

HostLabs

HostLabs Distribution Strategy Overview

1. Introduction to HostLabs

HostLabs is a global software company specializing in the rapidly growing market of Outsourced Messaging and Groupware services. **HostLabs provides a unique service automation platform (HOST UI.), ready-to-sell services, and a packaged sales and marketing support program to service providers that bundle and sell the HostLabs-based services with their existing offerings.** HOST UI. is HostLabs' internally developed, proprietary platform for automation, standardization and self-provisioning of net-delivered services, enabling high-quality delivery to a large volume of end-users. The platform has five years of operational experience behind it. Through global alliances with industry leaders such as Microsoft and IBM, HostLabs is establishing itself with marketing and distribution channels unequaled in the market.

2. Distribution model: Sales through service providers and alliances

HostLabs provides its service automation platform (HOST UI.), ready-to-sell services, and a packaged sales and marketing support program to service providers, including **Telcos, Hosters, System Integrators, Outsourcers and large Enterprise Accounts.**

Once active, these service providers bundle and sell the HostLabs-based services with their existing offerings to end-users.

HostLabs has historically sold **direct** to service providers. Through the latest alliances with Microsoft and IBM, HostLabs has also established an **Indirect** channel to service providers through these industry leaders. As the alliances with IBM and Microsoft ramp-up, HostLabs expects more and more of the sales process to service providers to go through these and new industry alliances. HostLabs primarily focuses on the business end-customer segment, but also delivers, through the alliance with Microsoft, solutions to the consumer segment.

The following is an overview of HostLabs distribution model:

Customer segment	Consumer/SOHO (1-20 seats)	SME (20-5000 seats)	Large Enterprise (>5000 seats)
Type of outsourced services	Traditional email in Shared infrastructure	Full-featured messaging, virtual desktop etc in shared infrastructure	Full-featured messaging, virtual desktop etc in dedicated infrastructure
Alliances	Microsoft, IBM, Level 3	Microsoft, IBM, Level 3	Microsoft, IBM, Level 3
Type of service providers	Carriers, Telcos	Service Providers Value Added Resellers	Large Outsourcers and Enterprise Accounts

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3. Pricing model: Per seat pricing

The end user pays a monthly fixed fee for the service. This **retail price** out in the market is dependent of type of applications delivered, if the service is hosted by the customer or by the service provider, different support levels etc. The following is an overview of HostLabs' current product suite:

Messaging

- _ Business Hosting – Intranet, Extranet
- _ Exchange 2000 – All Inclusive
- _ Exchange 2003 – Exchange UI
- _ Online Web Access – Outlook UI
- _ High Volume Messaging

Communication

- _ Mobile - Wireless
- _ Mobile - PDA
- _ Mobile - Blackberry
- _ Unified Messaging

Collaboration

- _ SharePoint

Productivity/Desktop

- _ Remote UI (MS Office 2003)
- _ Desk UI (Full Desktop Outsourcing via Terminal)

Development/Tools

- _ Application UI (Visual Studio 2003 .NET)

Figure 4: Overview of HostLabs current ready-to-sell solutions

The service provider in addition provides customer support, hosting on shared or dedicated servers etc.

The following gives an overview of current retail prices in the market;

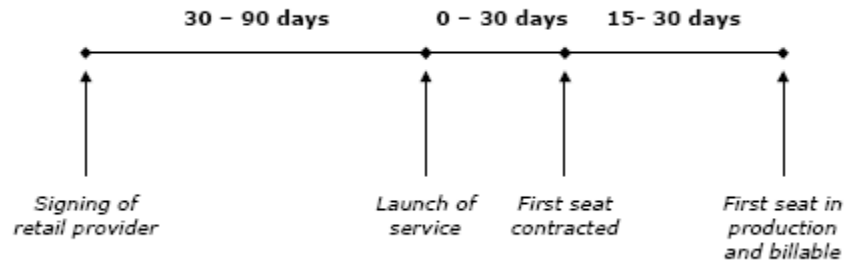
Customer segment	Consumer/SOHO (1-20 seats)	SME (20-5000 seats)	Large Enterprise (>5000 seats)
Retail price per seat per month for full service offering	\$0.50 - \$1.0	\$25 - \$30	\$10 - \$20

HostLabs revenue model is based on a **price per seat per month**, hence splitting the retail revenue per seat per month between the service provider and HostLabs. As seats are initiated and then brought on-line, revenues are built on a **recurring, month-by-month basis**, scaling to create a larger compounding revenue base as the number of seats grows. This distribution model enables HostLabs to scale its revenues with low variable costs.

In addition to charging a share of the retail price per month per user provisioned on to the service, HostLabs charges the retail provider an **initial set-up** fee for implementation and integration of the solution. The set-up fee varies depending on the length and complexity of implementation (average between **\$10-25K** per service provider).

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4. Sales and implementation process



From service provider contract to up and running service: From the time that a service provider contract is signed, it typically takes between 30 to 90 business days before the service provider is up and running on the service.

This implementation process consists of the following elements

- _ Technical implementation of the HOST UI platform and seamless integration to the service providers backbone systems (billing, customer support etc)
- _ Sales training
- _ Marketing and launch planning

From signing of service contract to contracting end user seats: From the point where the service provider is in production, the service provider starts contracting seats. The service provider normally runs launch campaigns to generate initial demand for the service. The profile of the end-customers targeted by each service provider varies depending on the existing customer base and strategy of the service provider. HostLabs' current service providers bid for end-customer contracts that range from smaller customers with 10 to 20 users to larger customers with 500 or more users.

From contracting seats to in production: As a service provider signs new contracts with customers, it takes normally 15-30 days before the seats are in production and billable.

HostLabs typically provides one bill to each service provider for all of the customers that are using the service. The service provider in-turn then bills each of their customers individually.

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