



Event Photography Service

BUSINESS PLAN

BRIGHTROOM, INC.

6400 Hollis Street, Suite 10
Emeryville, California 94608

brightroom doesn't take the pictures, but we work with those who do. By providing a digital infrastructure, brightroom increases photography revenue while reducing costs and eliminating time consuming, non-core business activities. brightroom enables the photographer to focus on the portion of the process where they add the most value and derive the most benefit—taking pictures.

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OVERVIEW

brightroom is the first fully scalable, online event photography solution.

brightroom's revolutionary process will enhance the experience, success, and personalization of any event. brightroom doesn't take the pictures, but we work with those who do. By providing a digital infrastructure, brightroom increases photography revenue while reducing costs and eliminating time consuming, non-core business activities. brightroom enables the photographer to focus on the portion of the process where they add the most value and derive the most benefit—taking pictures.

Additionally, brightroom will leverage its unique position in the photograph fulfillment process to engage in online and traditional marketing activities with the end consumer.



MARKET OPPORTUNITY

The event photography market is large: In the participatory sports event segment—brightroom's targeted entry point—there are in excess of 120 million registrations for an estimated 500,000 events annually. Industry sources report that nearly 80 percent of these participants have Internet access.

The ability to handle both film and digital formats at the outset will leave brightroom well positioned in the market with key established relationships as the market migrates to digital photography. Worldwide professional digital still photographic exposures are projected to grow from approximately 600 million in 1997 to over 3.8 billion in 2002. The professional worldwide photo image processing market is expected to grow from \$10.8 billion in 1997 to approximately \$14.9 billion in 2002.

Event photography is a profitable business: Based on proprietary market research, brightroom estimates gross margins can approach 50 percent in its target market from photo purchasing alone. As the medium converts to digital technologies, costs associated with development and processing will reduce significantly further enhancing margins. Ancillary revenue opportunities from direct and e-mail marketing also greatly enhance the revenue streams. It is estimated that over 40 percent of U.S. households have some sort of professional photograph taken each year. Consumers want to view and order their photos online: A recent study by Jupiter Research states that 73 percent of online consumers would like to be able view and share their photos with others online and via e-mail.

A digital solution is superior to existing methods: The current practice of sorting proof sheets and mailing thumbnails is inefficient, time consuming, and yields fewer orders. Not only are these proofs hard to evaluate for purchase, this model also restricts the audience: brightroom's solution allows for easier viewing as well as viral marketing of proofs, resulting in higher purchase rates.

Backend technology and business infrastructure are outside of the photographer's core competence: Photographers add value almost exclusively through the act of actually taking pictures. The remainder of the development process—processing negatives and printing photographs—is already outsourced to professional labs. The final pieces of the puzzle—mailing proofs, fulfilling orders, and handling payments—are similarly viewed as low value added by the photographer. The brightroom solution reduces costs and streamlines the process for professional photographers, allowing them to concentrate exclusively on the business of taking pictures.

Establishing and maintaining an e-commerce presence is still prohibitively expensive for small businesses: A recent study by the Gartner Group estimated that the average e-commerce site takes five months—and costs \$1 million—to develop. In addition, there are ongoing, nontrivial costs to maintain the site and process orders. Not surprisingly, less than 5 percent of small businesses conduct sales online. By using brightroom's turnkey solution, event photographers will be able to achieve greater returns without significant up-front costs.

Order processing and fulfillment creates other significant revenue opportunities: Through the process of printing photographs, e-mailing users, driving traffic to websites where proofs are posted, and mailing prints, brightroom will capitalize off of its relationship with the end consumer. brightroom will leverage its knowledge of the end user and this relationship to realize significant revenue through online and traditional marketing activities.

BRIGHTROOM'S SOLUTION

Products and Services

brightroom offers a suite of commerce-enabling services for event photography including:



- Scanning and uploading of film photos or direct uploading of digital photos from any computer.
- Sorting and indexing of proofs.
- Online hosting at brightroom.com of photos in a digital format or remote hosting of photos on partner's website through brightroom's engineering architecture.
- E-mail notification to customers providing a unique hyperlink to view and order their prints online.
- Printing and mailing of "thumbnail" proof order forms.
- E-commerce and traditional offline order processing (phone, mail, fax).

brightroom will access, through outsource partnerships, such traditional services as:

- Development, printing and digitizing of roll film.
- Photo printing and shipping to fulfill customer orders.

Furthermore, brightroom's service offers numerous features targeted at event coordinators and their participants:

- An event homepage on brightroom where participants will come to search for and view their event photos. This page can contain links back to the event's homepage or other event promotions.
- brightroom can help the event coordinator manage their registrations and participant contact through its e-mails and mailings to customers.
- A unique, customized page for each participant containing personal elements such as race results and personal photos to view, share, and order.
- The ability to upload additional photographs and personalize photographs with captions.
- Album creation: as users participate in numerous events, their number of personalized pages increases.
- A "send to a friend" feature whereby participants can e-mail friends with their personal pages or digital postcards for additional viewing and ordering opportunities.

Benefits to the event coordinator

- Enabling participants to view, share, and order their personal event photos enhances event experience and satisfaction and leads to increased participation in future events.
- The brightroom solution makes event photography a profitable, more efficient and viable option where it was previously cost prohibitive through traditional methods.
- brightroom increases the event coordinators subsequent and ongoing contact with participants.

Benefits to the photographer

By relying on brightroom for all non-core business and fulfillment activities, professional photographers experience numerous advantages:

- Reduced proof and printing costs.
- Reduced time to consumer.
- Allows photographer to focus on their core business—taking photos.
- Increased purchase and re-order transactions and revenue through viral marketing of proofs—digital storage and circulation of photos allows a larger number of interested parties to view proofs and order prints (as opposed to the conventional system where a single set of proofs is mailed to an individual).
- Choice and flexibility in utilizing the brightroom suite of services.
- Detailed account, revenue, and campaign information to help them better manage their business through the brightroom solution.



Benefits to the end consumer

- Faster turnaround time.
- Consumers enjoy a more convenient way to share proofs and order prints. The brightroom solution is completely hassle free, including additional print ordering at any time in the future.
- Consumers can participate in specially targeted offers—a coupon on a pair of running shoes from an online sports retailer for anyone ordering a picture of a running race, for example.

Benefits to e-tailer/commerce partners

- brightroom enables commerce partners the ability to access a targeted demographic of potential customers via e-mail, direct mail, and co-branded advertisement campaigns. For example, by hosting the proofs from a marathon on a co-branded sporting goods site (as well as potentially including an incentive offer with each completed photograph order) the traffic generated by runners—as well as through viral activities—will be valuable to the retailer.

ENTRY STRATEGY

While brightroom's strategy benefits significantly from the widespread adoption of digital photography as a standard, its entry strategy encompasses existing film and photography technology. Through aggressive marketing and account acquisition, brightroom will be positioned as the dominant backend for the professional event photography industry. Attractive markets for brightroom include professional photography in the following areas: running road races and other competitive event photos such as biking and triathlons (at the finish, during the race), corporate events and trade shows, group skiing photos, wedding photos, graduations, and school portraits, as well as any other event photos. brightroom has targeted participatory athletic events (i.e. running, cycling, mountain biking, walking, swimming, triathlons) as a compelling entry point due to the size and structure of this market. With over 120 million registrations for an estimated 500,000 participatory events annually nationwide, this segment offers the ability to gain market share rapidly while proving the brightroom business model. The brightroom team's breadth of contacts makes the following geographic markets attractive primary candidates: Chicago, Dallas/Fort Worth, New York City, and San Francisco.

OTHER SEGMENTS

School Events and Graduation Photos

There were 12,436 portrait studio establishments in operation in 1994, according to the U.S. Census Bureau. These establishments employed roughly 75,000 people and earned nearly \$3.2 billion in revenues. The industry includes portrait photographers, school photographers, home photographers, passport photographers, and video photographers. Specific portrait services include family portraits, wedding photos, passport photos, glamour photos, school photos, and team photos.

The professional portrait industry is segmented into two major categories and numerous subcategories of portraits. The first group is school portraits, which are further divided among kindergarten to grade 11 students, high school seniors, high school prom, and college. The second group, non-school, encompasses wedding, family, adult, daycare/nursery school, sports/team, children outside of school, glamour, class/family reunion, pet, hospital baby, church directory, and executive.

Conventions and Corporate Events

Conventions, trade shows, and corporate-sponsored events represent attractive segments for brightroom. Photo opportunities for these events range from fixed event contracts to corporate group photos. Three of the top



convention markets in the U.S., Las Vegas, Chicago, and Atlanta, generated over 9.5 billion participants and nearly \$10 billion in revenues in 1999 alone.

SALES & MARKETING

brightroom will market directly to event coordinators to secure long-term contracts. brightroom will then use local photographers as subcontractors to take pictures or will leverage these contracts with existing event photography firms in order to gain additional races and events with which these firms have established relationships. brightroom will partner opportunistically with existing event photographers.

Additionally, brightroom will advertise and market at trade shows and through trade organizations such as the Road Race Management Race Directors' Meeting and Trade Exhibition, Professional Photographers Association (ppa.com) and Photo Marketing Association International (pmai.org), through industry publications such as Professional Photographer, through direct contact with professional photographers, and by phone, mail, and e-mail.

BETA TEST: The Wacky Snacky 5K

On February 20, brightroom rolled out a beta test of its site and service with the Wacky Snacky, a 5k road race with approximately 1,300 runners in Chicago, in order to test site functionality and key aspects of the business model. Even with limited participant information—we didn't have access to registration or contact information and our promotion was limited to inclusion of a flyer in race packets—our site received over 1,500 unique visitors in the two weeks following the race as well as extremely positive feedback.

While the purpose of the trial was not to test our ecommerce functionality (the site allowed users to download pictures for free), brightroom actually received orders for over 40 photographs. By February 25, the company was officially post-revenue.

Additionally, based on the success of the Wacky Snacky trial, brightroom received a commitment from Chicago Special Events to utilize the brightroom solution for more than twenty participatory sporting events they produce annually.

CUSTOMERS, ALLIANCES, & SUPPLIERS

Customers

brightroom customers fall into three categories: 1) event coordinators and the businesses that produce events 2) photographers and photography businesses and 3) the end consumer.

brightroom has demonstrated the validity of its business model through the relationships it has formed through operations to date. Notably, based on the success of our pilot road race, brightroom has received commitments to photograph over 20 athletic events for Chicago Special Events Marketing with an excess of 150,000 participants. Also, EnviroSports has similarly committed to use the brightroom solution for the 30 marquee events that it produces throughout California and Washington including the Embarcadero 10k, the Alcatraz Triathlon, the Death Valley Marathon, and the Race Across California Enviro.

brightroom has also received a high degree of interest in partnerships from business development contacts at the Houston Marathon, the Chicago Race for the Cure (as well as the national organization—108 events total), the AIDS Ride (nine different events nationwide), and others.



Alliances

brightroom is in favorable discussions with online sporting goods companies such as fogdog.com and MVP.com. An arrangement with one such sports retailer could entail anything from a straight affiliate deal to direct or e-mail marketing to actual hosting of participant proofs on a co-branded sporting goods website.

Suppliers

For its development and fulfillment operations, brightroom has explored a variety of options for suppliers including Candid Color Systems, Kodak minilabs, and retail solutions.

Candid Color Systems, located in Oklahoma, is the largest U.S. digital minilab and currently provides event photography development and fulfillment for MarathonFoto as well as other, smaller operations. Candid provides an incrementally superior solution and service in terms of response time and product including captions. Additionally, Kodak's minilab in San Leandro, California, and other Internet-based retail operations (Seattle Filmworks, ofoto, etc.) provide viable alternatives which also offer competitive development costs.

By outsourcing a portion of fulfillment to a retail outlet affords brightroom the flexibility in its product offering: for example, brightroom could use one supplier to develop film, another one to print photos, and a third one for special orders such as printing photos on mousepads or T-shirts.

In short, there are a number of competitively priced options which will keep film development and print fulfillment costs well within acceptable parameters.

INDUSTRY OVERVIEW

There are an increasing number of venture-backed players such as Shutterfly.com (Jim Clark), Snapfish.com (CMGI), ofoto (Barksdale Group), Phototrust.com, Photoaccess.com, photoprint.com, PhotoPoint.com, ClubPhoto.com, ememories.com, PhotoLoft.com, and Zing.com (Kleiner Perkins), as well as established players such as Kodak and HP working to address the \$14.2 billion consumer photo-processing market. These current models are similar in that they enable individual consumers to host and share their amateur photos on their respective sites. They are targeting the individual, nonprofessional consumer market.

Competition could come from the emergence of digital minilabs. Digital minilabs are forecasted to account for about 15 percent of the minilabs in the U.S. by 2002. Candid Color Systems in Oklahoma is an example of such a facility. Established in 1972, Candid is an example of a traditional minilab that is slowly making the transition from traditional photo processing methods to the digital format. However, as a photofinisher they derive their revenues primarily from the printing and finishing aspects—a highly competitive market.

Eprints.com is currently providing online hosting services for wedding photographers but has not capitalized on the potential industry aggregation and customer acquisition power of the brightroom model. Two brothers founded the company in June 1997. Based in Rhode Island, eprints.com does not appear to have significant financing or an aggressive growth strategy. Additionally, there are a few nascent players such as Primeshot (Arlington, Virginia), Photozone (Seattle), and Cyberpix (Dallas). While each of these competitors has a brochure-ware type web presence, none has appeared to achieve scale or traction in its business model. Furthermore, their strategies differ from brightroom's in key elements—entry segments are significantly unfocused and unproven, and dependence on either digital or film form. Both Photozone and Cyberpix offer services for a digital format exclusively at present—digital photography does not currently lend itself to the speed and scale of race photography. Primeshot is working to build a network of event photographers from the ground up—a slow and costly proposition.



REVENUE MODEL

brightroom's revenue will come from two primary sources: revenue from photography (i.e., sales of photos and pre-paid photography contracts) and revenue from registration and list management and advertising and direct-mail and e-mail activities.

In instances where brightroom owns the contract directly with the event, brightroom will either subcontract the photography or share a percentage of the revenue based on print ordering. In instances where the event photographer owns the contract, brightroom will partner to provide its backend infrastructure and receive a share of the revenue for its services.

Additionally, brightroom will generate a significant revenue stream by leveraging its relationship with, and deep knowledge of, the end consumer. During the proof viewing and print ordering process, brightroom will contact these users on a number of occasions through e-mail and traditional mail channels: importantly, each of these contacts is extremely likely to gain the undivided attention of the subject since it includes or concerns his or her personal picture.

For instance, through e-mailing users with a hyperlink to a site featuring proofs, brightroom can offer compelling, personalized offers as well as subsequently driving Internet traffic to a particular website to view the proofs. By contacting users through conventional mail initially with thumbnail proofs and subsequently with prints they have ordered, brightroom has the ability to present highly targeted promotions relating to the users' demographic information or relevant activities based on the content of the picture (e.g. specific promotions targeted at runners, skiers, newlyweds, etc.).

FINANCIAL PROJECTIONS

In forecasting revenues and expenses over a four-and-a-half-year period, brightroom anticipates significant initial expenditures related to building engineering infrastructure and product development and expenses associated with increased staffing to support brightroom's rapid growth.

Consolidated Projections of Operations

	2000*	2001	2002	2003	2004
Revenue	427,361	4,591,136	9,413,854	16,822,386	31,013,058
Cost of Sales	255,048	2,297,505	3,300,098	5,050,690	7,758,692
Gross Profit	172,313	2,293,631	6,113,756	11,771,696	23,254,366

Operating Expenses

Sales and Marketing	30,365	103,317	115,498	184,498	323,573
Human Resources	597,500	2,832,500	3,957,500	4,316,185	4,587,500
Product Development	575,829	649,241	769,929	870,549	1,071,038
General and Administrative	117,342	193,342	193,954	193,342	193,342
Total Operating Expenses	1,321,036	3,778,400	5,036,881	5,564,574	6,175,453
Operating Income (Loss)	-1,148,723	-1,484,769	1,076,875	6,207,122	17,078,913

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CURRENT STATUS & FUNDING REQUIREMENTS

Since its founding in mid-January, brightroom has evolved quickly as a company while gaining a deep understanding of the event photography market. Among other important milestones, brightroom conducted a field trial of its business model with a beta website in early February which validated the business model. Furthermore, business development activities have continued in earnest, with commitments secured for over 50 events in California, Washington, Chicago, and Texas encompassing nearly 200,000 participants.

The company will be headquartered in Berkeley, California, brightroom is incorporated in the state of Delaware and has retained the firm of Weil, Gotshal & Manges LLP for legal services. brightroom has retained the legal services of Conley Rose & Tayon and is currently in the process of filing for patent protection for key elements of its core business.

brightroom has been funded entirely by the founding partners to date and is seeking \$1-2 million in first round financing. This capital will be used for continued development and marketing expenses including costs associated with hardware and software, recruitment and salaries, operations, and sales-related activities.

MANAGEMENT TEAM

brightroom has assembled a founding team with diverse, complementary skills which will allow the company to craft and execute strategy successfully. In addition to a broad range of abilities and experiences, the individuals also present a history of collective accomplishment, having worked together on significant projects prior to brightroom.

Burch LaPrade, CEO

Burch is responsible for shaping the company through building a team and driving strategy including product development.

He brings significant experience at early stage Internet start-ups, having shaped and executed marketing and business development strategies at GetawayZone and flyswat during product development and initial launch. Additionally, while receiving his M.B.A. at the University of California at Berkeley, Burch completed numerous Internet marketing consulting projects as part of the Management of Technology certificate program.

Prior to graduate school, Burch was a police officer for the city of Berkeley. In addition to patrol, he worked in various special assignments during his five-year tenure, including Narcotics, the Special Response Team, and as a negotiator for the SWAT team. Burch received his undergraduate degree in Economics from Yale University.

Sol Kanthack, President

At brightroom, Sol is responsible for overall business model development, identifying and forging strategic alliances, and day-to-day operations including financing decisions. Sol has several years of sales, marketing, and financial experience with notable firms such as Merrill Lynch and J. P. Morgan. Most recently he worked as an integral part of the business development team at flyswat, a



venture-backed start-up, and as a student associate evaluating business plans with Trident Capital, a well-established venture capital firm investing primarily in business-to-business e-commerce.

Sol will receive his M.B.A. from the University of Chicago Graduate School of Business in June. While at the GSB, Sol was chosen to participate in the very selective Kauffman Entrepreneurial Internship Program that sponsors students to work with start-up companies. He was also honored as the sole second-year student at the GSB to receive the ARAMARK/Joe Neubauer Scholarship for Entrepreneurship. Additionally, he has been very active as a Co-chair of the Entrepreneurship and Venture Capital Group, forging new inroads for the GSB's Entrepreneurial efforts. Sol received a B.B.A. in Finance from Texas Christian University.

Rich Snipes, CTO

Rich is responsible for technical architecture and development of the brightroom web presence. In addition, Rich is charged with building the brightroom engineering team and managing relationships with third-party technical support groups.

Rich's background includes significant design and development experience with both Internet and intranet-based solutions including database design and integration as well as front-end architecture and deployment. He has led development efforts in all phases, from design, through implementation, to testing.

Rich was awarded Dean's List and Gamma Kappa Alpha honors at the University of North Carolina where he received bachelor's degrees in Physics and Economics.

Molly Kanthack, Vice President of Sales/Marketing

Molly's background in sales and marketing at notable media, fashion, and sports organizations such as Walt Disney, Calvin Klein, and TYR Sport, Inc., will help drive brightroom's client acquisition and retention and strategic marketing efforts.

Molly was the co-founder of the Event Marketing department at a Walt Disney subsidiary. She organized and managed large trade shows and special events while obtaining corporate sponsorships and alliances. At Calvin Klein, Molly organized seminars and trade shows to further establish brand awareness with the consumer market and also worked on major media marketing campaigns with premier fashion publications. At TYR Sport, in the Sales and Marketing division, Molly was the sales manager of Illinois, increasing sales by 25 percent in the first quarter alone. Most recently, Molly was appointed by the Deputy Dean to manage one of the University of Chicago's fundraising programs by establishing and developing major corporate and alumni relations.

Molly was a scholarship athlete in Texas Christian University's world-class Division IA track and field program while completing her dual degree in Advertising/Public Relations and Psychology.

Chris Miller, Business Development

Chris has a background in law. Licensed as an attorney since 1997 in Texas, he has several years' experience in both litigation and transactional commercial practice. Most recently he worked with



Weil, Gotshal & Manges, L.L.P. in Houston. Business development responsibilities with brightroom include identification and development of strategic partnerships and alliances.

Legal responsibilities with brightroom include drafting and review of miscellaneous contracts, service agreements, and related transactions. He is also responsible for basic corporate governance matters and human resources matters.

Chris received his undergraduate degree from Texas Christian University and his J.D. from the University of Houston Law Center.

ADVISORY BOARD

Jim Moliski, Co-Founder and Chief Operating Officer of Optomail

Jim is a pioneer in the business of e-mail permission marketing. He currently serves as COO of Optomail, a venture-backed permission marketing firm in Japan. Previously, as Employee #2 and Product Manager for MarketHome Inc., a U.S. firm in the same space, Jim spearheaded product and business development, resulting in a successful sale to that ClickAction (NASDAQ: CLAC) in July 1999. Previously, Jim worked at Mercer Management Consulting, where he participated in a variety of marketing cases for large U.S. and international companies. Jim received a B.S. from the University of Pennsylvania and an M.B.A. from the Haas School of Business, University of California - Berkeley.

Stephen S. Beitler, Managing Director Trident Capital

Mr. Beitler joined Trident Capital in 1998 as a Managing Director. From 1993 to 1998, Mr. Beitler was Assistant Corporate Controller at Sears, Roebuck & Co. From 1989 to 1994, Mr. Beitler was Corporate Director-Strategy and Development at Helene Curtis Industries, Inc., a subsidiary of Unilever. Earlier in his career, Mr. Beitler was an Intelligence Officer in the Green Berets, and served as the Assistant to the Under Secretary of Defense (Acquisition) and Intelligence Officer to the Secretary of Defense and the Chairman of the Joint Chiefs of Staff.

Mr. Beitler earned his B.A. from the School of International Service at the American University and his M.S.S.I. from the Defense Intelligence College. Mr. Beitler also completed graduate work at the University of Chicago.