been made.

Center resources: Each center is equipped with its local database server, Web server, data bank, and other auxiliaries. A database administrator will head the locally operated databases.

Each center will be operated by a number of product specialists whose main function is to monitor the products' sources of supply and update the specification of the products. The number of product specialists will roughly equal one individual for one sub-subgroup of product (for example, for passive components, there will be one individual responsible for ceramic capacitors). The product specialist will also act as a liaison between the manufacturer (producer) and ABC Marketplace. The product specialists will routinely dispatch an inspection team to designated warehouses so as to ensure product quality.

Center management: A regional marketing manager directs all operations, including customer service, sales, and employee affairs. Any professional service such as equipment leasing or advertising will be performed on the regional level. Except for the accountant, all staff members are compensated on salary and commission.

Fiduciary account for the first center: ABC Marketplace intends to open a general fiduciary account with BankBoston and to install the Microlink. ACH transactions will be set up for the users of ABC Marketplace in the United States. A user intending to deposit money into the ABC fiduciary account will initiate the process through the ABC trading platform. The process of initiating the ACH transaction will occur at regular intervals. Each deposit will be associated with a unique identifier allocated to the particular user. ABC Marketplace will also use a similar setup, the Bostonnet, for collecting information on the wire transfers. This will be especially valuable for international users for whom an ACH transaction cannot be set up.

Delivery of physicals: ABC Marketplace will require suppliers that wish to list their offers to deliver their goods to our designated bonded warehouse. These warehouses are subleased areas from the select locations within the existing international carrier-bonded warehouses.

From the start of operations, ABC will benefit from a consistent high-growth pattern. The company has been fortunate to have identified and hired extremely qualified and motivated senior management. Senior management has concentrated its attention on the development of the ABC platform software system and believes this will be the primary reason for the company's success. ABC is currently pursuing the completion of the beta version of the software program.

Upon achieving the funding referred to in this plan, ABC intends to fully test its trading platform system and then proceed with its companywide expansion. ABC will proceed with additional expansion in products and geographical locations as revenue increases with trading activity.

ABC Marketplace's Future Plans

**THE MANAGEMENT
TEAM
Officers and
Directors****System History**

ABC Marketplace has been in development since early 1998. In August 1998, ABC Marketplace contracted with Mindware Peritech, Inc., an international consulting firm specializing in client server and Internet development, to code the system.

The product development team at ABC Internet Marketplace is headed by Martha Prantik, Ph.D. in computer science (JU). Mr. Delip Gupta, Ph.D. in economics (Princeton) and a team of project managers, project leaders, and programmers all assist Mrs. Prantik.

System Status

The alpha version was delivered in early June 1999 and is now being tested. The beta version, which is in development, will require four months to develop and will include all bug fixes, interfaces to the bank, and a package delivery service.

System Plans

ABC Marketplace will allocate \$6 million over the next five years toward system development. ABC Marketplace is acutely aware of the need to continually provide additional functionality and incorporate technologies that will improve performance. Furthermore, in the near future, ABC Marketplace plans to include multilanguage support.

Fred McKenzie—Chairman of the Board. Fred McKenzie is the creator of ABC Market, a risk management application tool for manufacturers and distributors. He founded ABC Internet Marketplace in 1996. As chairman of the board, Mr. McKenzie oversees all strategic and operational functions of the company, including the product development conducted by an eight-member team.

In 1980, Mr. McKenzie established Futura Trading, Inc. in Vermont. The company traded industrial commodities in energy, electrical, electronics, and computer sectors. Among its major customers were the U.S. Agency for International Development (USAID), the International Reconstruction and Development Bank (part of World Bank), the Defense Information Service Agency (DISA), the General Service Administration (GSA), and numerous private companies. The company was heavily involved in global buying and the logistics of moving the commodities from the source of supply (copper from Chile) to processing plants (United States) to consumer markets (Switzerland).

As part of improving customer service, and to take advantage of available technology, Futura Trading developed a computerized procurement system in 1982 for rural electrification. The system reduced the procurement cycle from months to days, allowing projects to be completed in a timely manner.

As president of Futura Trading, Mr. McKenzie arranged for a joint development of the first electronic catalog for chips with General Electric Information Service (GEIS) in Boston. The program became operational on GE's private network in 1986.

Prior to Futura Trading, Mr. McKenzie was managing director of Nordon Manufacturing Company in Iran. The factory produced electrical equipment and control systems for industrial applications. The 10,000-square-meter facility employed 75 people and, by 1978, had generated about \$10 million in revenue.

Mr. McKenzie, a graduate of Syracuse University, obtained his Series-3 NASD Certificate and is registered as a commodity trading advisor (CTA) with Commodity Futures Trading Commission.

Kishore Manji—Chief Executive Officer, Director. Mr. Veeravagu is a 16-year veteran in the manufacturing and information technology arena. Mr. Veeravagu was the senior vice president of sales and marketing for Mindware Pertech, Inc. As the vice president and then as the senior vice president at Mindware, Mr. Veeravagu successfully sold to and signed multiyear contracts with large to medium-size firms (GE Capital, Occidental Petroleum, HSA, Cumberland Farms, and Safeway Stores, among others). He was responsible for changing the indirect business model at Mindware to a direct one, thereby achieving not only a rapid revenue growth but also a significantly higher profit margin.

Before Mindware Pertech, Inc., Mr. Veeravagu was responsible for setting up Altos India's contract manufacturing business from the ground up. Mr. Veeravagu was based in Austin, Texas, where he signed his first contract manufacturing agreement with Mr. Michael Dell of Dell Computer Corporation; this contract was signed even before the manufacturing plant had been set up. Over the next three years, Mr. Veeravagu grew the business for Altos India to \$200 million to become the 25th largest contract manufacturing firm in the world.

During his tenure at Altos, Mr. Veeravagu felt the urgent need for tools and processes to manage risk resulting out of in-process material (IPM) supply management. Too often, he would face cost increases that could not be passed on to his customers, IPM shortages, and IPM obsolescence. In 1998, Mr. Veeravagu and Mr. McKenzie met, and Mr. Veeravagu instantly knew that he had his solution in Mr. McKenzie's idea and agreed to invest in ABC.

Prior to Altos India, Mr. Veeravagu in his various capacities with Pertech Computers was responsible for market analysis, product development, product marketing, sales, and sales management of such brands as Brother Electronic Typewriters, PCL Computers (IBM PC compatibles, the largest brand in India), WordPerfect, Ingress, and so on. Before he moved to Altos, he headed the sales management group of a 600-person sales operation with 48 offices in India. Mr. Veeravagu brings with him extensive experience in managing global operations, logistics, market development, and sales. Mr. Veeravagu has a long and successful record of accomplishments in translating ideas to successful businesses both in the international and domestic arena. Mr. Veeravagu received his B.A. in commerce with honors from University of Delhi.

Robert R. Kline—Chief Technology Officer, Director. One of the founders of the company, Mr. Kline has the most up-to-date knowledge and expertise in using transactional business in an Internet environment. As a network consultant, he has provided management assistance to numerous companies in improving the efficiency of their enterprise networking. Mr. Kline completed four years of college preparatory courses at the prestigious Ecole Des Roches Bluche, Switzerland. He received his B.A. in business administration from American College of Switzerland. Mr. Kline is fluent in French, German, and Spanish.

Patrick Ogilvey—Chief Financial Officer. Mr. Ogilvey has been the purchaser or principal stockholder of more than 15 corporations engaged in manufacturing, wholesaling, publishing, transportation, and banking. Mr. Ogilvey has more than 20 years of experience in finance, merchant banking, and investment banking. Before joining ABC Internet Marketplace, he was executive vice president of finance at General Electrical Construction Group. Mr. Ogilvey graduated from Boston College with a B.S. in finance, and the University of Chicago Graduate School of Business with an M.B.A. in corporate finance. He also holds a M.A. in organizational psychology.

Sue Hu—Director. Dr. Hu holds tenure at TuABC University, Department of Electrical Engineering and Computer Science. She has supervised an impressive number of research projects, both for masters and Ph.D. candidates, as well as conducting her own independent work with industry and the government. Dr. Hu obtained her Ph.D. in computer engineering

from Drexel University and is a member of the Institute of Electrical and Electronics Engineers.

Outside Professionals

Foley, Hoag & Eliot—attorney
Ernst & Young—accountants
BankBoston—banker
Mindware Pertech—technical advisors

FINANCIALS

Overview

ABC has not generated any revenue since inception. The founders and friends have furnished all equity funding to date. Mindware Pertech has supplemented this with the purchase of 28 percent of the stock.

The company is now seeking equity financing for \$5 million in the form of common stock and \$6 million in preferred stock. This equity will be used to support the company's expansion plans as well as furnish financing to support the marketing of its trading system. Additionally, ABC is proposing to open a line of credit for \$5 million with its bank or, alternatively, to identify private sources of subordinated debt.

Pro Forma Financials

The appendixes show five years of pro forma financials for the company (Income Statements and Balance Sheets). A detailed explanation of revenue generation is provided in the sales section of this document. Detailed and full assumptions are appended.

Use of Proceeds

The company is proposing to sell 1 million common stock shares for \$5.00 per share for a total of \$5 million. In addition, the company is offering 600,000 preferred stock shares for \$10.00 per share for a total of \$6 million. The sources of funds and use of proceeds from this offer will be used as follows:

SOURCES OF FUNDS

Common Stock	\$5,000,000
Preferred Stock	\$6,000,000
Debt/Line of Credit	\$5,000,000
TOTAL	\$16,000,000

USE OF PROCEEDS

Marketing	\$8,000,000
Operations	\$3,000,000
Line of Credit	\$5,000,000
TOTAL	\$16,000,000

Future Financing Plans and Financial Exits

As discussed in the business plan, ABC intends to expand its existing operations by the addition of 28 system centers. Concurrent with this expansion, ABC intends to expand the number of products being traded to 400. Within three years, ABC will be able to support any additional financing needs through retained earnings.

Management believes that within three years from the inception of this financing, it will be prepared to undertake an IPO. This will depend upon market conditions at that time and the profitability of the company.

Management is pleased to entertain further discussions with serious investors concerning its expansion and operating plans.

The company's founders, officers, and directors own all the current stock of ABC Internet Marketplace. The company's articles of incorporation provide for the issuance of preferred stock in a form as determined by its board of directors. No such preferred stock is currently outstanding. The company currently operates as a "C" corporation in the Commonwealth of Vermont. With the exception of the sale of 28 percent of the company to Mindware Pertech, Inc., ABC has not been involved in any material transactions with its shareholders.

Capitalization

APPENDICES

Five-Year Projections— Income Statement ('000)

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Revenue	\$5,253	\$99,677	\$305,228	\$542,687	\$921,189
Expenses					
G&A	\$4,942	\$9,930	\$19,035	\$42,454	\$83,044
Sales, Marketing & Services	\$7,412	\$14,897	\$28,553	\$63,682	\$124,566
Total	\$12,354	\$24,827	\$47,588	\$106,136	\$207,610
Operating Income	-\$7,101	\$74,850	\$257,640	\$436,551	\$713,579
Interest/Other Expenses	\$0	\$510	\$510	\$510	\$510
Income Before Taxes	\$0	\$74,340	\$257,130	\$436,041	\$713,069
Income Taxes	\$0	\$26,019	\$89,996	\$152,614	\$249,574
Net Income	-\$7,101	\$48,321	\$167,135	\$283,427	\$463,495

Five-Year Projections— Balance Sheet ('000)

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Assets					
Cash	\$6,370	\$72,073	\$226,657	\$510,415	\$974,241
Accounts Receivable	140	3,000	9,150	12,352	16,675
Other Assets	5,000	5,000	5,000	5,000	5,000
Total	\$11,510	\$80,073	\$240,807	\$527,767	\$995,916
PP&E	\$400	\$1,100	\$1,900	\$2,650	\$3,150
Prepaid Costs	100	100	100	100	100
	\$500	\$1,200	\$2,000	\$2,750	\$3,250
Total Assets	\$12,010	\$81,273	\$242,807	\$530,517	\$999,166

**Five-Year
Projections—
Balance Sheet ('000)**

continued

Liabilities					
Accounts Payable	\$9,883	\$4,965	\$9,518	\$21,227	\$41,522
Senior Revolver	5000	5000	5000	5000	5000
Accrued Expenses	100	800	1200	1600	2200
Total	\$14,983	\$10,765	\$15,718	\$27,827	\$48,722
Other Liabilities	\$0	\$510	\$765	\$510	\$510
Total Liabilities	\$14,983	\$11,275	\$16,483	\$28,337	\$49,232
Shareholders' Equity					
Common Stock	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Preferred Stock	6000	6000	6000	6000	6000
Paid in Capital	1500	1500	1500	1500	1500
Retained Earnings	(\$15,473)	\$57,498	\$213,824	\$489,680	\$937,434
Total	-2,973	69,998	226,324	502,180	949,934
Total Liabilities and Equity	\$12,010	\$81,273	\$242,807	\$530,517	\$999,166

**Notes and
Assumptions to
Forecast**

The forecast included in this business plan represents the projected results of operation and financial conditions for the five-year period. Accordingly, the forecast reflects management's judgment of the expected conditions and its expected course of action as of October 1, 1999. The company's financial reporting periods commence on January 1 and end on December 31.

Forecast

Accounting Policies

The forecast has been prepared on the accrual basis of accounting, in conformance with generally accepted accounting principles.

Tax Assumptions

The forecast assumptions are based upon the current federal tax regulations and the regulations in effect in the state of Vermont.

Operating Expenses

Operating expenses as a percentage of sales are reduced to reflect economies of scale in later years.

Balance Sheet

Accounts Receivable

Accounts receivable assumes a 60-day aging.

Fixed Assets

Depreciation on existing fixed assets is calculated over a five-year life.

Accounts Payable

Substantially all expenditures are assumed to be paid as incurred. Certain other expenses are assumed to be paid in 45 days.

Supplemental Information

THIS BUSINESS PLAN HAS BEEN PREPARED BY THE MANAGEMENT TEAM OF ABC INTERNET MARKETPLACE, INC., AND IS BEING FURNISHED TO SELECT INDIVIDUALS FOR THE SOLE PURPOSE OF PROVIDING POTENTIAL FINANCING TO THE COMPANY. THIS BUSINESS PLAN IS A CONFIDENTIAL DOCUMENT THAT CONTAINS IDEAS, CONCEPTS, METHODS, AND OTHER PROPRIETARY INFORMATION. READERS ARE TO TREAT THE INFORMATION CONTAINED HEREIN AS CONFIDENTIAL AND MAY NOT COPY OR DIVULGE ANY OF THESE MATERIALS WITHOUT THE WRITTEN PERMISSION OF ABC INTERNET MARKETPLACE, INC.

ABC INTERNET MARKETPLACE, INC.