

# Breathe™ Incorporated

## *Business Plan*



*Connecting the Dots of Light™*

**CONFIDENTIAL**

# CONFIDENTIAL OFFERING MEMORANDUM

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Something immense is occurring around us.  
 Everywhere you look things are flowing together,  
 creating new connections, new hybrids, new ways of seeing the world...  
 Scientists are even inching their way  
 to a new rapprochement with philosophy and religion.  
 Technology is driving all of this, of course, as is commerce.  
 -Forbes ASAP, Nov. 1999

46% of Americans visited alternative practitioners in 1997.  
 -Eisenberg, Study on Complimentary & Alternative Medicine, 1998

A spiritual revival is sweeping across America...  
 mixing mysticism with management...  
 78% feel the need for spiritual growth, up from 20% in 1994.  
 -Business Week, Cover Story, Nov. 1999

We are approaching the end of the Wild West days of the Web,  
 when fortunes can be won  
 with just the glimmer of a new idea...  
 toward the emergence of lifelong brand names,  
 toward the successful exploitation of verticalization....  
 and toward vertical sites with an inch-wide, mile-deep strategy.  
 -Allen Weiner, Nielson NetRatings, Dec. 1999

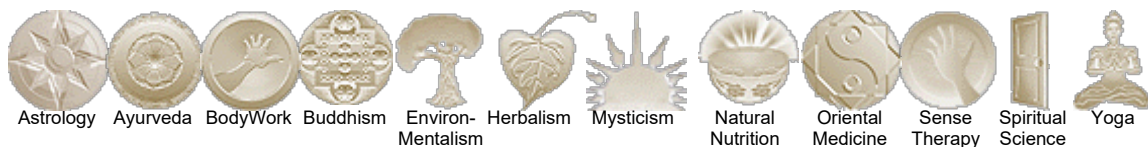
# I. EXECUTIVE SUMMARY

The convergence of health, spirituality and technology is not a passing trend but part of a massive cultural shift that is creating a tremendous demand for products and services related to Holistic Health and Spirituality (**HHS**). WeBreathe.com (weBreathe™) will be the first B2B model and credible brand to consolidate the fragmented \$29.7 billion **HHS** marketplace by serving its providers to reach its consumers.

## **FRAGMENTATION & CONVERGENCE CREATE UNPRECEDENTED OPPORTUNITY**

Despite the convergence of health, spirituality and technology, the Alternative Medicine and New Age industries are fragmented, misunderstood, and underserved. Consumers cannot find what they need while providers lack an efficient means to reach them. They both want a brand that they can trust. Only a business with an intimate understanding of each niche within the **HHS** marketplace can create this brand. Only a business with a rich understanding of the Internet can create the services this marketplace lacks. Only a business that grasps this market and this medium can consolidate the fragmented **HHS** niches, dominate the **HHS** marketplace, and achieve exponential returns. At no other time in history has there been an opportunity so ripe for capitalization.

## **WEBREATHE CONSOLIDATES THE HHS MARKETSPACE**



To unify the **HHS** marketplace, Breathe Incorporated has targeted the twelve high growth niches shown above. Breathe has designed weBreathe to consolidate the **HHS** marketplace by leveraging the brand strength and market share of core providers within each of these niches through a hub powered by expert human guides. These providers join weBreathe to receive an all-in-one package of marketing, eCommerce, interactive, multimedia, and hosting services that exponentially increase their traffic and sales while introducing their consumers to weBreathe.

## **THE KEY TO THE MARKETSPACE: CORRELATIONAL DEMAND**

*Correlational Demand* creates the untapped opportunity for consolidation of the **HHS** marketplace. It means that the demand for products and services of one **HHS** niche is positively correlated with the demand for others. It means that a yoga student is likely to drink chai tea, practice Tai Chi, buy astrology readings, eat vegetarian foods, decorate with Buddhist sculptures, visit an acupuncturist... By building upon natural correlations among **HHS** practices, while respecting differences, weBreathe will make the chief providers within each niche market more accessible to all **HHS** consumers without diluting their authenticity. Instead of lumping all **HHS** practices into a superficial melting pot, weBreathe aggregates, organizes, and markets each provider's content, products, and services into a gourmet buffet from which consumers across the **HHS** marketplace can shop from a great variety without sacrificing quality.

## **MARKET SHARE & MINDSHARE: SHORT-TERM & LONG-TERM PROFITABILITY**

Breathe projects to achieve short-term profitability by its fourth year and 4% online **HHS** market share by its fifth year, which represents \$221 million in revenues from a \$5.4 billion online market sizing. Breathe's ultimate objective is to acquire 21% online **HHS** mindshare, which represents long-term profitability with 5.3 million revenue-generating weBreathe Members from a 25.3 million online consumer base. Through the providers that weBreathe services, Breathe will have access to 43% of **HHS** market share and 58% of the mindshare. Breathe and its providers will be an unstoppable team.










## VALUE PROPOSITIONS

For *HHS* providers, weBreathe will be the cost-effective, all-in-one solution for reaching a broader audience and realizing greater sales online. For consumers, weBreathe will be the easiest and most comprehensive way of finding the authentic content, products, and services that they have been searching for. WeBreathe will simultaneously add and extract value for/from *HHS* providers and consumers by:

- **Managing Information**—Breathe's rule for the Information Revolution is: *Information Technology creates Information Overload which demands Information Management*. WeBreathe will be the essential information manager for the *HHS* marketplace. Expert human guides within each *HHS* practice combined with a meta-search utility connect providers and consumers. To create easy access to variety and quality, the Guides filter and the meta-search utility organizes the key *sources of value*: *websites, products, multimedia, practitioners, services, research, keywords*, and other *information resources*.
- **Aggregating Supply and Demand**—With an all-in-one package of services that leverages providers' *sources of value*, weBreathe creates a one-stop shop for consumers. This broadens the supply base for consumers and broadens the consumer base for providers, resulting in lower prices and increased transactions through which weBreathe adds and extracts value.
- **Unifying Fragmented Markets**—To capitalize on *Correlational Demand*, weBreathe integrates multiple *HHS* niches into a supermarket for the *HHS* marketplace. This diversifies the supply base for consumers and diversifies the consumer base for providers.
- **Creating A Dominant Brand**—Breathe will build the *real* brand that both consumers and providers have been seeking by leveraging the credibility of the *real* teachers, practitioners, and institutions at the core of each *HHS* niche.

## WEBREATHE SERVICE COMPONENTS

To fulfill these Value Propositions, weBreathe integrates multiple eBusiness models, which have been successful in less targeted markets, into one vertical model for the vertical *HHS* market:

	Business Model	Example	Source of Value
	Expert-Powered Portal	<a href="http://www.about.com">www.about.com</a>	Websites/ Content
	Virtual Community	<a href="http://www.ivillage.com">www.ivillage.com</a>	Members
	Consumer-to-Consumer	<a href="http://www.ebay.com">www.ebay.com</a>	Consumers
	Business-to-Consumer	<a href="http://www.ubid.com">www.ubid.com</a>	Retailers
	Business-to-Business	<a href="http://www.freemarkets.com">www.freemarkets.com</a>	Distributors/ Manufacturers
	Multimedia Aggregation	<a href="http://www.broadcast.com">www.broadcast.com</a>	Multimedia
	Interactive Services	<a href="http://www.askjeeves.com">www.askjeeves.com</a>	Practitioners
	Research Databank	<a href="http://www.jup.com">www.jup.com</a>	Research/Services
	Integrated Search Utility	<a href="http://www.infospace.com">www.infospace.com</a>	Keywords

## COMPETITIVE POSITION

Although the *HHS* marketplace is growing rapidly and attracting big players, no businesses within it have successfully consolidated its fragmented niches and established a strong brand. Ultimately, no businesses are deploying a B2B model that services providers to reach consumers within each *HHS* niche. WeBreathe's competitors are mostly single eBusiness models oriented towards less targeted, common-denominator markets such as Alternative Medicine or New Age. Whereas these competitors attempt to market themselves directly to consumers and lump *HHS* niches into "melting pot" categories, weBreathe markets itself to niche providers with established brands, content, products, and services that all *HHS* consumers seek.

***BUSINESS MODEL: SERVICE PROVIDERS TO REACH CONSUMERS***

Breathe's business model is to service the most respected and prosperous *HHS* providers with an all-in-one package of marketing, eCommerce, interactive, multimedia, and hosting services in order to leverage and aggregate their market share, mindshare, and *sources of value*. These services make *sources of value* more accessible to each provider's consumers, weBreathe's consumers, and consumers from other providers. This accessibility allows weBreathe and its providers to capitalize on *Correlational Demand*, introducing each provider's consumers to other providers and to weBreathe. WeBreathe then converts those consumers into revenue-generating weBreathe *Members* through membership utilities, incentives, and multiple forms of commercial transaction.

***PROVIDER & MEMBER ACQUISITION: OVER 60 PROVIDER RELATIONSHIPS AND GROWING...***

Breathe has already established relationships with over 60 providers through its industry connections, brand attractiveness, and expert human guides. During *Phases I* and *II*, weBreathe will exploit low acquisition rates by acquiring national providers that are online and converting their consumers into weBreathe Members. During Phase III, weBreathe will shift its focus internationally to bring offline providers online and to acquire Members from offline sources. By the end of Phase III Breathe projects it will acquire 1620 providers and 650,000 Members.

***BUSINESS STRATEGY: THREE PHASE DEVELOPMENT OF B2B2C2C VALUE EXCHANGE***

WeBreathe evolves through three strategic Phases of development that enable it to facilitate progressively more transactions among providers and consumers. During *Phase I* / Year 1, the focus is on Business-to-Consumer (B2C) transactions; *Phase II* / Year 2 on Business-to-Business (B2B) transactions; and *Phase III* / Year 3 on (C2C) Consumer-to-Consumer transactions. Through this *Value Exchange*, weBreathe will position itself as the central transaction processor for an extensive B2B2C2C network spanning the entire *HHS* marketplace.

***PHASE I DEVELOPMENT: INTEGRATE PLATFORMS INTO PROTOTYPE***

*Phase I* development builds off of weBreathe's existing Prototype ([www.weBreathe.com](http://www.weBreathe.com)) and is organized into three four-month sub-Phases—*Phases IA*, *IB*, and *IC*—that each have distinct marketing, technology, and operational (budget and staffing) strategies and objectives, as follows:

- *Phase IA*: Develop eCommerce exchange platform and place meta-search utility on provider websites to generate cross-promotion.
- *Phase IB*: Develop and market interactive and multimedia platforms to providers while beta-testing the eCommerce platform and integrating third-party support.
- *Phase IC*: Launch and market all platforms with third-party support to acquire 373 providers and 37,000 Members that drive weBreathe's initial sponsorship and eCommerce revenues.

***BREATHE TEAM: THE UNIQUE COMBINATION***

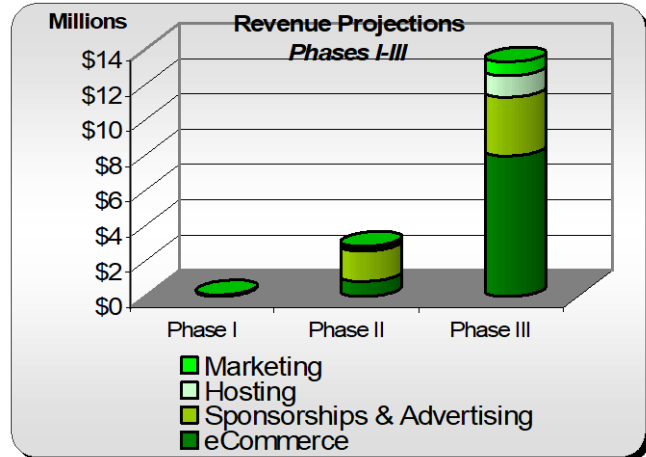
Originating from New York City, weBreathe has been built from the ground up by a unique combination of 24 eBusiness, technology, holistic health and spiritual professionals. With over 40 years of combined Internet business and technology experience and 50 years of combined experience within the *HHS* Industry, the Breathe Team grasps both the medium and the marketplace. Incorporated as a C-Corp. in March 1999, Breathe has evolved through four dynamic operating entities:

- **Operations** (high-level decisions and organizational processes): Led by Larry Lux, former CEO of *Pseudo Programs* and *National Geographic Interactive*, and Sharon Sharrett, respected Holistic Health practitioner with over 30 years of experience and connections.
- **Business** (execution of financial, marketing, and administrative strategies): Led by Amir Hasson, entrepreneur with eBusiness development and eMarketing experience from *Pseudo Programs*, and Derek Keller, eCommerce expert from *Ernst & Young*.
- **Content** (management of weBreathe's expert guides and provider relationships): Led by Vanessa Weinberg, Internet Television producer and Holistic Health practitioner.
- **Technology** (in-house database, network, and software development): Led by Carl Bentley, former Senior System Administrator at *USWeb* and Systems Engineer at *CNN Interactive*.



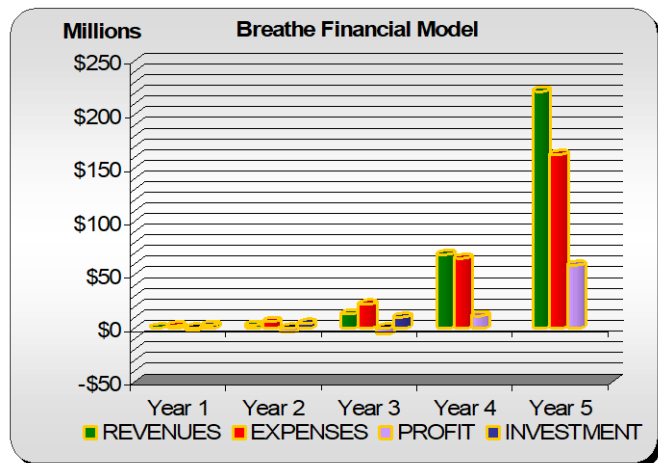
## REVENUE STREAMS

Breathe projects four revenue streams; two that are generally driven by its providers (*Marketing* and *Hosting*); and two that are driven by its Members (*eCommerce* and *Sponsorships & Advertising*). *ECommerce* revenues begin to dominate over *Sponsorships & Advertising* in *Phase III*, at which point *Hosting* and *Marketing* revenues grow dramatically. These revenue streams reflect three key Internet trends: the immediate need for increasingly vertical advertising opportunities; the explosive market of Net-TV and higher-bandwidth interactivity; and the lucrative nature of Business-to-Business eCommerce.



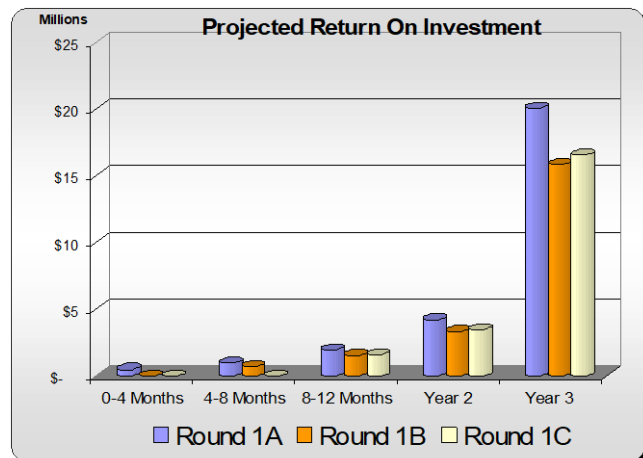
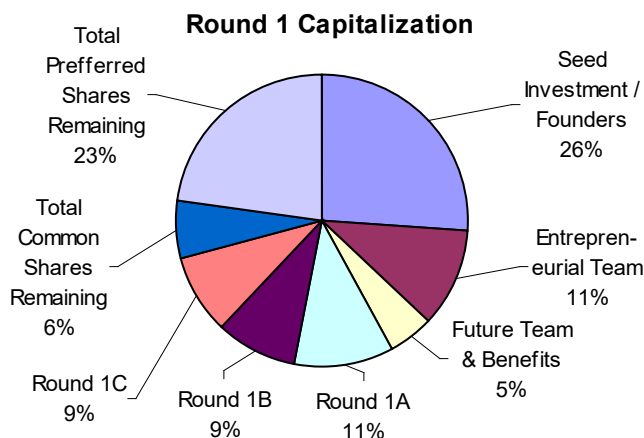
## FINANCIAL PROJECTIONS

Based on the economic model of the *infomediary*, Breathe has developed a financial model to provide the investor with a forecast of Breathe's financial requirements and potential market value beyond Breathe's first year of operations. The model projects that Breathe may achieve financial independence after year three and profitability in year four.



## INVESTMENT OPPORTUNITY

Breathe is seeking a total of \$2.8 million for *Phase I* development through three rounds of financing—*Round 1A* (\$452,000), *Round 1B* (\$716,000), and *Round 1C* (\$1.6M)—that correspond to *Phases IA, IB, and IC*, respectively. *Rounds 1B and 1C* may be consolidated based on the results of *Round 1A*. The *Round 1 Capitalization* chart below illustrates the projected financial plan. The Return-On-Investment chart projects the appreciation of each Round's value based on Breathe's success at achieving its milestones. With a critical mass of *Members* and providers, a viable business model, and a complete management team, *Phase I* will position Breathe to acquire *Rounds 2* (\$4.5M) and *3* (\$10.3M) and thereby execute its greater business strategies for *Phases II and III*.





## II. VALUE PROPOSITION

### Connect Disconnected Providers & Consumers

Despite the explosive interest in the *HHS* marketplace, providers and consumers within it are unable to connect and exchange value. Consumers cannot find what they need and want in one place because the niches within this marketplace are isolated from one another. Faced with information overload and charlatanism, consumers also lack the right tools and credible brand to identify high-quality content, products, and services across the *HHS* marketplace.

This fragmentation also prevents providers of content, products, and services from reaching consumers. Most providers lack the time, resources, and/or know-how to leverage their sources of value online.

WeBreathe leverages, integrates, and markets sources of value from high-quality providers. By servicing these providers, weBreathe will simultaneously build a critical mass of consumers and provide the tools, variety, and trusted brand that fulfill those consumers' needs across the entire *HHS* marketplace.

### Value Propositions

*Success in the digital economy means business model innovation... [this requires] breaking down the end customer's desired experience into the goods, services, resources, business processes, and organizational structures that make it possible —into its Component parts. These are the 'molecular' elements that can be redesigned, added to, and reconfigured to re-vision the value proposition.<sup>1</sup>*

As both students/consumers and teachers/providers of *HHS* practices, the Breathe Team understands both its consumers' and vendors' Internet needs and values from the "inside-out." It is from this intimate understanding that weBreathe has defined its target marketplace and designed its four value propositions.

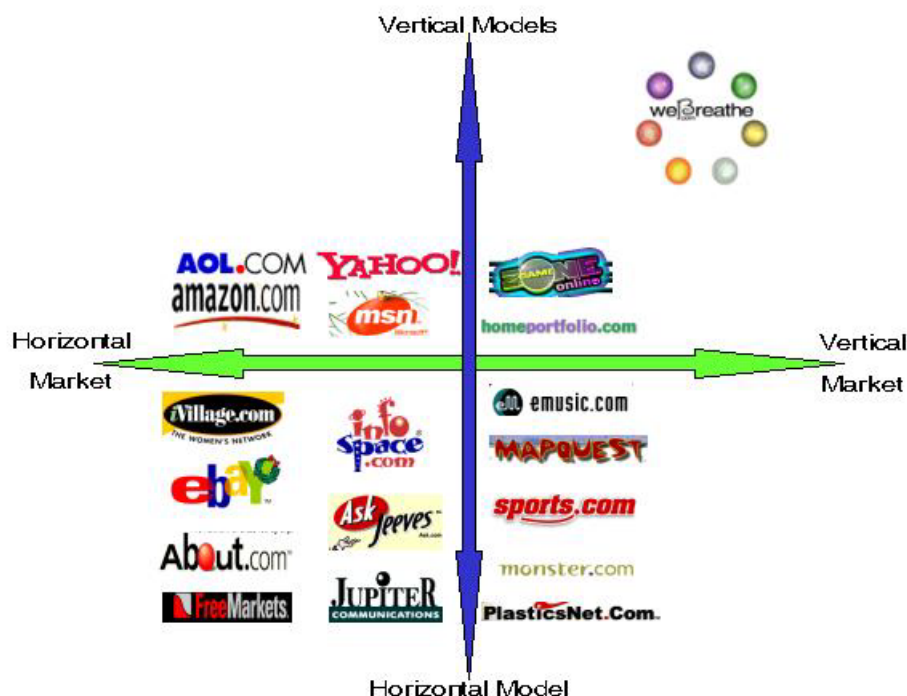
VALUE PROPOSITION	1. AGGREGATE SUPPLY & DEMAND	2. UNIFY FRAGMENTED MARKETS	3. CREATE DOMINANT BRAND	4. INFOMEDIATION
MEANS	• Vertical Model	• Vertical Market	• "Inside-Out" Strategy	• Meta-Search Utility
CONSUMER NEEDS & VALUES	• Broader Supply Base • One-Stop Shop • Lower Prices	• Diversified Supply Base	• Trust • Learn the Real • Community	• Quality • Convenience • Variety • Simplicity
VENDOR NEEDS & VALUES	• Broader Consumer Base • All-In-One Packaging • Higher Transaction Volume	• Diversified Consumer Base • Cost-Effective Marketing	• Trust • Teach the Real	• Targeted Consumer Base • Intel: Market Research

The chart above summarizes weBreathe's value propositions, how they work, and the "desired experiences" of consumers and providers from which the Value Proposition has been "re-visioned" as a vertical eBusiness model for the vertical *HHS* marketplace.

<sup>1</sup> Don Tapscott, Co-founder of alliance for Converging Technologies and author of *Digital Capital: Harnessing the Power of Business Webs*. Citation is from Tapscott's article in *Business 2.0* (November, 1999).

## Vertical Model for Vertical Market

WeBreathe will package successful eBusiness models to create a Business-to-Business-to-Consumer-to-Consumer (*B2B2C2C*) *Value Exchange*. This integrated approach fulfills the core needs of providers and their consumers within the Holistic Health and Spirituality (*HHS*) marketplace. Breathe's Value Proposition can be understood as a unique vertical model for a highly targeted marketplace of consolidated niche markets:



The diagram above illustrates weBreathe's position within the Internet landscape according to four variables: Horizontal Model (single eBusiness model, value proposition and revenue streams); Vertical Model (multiple eBusiness models, value propositions, and revenue streams); Horizontal Market (mainstream, common-denominator market); and Vertical Market (niche markets).<sup>2</sup>

This diagram implies that in order to meet all of the core needs of both consumers and providers within a market, multiple business models must be integrated and the market must be more niche-oriented. Even the top Internet brands such as Yahoo and AOL cannot meet all the core needs of the consumers and providers within their broad mainstream market. There is more room and incentive to integrate eBusiness models within vertical markets since there is often less competition as well as greater brand, market penetration, and growth potential.

Although eBusiness models have emerged to meet the generic needs of mainstream consumers and providers, the consumers and providers within niche markets—which the Internet itself has made viable—remain underserved. They are underserved because the horizontal models have not been integrated into simple, all-in-one service packages and brands that are specialized to their needs and values. With the greater trend towards specialization, Breathe forecasts that the successful horizontal models will continue to be re-packaged for increasingly vertical markets.

WeBreathe is one such model that has honed its focus to twelve niches comprising the *HHS* marketplace in order to package multiple models that have been successful one-by-one within

<sup>2</sup> Entities in the lower left (3<sup>rd</sup>) quadrant correspond to the horizontal eBusiness models that weBreathe packages as detailed in the *Components* sub-section. This diagram is for informational purposes only and does not imply any relationship with the entities presented.

more horizontal markets. The scope and seamlessness of this package has yet to be offered by weBreathe's market competitors or its horizontal market exemplars.<sup>3</sup>

WeBreathe's vertical model for a vertical market will aggregate and expand *HHS* supply and demand bases to a created a dominant brand positioned at the center of a vast, interconnected *Value Exchange* among providers and consumers. The creation and optimization of this *Value Exchange* governs weBreathe's value propositions.

## Value Proposition #1: Aggregate Supply & Demand

*HHS* providers house rich but isolated **information, products, multimedia, practitioners, services, keywords, and consumers** – collectively called ***sources of value (SOV)***. They need to make these SOV more accessible to consumers, who, in turn, need a comprehensive means of accessing them. SOV are leveraged from providers and packaged for consumers through seven *Components*, which correspond to the multiple eBusiness models that weBreathe integrates into one.

By servicing the most respected and prosperous *HHS* providers with a cost-effective, all-in-one solution that leverages their SOV online, weBreathe will create access to SOV within each *HHS* niche and thereby meet both providers' consumers' needs. With weBreathe's package of marketing, eCommerce, interactive, multimedia, and hosting services, providers will quickly find themselves with more traffic and higher transaction volumes. WeBreathe will quickly find itself with a critical mass of consumers and diversified revenue streams.<sup>4</sup>

## Value Proposition #2: Unify Fragmented Markets

While *Components* leverage SOV and integrate models, the *Constellations* integrate twelve niches within the *HHS* Marketspace to create a **variety** of SOV.<sup>5</sup> The integration of these niches (*Constellations*), which correspond to the specific practices within the *HHS* marketspace, allows weBreathe to capitalize on an untapped phenomenon called *Correlational Demand*.

Breathe's insight is that the correlations naturally exist among *HHS* practices (i.e. their common goal of *healing*), and that these correlations show up in the consumption of products and services surrounding those teachers and practices. By building upon those natural correlations, while recognizing important differences between practices, weBreathe will make niche markets more accessible to the common-denominator consumer without diluting their distinctive richness. WeBreathe creates the supermarket of SOV from multiple *Constellations* to meet the *HHS* consumer's need for variety without sacrificing quality.

## Value Proposition #3: Create Dominant Brand

The *Melting Pot Challenge* is to see the common goals and principles among *HHS* practices and providers while not lumping them together into a superficial "melting pot". A dominant *HHS* brand must be more like a "buffet" than a "melting pot". The combination of weBreathe's *Components*, which leverage providers' existing SOV throughout the *HHS* marketspace, and the *Constellations*, which preserve their distinctions, creates the infrastructure of the "buffet" in which providers can share their food—their SOV—as *they like to prepare it* for a newly integrated market centered around weBreathe.

Consumers want and need a brand to trust and build community around. Most mainstream businesses have fallen into the "melting pot" since they attempt to get "in" on the *HHS* marketspace by marketing themselves to the mainstream consumers without genuine knowledge of *HHS* practices. The "Outside-In" approach of these businesses has resulted in a learned mistrust of mainstream-oriented businesses by both respected providers and their consumers.

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<sup>3</sup> As detailed in the Competitive Landscape section, there are players within the Alternative Medicine and New Age mainstream markets that have re-packaged these functionalities individually, but none that offer the full spectrum of services for both the consumer and vendor of the deeper niche *HHS* marketspace.

<sup>4</sup> Please find profiles of the providers that weBreathe is developing relationships with in [Appendix A: Strategic Satellite Partners](#).

<sup>5</sup> There are also *sub-Constellations* within each *Constellation* corresponding to the various types of practices with the larger categories.

As the consumers gravitate towards the niches at the core of the *HHS* marketplace, weBreathe and its expert Guides will work from the “Inside-Out” to leverage the brand strength of the trusted providers and deliver what all *HHS* consumers want: the *real* practices, the *real* teachers, and a *real* community.

## Value Proposition #4: Infomediation

Breathe's rule for the Information Revolution is that information technology creates information overload which necessitates information management. WeBreathe is the manager of information within the *HHS* Marketplace. The combination of *Search & Breathe* (weBreathe's Meta-Search Utility) and the *Constellations* (weBreathe's Expert-Powered Portal) provides one of the most innovative and powerful information management services on the Internet.

*Search & Breathe* provides consumers with immediate, organized access to all the SOV within the *HHS* marketplace according to keyword searches. Imagine a search utility so simple and graceful that one keyword would produce and organize results of the most relevant websites, products, people, interactive forums, multimedia, practitioners, services, and other information resources from weBreathe's *Components*.

While *Search & Breathe* makes all of the highest-quality SOV from all *Constellations* immediately accessible, weBreathe's *Constellation Guides*, who are human experts with each *HHS* practice, make sure each SOV is hand-picked for quality and integrity.<sup>6</sup> These *Constellation Guides* filter through the thousands of results returned by a horizontal search engine, and hand-pick the providers that weBreathe services.

In addition to the brand credibility they provide, the Guides reduce the amount of time consumers spend searching and increase the amount of time they spend finding. Instead of having to look through 1,087,956 websites related to Yoga on *Altavista*, or even 86,653 on *Excite* (please request [Appendix C: Information Overload Examples](#) for a table with Keyword Results for each *Constellation*), consumers can trust in real human experts who have gone through the endless searches and found the websites providing the real SOV.

*Search & Breathe* and the *Constellations* Portal create the glue that synthesizes the vertical model (providers' SOV) with the vertical market (SOV from each *Constellation*) with the weBreathe brand – the *real* quality of all SOV.

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<sup>6</sup> Although few portals use human guides, the two most popular — Yahoo and About.com — have built a high level trust among millions of their *Members* and users.

### III. MARKET OPPORTUNITY

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#### Market Background: A Deep Cultural Shift

The recent rises of interest in Holistic Health, Spirituality, and the Internet are not just passing trends. They are all the result of the same, deep cultural shift towards convergence—and weBreathe is positioned at intersection of all three of them. Deep cultural shifts may be hard to spot since there is so much noise due to information overload and overpopulation. But this shift is an iceberg beneath the blip on the radar of Alternative Medicine and New Age market sensors—and very few realize just how hard it is going to hit but cause the market appears to be “immeasurable”.

*The “natural” market is not a fad, but instead is a manifestation of deep-rooted cultural and lifestyle changes occurring within the U.S. population.<sup>7</sup>*

Health and spirituality are universal values. Yet, modern science and societies have separated traditional health from its spiritual roots. Although health and spirituality may have grown apart as a result of science in technology in the past, today they are on the verge of re-unification. They are more than just up for sale – they are creating a new consumer consciousness that is paving the way to a new era in global human economy and evolution.

*A new spirituality has taken hold in America—a shift that transforms health care, education and the search for new forms of community.<sup>8</sup>*

The reason for this re-unification is that natural healing and spiritual practices are *real*, not mythical or antiquated. They *work* and have *worked* to make people healthy and happy for centuries and over continents. The difference between health and spirituality now and then is that their practices are much less dogmatic and more accessible to the individual directly. Consumers/students/pupils now have more freedom and tools to choose and develop their *own* practices based on the long-standing teachings of existing traditions. Companies are even using health and spiritual techniques to improve their bottom line.

*Spirituality could be the ultimate competitive advantage.<sup>9</sup>*

The Web is the essential medium for this movement as it is based on social formation around shared psychological beliefs that can transcend geography.<sup>10</sup> Internet niche markets are primarily *psychographic*, just as the *HHS* movement, which is made up of small, localized groups all over the planet who all share underlying beliefs in health and spirituality.

#### **HHS Market Sizing & Growth**

Although there are no centralized marketplaces nor research agencies from which to gather comprehensive data, six million Americans practice Yoga, four million practice Buddhism (with over one million new devotees in the last year, making it the fastest growing religion in the country), and 12 million are vegetarians... and they are all consuming products and services related to their practice as well as other *HHS* practices. Despite the popularity of the individual practices that make up the *HHS* marketplace, the niche markets related to *HHS* practices are fragmented and supposedly immeasurable.

To size the *HHS* marketplace Breathe has developed a unique methodology that identifies, measures, and combines niches across several mainstream-oriented categories. Breathe's methodology focuses on three overlapping studies on the Complimentary and Alternative Medicine (CAM) market, the Integrated Health market, and the New Age market, respectively. These three studies and the details of Breathe's methodology are described in [Appendix B:](#)

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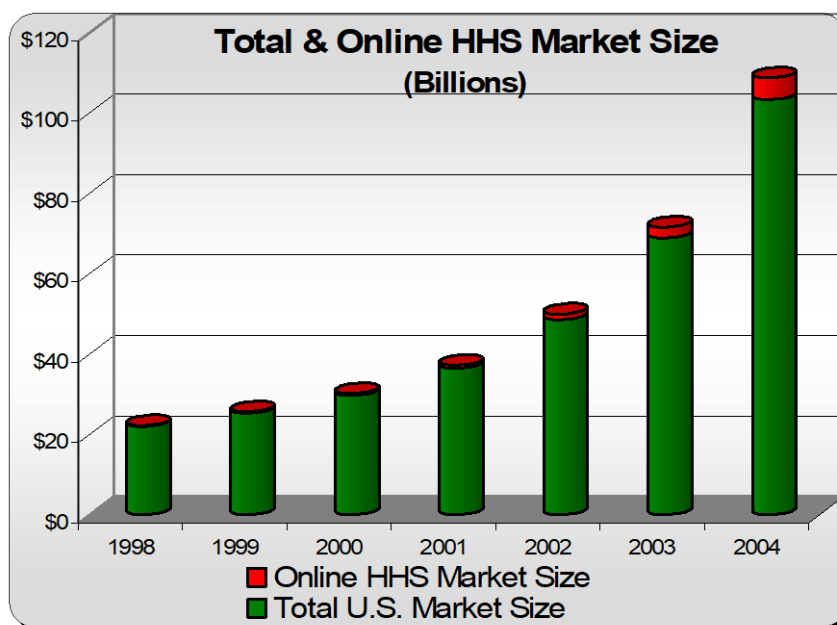
<sup>7</sup> The Hartman Group ([www.hartman-group.com/wellness.htm](http://www.hartman-group.com/wellness.htm)), a research agency specializing in the Integrated Health Industry.

<sup>8</sup> American Demographics, April, 1999.

<sup>9</sup> Ian I. Mitroff is a professor at the University of Southern California Marshall School of Business. (Religion in the Workplace, Newsweek, Nov, 1999).

<sup>10</sup> Please find *Appendix C* with statistics on the number of websites and online vendors related to Breathe's targeted practices, which speak for themselves.

**Market Sizing Methodology.** Breathe's methodology reflects the niche-oriented nature of the *HHS* marketplace by selectively reducing the sizes of segments identified in each of the three studies. For instance, Breathe's sizing only includes 50% (\$5 billion) of the estimated \$10 billion Nutraceutical market (vitamins, herbs, and supplements) since it is not entirely niche-oriented. Furthermore, Breathe's sizing only measures the U.S. part of *HHS* market, which is considerably international in its reach and composition. Breathe's methodology finds that the total U.S. *HHS* market was \$22 billion in 1998 and is growing 30% on average each year through 2004.<sup>11</sup> The *HHS* market is rapidly moving online, growing from 1% (\$220 million) of the total market in 1998 to 5.25% (\$5.4 billion) of the total market in 2004 — a 72% average annual growth rate.<sup>12</sup>



#### ***HHS MARKET SIZE & GROWTH — TOTAL & ONLINE (MILLIONS)***

Year	1998	1999	2000	2001	2002	2003	2004
Total U.S. Market Size	\$22,041	\$25,347	\$29,656	\$36,477	\$48,515	\$68,891	\$103,336
Growth Rate		15%	17%	23%	33%	42%	50%
Conversion Rate	1.00%	1.25%	1.75%	2.25%	3.00%	4.00%	5.25%
<b>Online <i>HHS</i> Market Size</b>	<b>\$220</b>	<b>\$317</b>	<b>\$519</b>	<b>\$821</b>	<b>\$1,455</b>	<b>\$2,756</b>	<b>\$5,425</b>
Growth Rate		44%	64%	58%	77%	89%	97%

<sup>11</sup> The 30% average annual growth rate is based on the average of the following data points for related growth rates:

- The total New Age market grew 23% annually from 1993 through 1996.
- *Wild Oats* and *Whole Foods*, whose product offerings correspond to portions of the *HHS* marketplace, demonstrated 58% and 26.5% annual growth rates from 1993 to 1997, respectively.
- Sales of homeopathic remedies in the U.S. grew between 10-15% between 1996-1998.

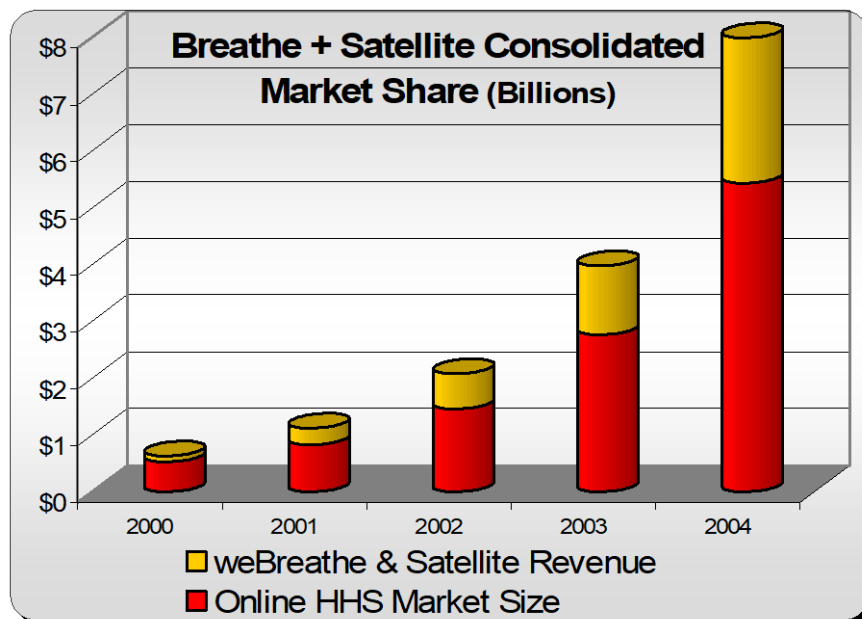
<sup>12</sup> The 72% average online annual growth rate is estimated at less than half of the average of the following data points:

- Jupiter Communications finds that the online healthcare market will grow 117% annually from \$96 million in 1999 to \$2.1 billion by 2003.
- The online Personal Health Care product market will grow 145% annually from \$8 million in 1998 to \$706 million of the 35.3 billion total market by 2003 (2% conversion rate).
- The online Nutraceutical market will grow 237% annually from 1 million in 1998 to \$434 million of the \$21.7 billion total market by 2003 (2% conversion rate).
- Health foods and supplements sales online will grow 260% annually from a "modest" base of \$2 million in 1997 to 350 million in 1999 to \$1.2 billion by 2002 at which point at least 3% of the total market will have shifted online.

Industry standard conversion rates from total market size to online market size range from 2% to 6% based on the industry.

### MARKET SHARE: SHORT-TERM PROFITABILITY

Based on the revenues projected in Breathe's financial model ([Section VII: Financial Statements & Projections](#)), Breathe seeks to penetrate into over 4% of the online *HHS* market by its fifth year. In partnership with its *Satellites* (the sources of market share and brand strength within the *HHS* marketplace), who will continue to own the majority of market share, Breathe will position itself to dominate the entire *HHS* marketplace. Breathe's successful exploitation of this market share could enable it to achieve short-term profitability by year four based on the assumptions of its financial model.



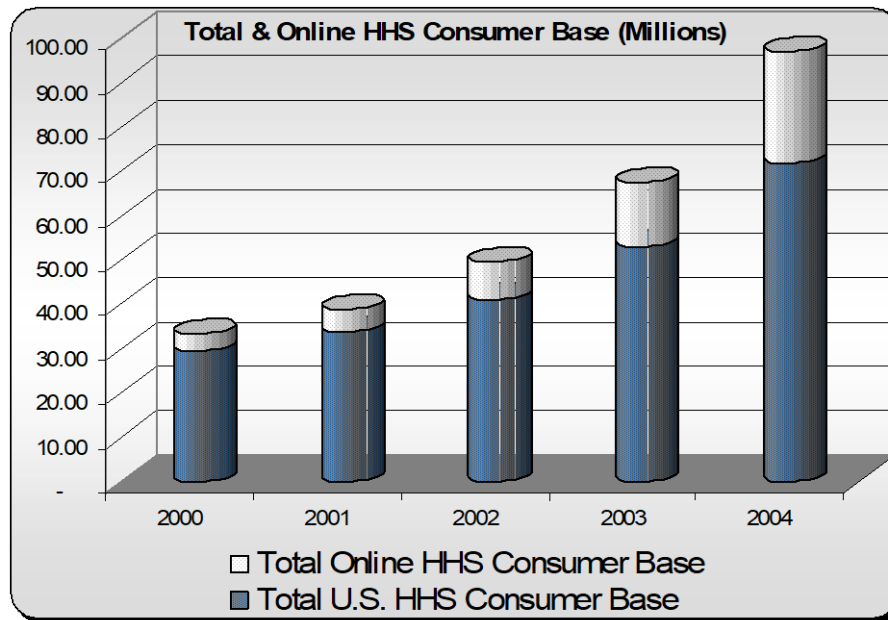
### BREATHE + SATELLITE MARKET SHARE (MILLIONS)

Year	2000	2001	2002	2003	2004
<b>Breathe Revenues</b>	<b>\$0.10</b>	<b>\$2.86</b>	<b>\$13.29</b>	<b>\$69.19</b>	<b>\$224</b>
Revenue Growth Rate		2730%	364%	421%	223%
Breathe Online Market Share	0.02%	0.35%	0.91%	2.51%	4.12%
<b>Satellite Online Revenues</b>	<b>\$ 105</b>	<b>\$ 289.8</b>	<b>\$ 602.9</b>	<b>\$ 1,147.3</b>	<b>\$2,340</b>
Satellite Online Market Share	20%	35%	41%	42%	43%
Breathe & Satellite Revenue	\$ 105	\$ 293	\$ 616	\$ 1,216	\$ 2,564
<b>Breathe &amp; Satellites Market Share</b>	<b>20%</b>	<b>36%</b>	<b>42%</b>	<b>44%</b>	<b>47%</b>



### TOTAL & ONLINE HHS CONSUMER BASE

To estimate the number of U.S.-based *HHS* consumers in total and online, Breathe has divided total *HHS* sales seen above by the average annual expenditure of an *HHS* consumer offline and online. Currently there are an estimated 29.7 million *HHS* consumer in the U.S. (10.7% of the U.S. population), growing 85% annually to 72 million (25.9% of the U.S. population) in 2004, at which point 35% of the total consumer base will be online. 3.5 million *HHS* consumers will each spend \$150 online this year, growing 65% annually to 25.2 million consumers in 2004, when each will spend \$216 online.<sup>13</sup>



### HHS CONSUMER BASE (MILLIONS)

Year	2000	2001	2002	2003	2004
AVG Expenditure of <i>HHS</i> Consumer (Per Month)	\$ 1,000 (\$ 83)	\$ 1,080 (\$ 90)	\$ 1,177 (\$98)	\$ 1,295 (\$108)	\$ 1,437 (\$120)
<b>Total <i>HHS</i> Consumer Base</b>	<b>29.66</b>	<b>33.78</b>	<b>41.21</b>	<b>53.20</b>	<b>71.89</b>
% of U.S. Population	10.71%	12.19%	14.88%	19.21%	25.95%
AVG Online Expenditure	\$ 150	\$ 162	\$ 177	\$ 194	\$ 216
<b>Total Online <i>HHS</i> Consumer Base</b>	<b>3.46</b>	<b>5.07</b>	<b>8.24</b>	<b>14.19</b>	<b>25.16</b>
Growth Rate		46.43%	62.69%	72.12%	77.36%
% of Total Consumer Base	11.67%	15.00%	20.00%	26.67%	35.00%

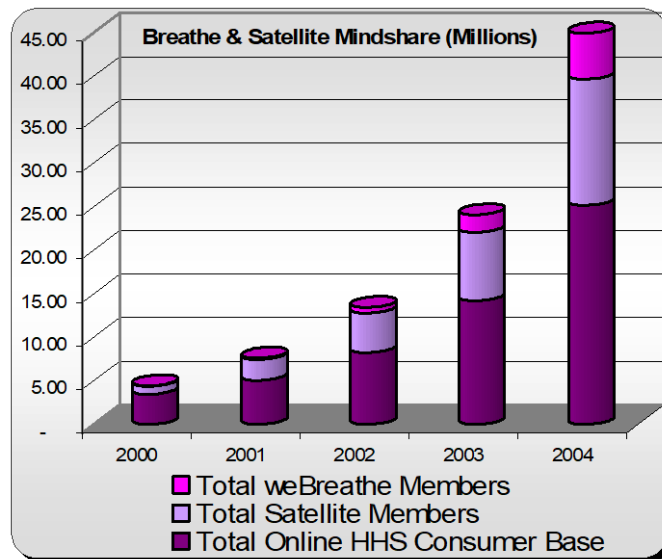
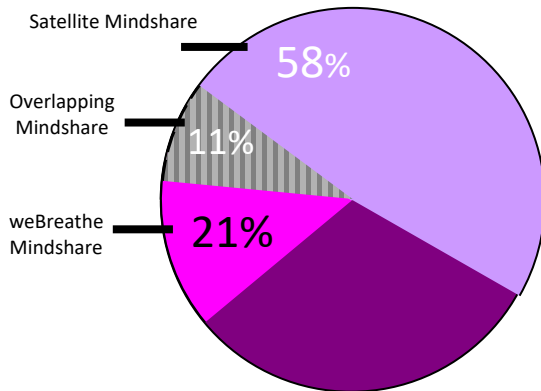
<sup>13</sup> These estimates are conservative compared to sociologist Paul Ray's often-cited study on the *Cultural Creatives*. Ray's study found that in 1994 at least 44 million adult Americans (24% of total U.S. population), averaging 30 years, were sensitive to the environment, longing for community, and known as "information junkies" that embody a kind of "new consciousness" that transcends and even undermines mainstream practices. Ray also found that they are primarily middle- to upper-middle-class, are well educated, earn relatively high incomes (\$47,000/year), and are evenly distributed throughout the country.

### MINDSHARE: LONG-TERM PROFITABILITY

For Breathe, Internet business is not just about achieving short-term profitability and market share. The key to long-term success is *Mindshare*: the number of loyal members that will make a brand either live or die during the infancy of Internet business.

Breathe's objective is to achieve 21% online mindshare by its fifth year (2004) with an estimated 5.3 million loyal weBreathe *Members*, which represents the long-term profitability and growth potential within the *HHS* market. This is only part of the greater mindshare that its *Satellites* will have already established, which Breathe estimates at 58% (14.5 million consumers). The 10% "overlap" in the pie chart below represents the Members that Breathe and its *Satellites* will share.

Breathe's *Satellite* partners are the ultimate sources of mindshare because their members are loyal and influential. Together, with an estimated 68% of combined mindshare, Breathe and its *Satellites* will be an unstoppable team.



#### BREATHE & SATELLITE MINDSHARE (MILLIONS)

Year	2000	2001	2002	2003	2004
<b>Total weBreathe Members</b>	<b>0.04</b>	<b>0.16</b>	<b>0.65</b>	<b>2.01</b>	<b>5.27</b>
Growth Rate		343.9%	296.1%	208.7%	162.9%
<b>weBreathe Online Mindshare</b>	<b>1.1%</b>	<b>3.2%</b>	<b>7.9%</b>	<b>14.1%</b>	<b>21.0%</b>
<b>Total Satellite Members</b>	<b>0.93</b>	<b>2.39</b>	<b>4.55</b>	<b>7.88</b>	<b>14.47</b>
<b>Satellite Online Mindshare</b>	<b>27%</b>	<b>47%</b>	<b>55%</b>	<b>56%</b>	<b>58%</b>
<b>weBreathe &amp; Satellites</b>	<b>27%</b>	<b>47%</b>	<b>58%</b>	<b>62%</b>	<b>68%</b>
<b>Shared Mindshare</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>	<b>8%</b>	<b>11%</b>

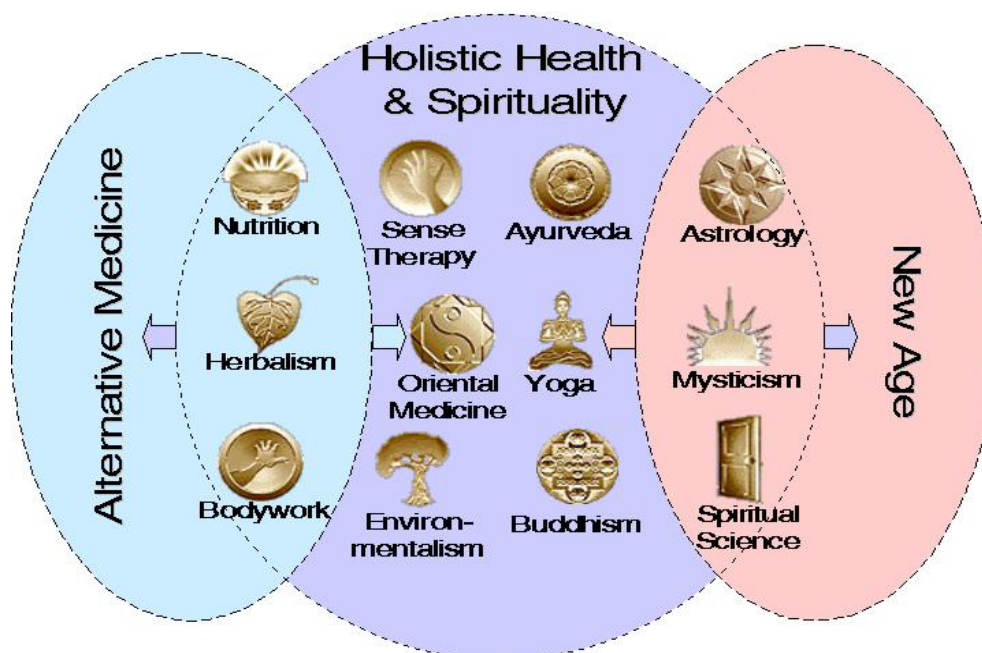
### Brand Opportunity: Consolidating Fragmented Niches

Entering and succeeding as a brand in the *HHS* marketplace requires an intimate understanding of the needs and values of providers and consumers within each *HHS* niche. Only a strong brand can consolidate the fragmented *HHS* niches and capitalize on the long-term expansion and

evolution of mainstream categories such as Alternative Medicine and New Age. Achieving brand strength within the brand-starved *HHS* marketplace means locking-out competition, viral marketing, increasing returns, “stickiness” (*Member* loyalty and repeat visits), lower churn rates, higher transaction volumes, and greater shareholder value.

The *HHS* marketplace is made up of several practices that generate products and services which have been lumped into several mainstream markets and industries, including the Alternative Health/Medicine industry, the Experience Industry, the Wellness market, the Self-Help Industry, the Natural market, the Nutraceutical market, the Organic Foods market, the Integrated Health market, the New Age market... The general spectrum, depicted below, ranges from health-oriented categories, such as Alternative Medicine, to spiritually oriented categories, such as New Age.

These categories have become increasingly confusing as the niches they target continue to evolve and overlap. To consolidate the *HHS* marketplace, Breathe has organized all of its practices into twelve distinct while compatible niches called *Constellations*, each with even deeper sub-*Constellations*. These relatively isolated and disorganized niches are the sources of the products and services that have emerged in the mainstreams of Alternative Medicine and



New Age. The core practices driving these niches attract students and consumers who are moving from the left and right boundaries into the *HHS* marketplace as they seek more practice-specific products and services. As the mainstream categories overlap and their consumers increasingly enter the marketplace, the *HHS* marketplace will expand to become the new, consolidated mainstream category with weBreathe established at its core.

#### ***SATELLITES: THE SOURCES OF CONSUMER AUTHORITY, MARKET SHARE, BRAND STRENGTH, AND PRODUCTS & SERVICES WITHIN THE HHS MARKETSPACE***

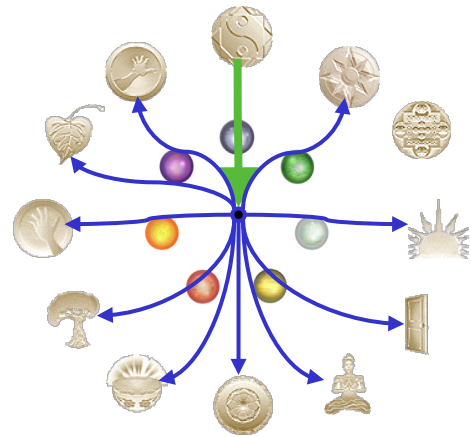
WeBreathe organizes and consolidates the fragmented niches that make up the *HHS* marketplace by leveraging the market share and brand strength of the most respected and prosperous providers/teachers/practitioners within each niche, called *Satellites*. The *Satellites* determine the kinds products and services that students committed to each practice, called *Hardcore Consumers*, purchase. The *Satellites* have established tremendous brand strength within their niches since *Hardcore Consumers*, though discriminating initially, are loyal to the teachers and practitioners they end up choosing. Their names are the sources of credibility with which anyone seeking to establish a brand in the space must affiliate. They are also the sources of authentic products, content, and services that consumers seek relating to each niche practice.

While the purchasing of these *Hardcore Consumers* represents a bulk of HHS market share, the other major portion of market share is generated by *Transitional Consumers*. *Transitional Consumers* sample multiple HHS practices searching for the right alternative solution for problems that mainstream practices could not solve. Although they were once *Mainstream Consumers* just seeking to use alternative health and spiritual practices to meet and reinforce their superficial needs (i.e. reducing stress, looking good, being productive...), *Transitional Consumers* have passed through “gateways” that introduce *Mainstream Consumers* to HHS practices through simplified packaging.<sup>14</sup> They want to explore the deeper roots of products and services that have been re-packaged for them in order to meet their deeper needs. They usually explore these roots through the guidance of *Hardcore Consumers*, who lead them to their *Satellites*.<sup>15</sup> Thus, the *Satellites* are the *real* sources of value to which all HHS consumers gravitate. Please find [Appendix D: HHS Target Consumer Profiles](#) for details on Breathe’s targeted consumer profiles.

## CORRELATIONAL DEMAND

Correlational Demand explains why the consolidation of *HHS* niches is possible and opportune. It means that the demand for products and services related to one *HHS* practice are positively correlated with the demand for products of other *HHS* practices. Someone who purchases a Yoga mat is also likely to study Buddhism, be an environmentalist and a vegetarian, buy herbs and supplements, take acupuncture treatments, read books on Metaphysics, travel to spiritual energy zones... Correlational Demand ultimately results from the natural compatibility among authentic health and spiritual teachers and practices,

Correlational Demand creates the ripe opportunity for consolidation; no brands, however, have successfully positioned themselves as facilitators of transactions across the *HHS* marketplace, though several have tried.



### *THE MELTING POT CHALLENGE*

The chief barrier to entry as a brand in the *HHS* marketplace is overcoming what Breathe calls the *Melting Pot Challenge*: to build a brand that reflects the common goals and distinct means among *HHS* practices. Although *HHS* practices are compatible since they share similar ends and appeal to *HHS* consumers, they cannot be lumped together into insensitive and diluted categories such as “New Age” and “Alternative Medicine” without alienating the distinct needs and values of *Satellites* and Hardcore Consumers within each niche. This is the trick that has eluded business and marketers seeking to exploit *HHS* niches: *lumping the niches together actually keeps them fragmented from one another.*

## WE BREATHE'S FOOD COURT SOLUTION

To meet the specific needs and values of niche consumers and providers, a dominant *HHS* brand must be more like a *Food Court* that allows *Satellites* to share their “food” *as they like to prepare it* with a greater, centralized marketplace of consumers. These consumers can then exercise Correlational Demand and choose from the authentic recipes across the entire *HHS* marketplace without sacrificing quality or variety. WeBreathe creates the infrastructure and relationships for

<sup>14</sup> The Hartman Group ([www.hartman-group.com](http://www.hartman-group.com)) uses the term gateways to describe the ways through which conventional consumers find HHS practices. Several of weBreathe's competitors are "gateways", such as Mothernature.com and onHealth.com.

<sup>15</sup> In research on brand trustworthiness toward *HHS* products, the Hartman Group found that the purchase environment and personal recommendation was more important than price. Recommendations by family and friends would influence purchases more than books, TV or manufacture's brochures. Hartman also found that brand switching in mainstream-oriented categories such as Nutraceuticals is high because of low brand recognition, market fragmentation, and lack of teacher/student trust relationships.

the Food Court that unifies that marketplace and capitalizes on Correlational Demand without diluting the niche practices that make it up.

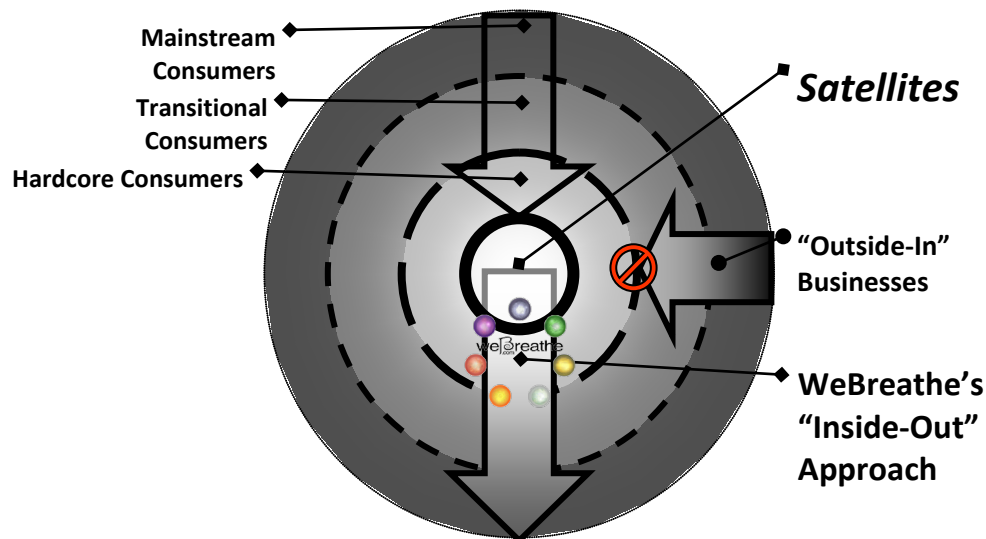
## BEING REAL

*Authenticity of ingredients, the brand, the lifestyle experience and the actual retail purchase experience all lend enormous importance to the actual purchase of a natural product or service.<sup>16</sup>*

*Satellites*, Hardcore and Transitional Consumers have all been waiting for a *real* brand that will solve the Melting Pot Challenge and create a community that they can trust in and unite through. Being *real* is thus the key to winning *HHS* marketshare and mindshare. Yet real teachers (*Satellites*) only work with real brands. So far, no mainstream brands have earned the lasting trust of *Satellites*, leaving them and their Hardcore Consumers mistrustful of “outsider” businesses. These businesses have used an “Outside-In” approach to the *HHS* marketplace by attempting to market themselves directly to Mainstream and Transitional Consumers. Many of these “outside-in” businesses end up becoming “gateways” towards the niches that they find difficult to enter because they are not credible to the authoritative *Satellites* and discriminating Hardcore Consumers.

## WEBREATHES’ INSIDE-OUT APPROACH

While the *Food Court* solves the *Melting Pot Challenge*, the “Inside-Out” approach targets and partners with *Satellites* to establish weBreathe as the *real HHS* brand. As they search for what is real, all consumers gravitate towards the *Satellites* at the core of the *HHS* marketplace. WeBreathe enters the core with the *Satellites* and services them so that they can capitalize on *Correlational Demand* and expand their consumer without sacrificing their need to be real.



Through servicing *Satellites*, Breathe will continue to build its business and brand upon their existing market share and brand strength to reach both Hardcore and Transitional Consumers.

The “Inside-Out” approach starts with weBreathe’s *Constellation Guides*: human guides who are experts that speak the subtle dialects within each *HHS* niche practice. These *Guides* are already “in” with some of the most respected providers. Collectively, these *Guides* will be the first to bridge the communications gap among *HHS* practices, serving as weBreathe’s sources of credibility for *Satellites*, Hardcore and Transitional Consumers. The *Guides* have enabled weBreathe to establish cross-promotional relationships with dozens of *Satellites* already (please request [Appendix A: Strategic Satellite Partners](#) for sample profiles on weBreathe’s current *Satellites*).

<sup>16</sup> The Hartman Group ([www.hartman-group.com](http://www.hartman-group.com)).

**WEBREATHES BRAND POSITIONING: THE UNIVERSAL VILLAGE**

Breathe has carefully planned and designed the weBreathe brand (its symbolism, positioning, design, and marketing materials) based on an intimate understanding of the unifying values of providers and consumers across *HHS* niches. The *Universal Village* brands weBreathe simultaneously to the *Satellite* and consumer as the electronic village that meets their universal needs across the entire *HHS* marketplace.

WeBreathe's brand elements have been designed to fuse the organic nature of *HHS* practices with the digital nature of the Internet medium. Elements such as *Constellations* and *Satellites* harness the metaphors of light and the Universe (*Constellations*, *Satellites*) to represent the common goals and underlying principles among *HHS* practices. The light also represents the electricity and speed of information on the Internet, which is represented as a universe (i.e. "Are you lost in Internet Space?... Join a *Constellation* of Light on weBreathe.com"). The name "weBreathe" recognizes the earthly, organic process of breathing that is fundamental to all *HHS* practices while reinforcing the communal nature of the international *HHS* movement ("we") through the Internet ("weB"). The *Constellation Guides* also fuse the organic practices with the Internet, making both *Satellites'* and consumers' experiences human and through qualitative-based decisions rather than on quantitative, mechanical "search" algorithms.

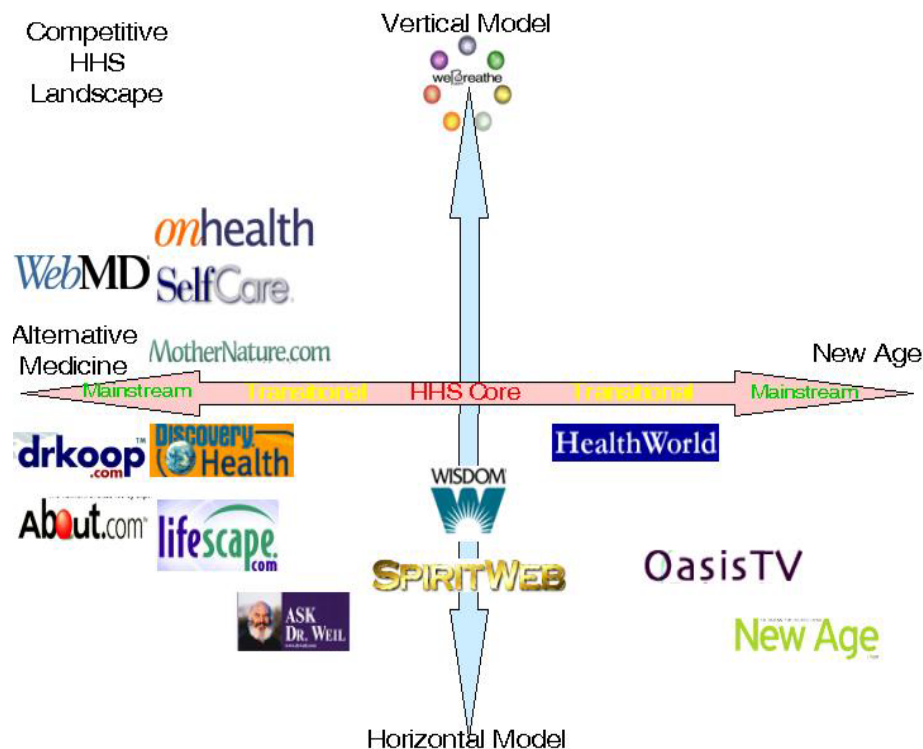
The weBreathe brand will be marketed as the real, natural, living, breathing, authentic, deep-rooted, and essential source of light in the Internet Universe. In every transaction and connection among *Satellites* and consumers, weBreathe represents a promise to deliver truth and quality by filtering out quantity, illusion, and darkness, and filtering in quality, truth, and light.



## IV. HHS COMPETITIVE LANDSCAPE

### The Only All-in-One *Value Exchange*

Although the *HHS* marketplace is massive and growing rapidly, no one has successfully consolidated the marketplace and established a strong brand. No competitors in the *HHS* marketplace directly service providers and consumers in each *HHS* niche with an all-in-one package that meets their Internet needs and earns their trust as a brand. WeBreathe's competition consists of relatively horizontal eBusinesses orientated towards the Alternative Medicine or New Age categories. There are competitors that focus on horizontal models, but these models are gateways targeting either Alternative Medicine or New Age Mainstream Consumers. None provide one-stop shops for Transitional and Hardcore Consumers. Ultimately, the highly-lucrative B2B side of the *HHS* market is wide open and weBreathe is the only known model that will exploit the B2B market as well as the entire B2B2C2C *Value Exchange*.



Although weBreathe's competitors have the potential to add to their business models, they are not set up to compete with weBreathe's comprehensive vertical model and targeted vertical market. This lack of integration is primarily a result of the general "misunderstanding" of and "outside-in" approach into the *HHS* marketplace, discussed previously.

### The *HHS* Competitive Matrix

To provide a detailed, all-encompassing understanding of the *HHS* competitive landscape, Breathe has prepared a *Competitive Matrix* that profiles each of weBreathe's competitors according to their business models and market focus (subsequent page). Each competitor has been carefully assessed and evaluated according to their specific value propositions across several eBusiness models that directly reflect the models weBreathe integrates. Each has received between 0-5 points based on their viability and ability to compete with respect to each value proposition, business model, and their overall potential.



# COMPETITIVE MATRIX

Note: All names are also websites ending with “.com” except SpiritWeb, which is [www.spiritweb.org](http://www.spiritweb.org) and Health World, which is [www.healthy.net](http://www.healthy.net)

KEY	5—Highly Competitive		4—Competitive		3—Not Directly Competitive but Viable			2—Semi-Viable		1—Potentially Viable		0—Not Viable			
	weBreathe	OnHealth	Discovery Health	WebMD	About	DrKoop	SpiritWeb	Wisdom TV	DrWeil	SelfCare	Mother Nature	OasisTV	Health World	Lifescape	NewAge
Total Score	29.8	21.4	19.3	19.0	17.3	15.3	15.3	14.0	13.9	13.8	13.3	12.5	10.1	9.1	7.8
Marketing	5.0	3.0	3.3	3.0	3.7	3.0	2.7	1.0	1.7	1.7	2.0	1.0	2.3	2.7	1.0
Portal/Directory	5	3	3	3	5	3	3	2	2	1	2	2	3	4	2
Search Utility	5	2	3	3	4	3	3	1	1	1	2	1	2	2	1
Market Research	5	4	4	3	2	3	2	0	2	3	2	0	2	2	0
Virtual Community	4.5	4.0	3.5	3.0	3.0	3.0	2.5	1.0	3.0	2.5	1.5	1.0	1.0	1.0	2.0
Membership Incentives	4	4	3	3	2	3	2	1	3	3	2	1	1	1	2
Membership Utilities	5	4	4	3	4	3	3	1	3	2	1	1	1	1	2
eCommerce	4.0	1.3	1.3	2.3	1.3	1.3	0.0	0.0	0.7	1.7	1.7	0.3	0.7	0.0	0.7
B2C	4	4	4	3	4	4	0	0	2	5	5	1	2	0	2
B2B	4	0	0	4	0	0	0	0	0	0	0	0	0	0	0
C2C	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net-TV	3.5	3.5	2.0	3.0	1.0	0.0	3.0	5.0	0.0	0.0	0.0	4.0	0.0	0.0	0.0
Production	2	3	2	3	0	0	3	5	0	0	0	4	0	0	0
Aggregation	5	4	2	3	2	0	3	5	0	0	0	4	0	0	0
Information Resources	4.3	3.3	3.4	3.0	3.3	2.5	2.8	2.0	2.8	2.5	2.5	2.0	2.3	1.8	1.3
Design	5	4	4	3	4	3	3	3	4	4	4	2	4	2	1
Production	2	5	5	3	4	3	4	2	4	3	2	3	2	2	2
Aggregation	5	4	4	4	5	4	4	3	3	3	4	3	3	3	2
Hosting	5	0	0	2	0	0	0	0	0	0	0	0	0	0	0
Revenue Streams	4.2	3.2	3.0	2.2	2.7	3.0	1.8	2.3	2.8	2.7	2.8	2.2	1.0	1.8	1.3
Advertising	3	5	5	4	5	5	4	4	4	4	4	4	1	4	3
eCommerce	5	4	4	3	3	4	0	0	2	5	5	0	1	0	1
Hosting	5	0	0	2	0	0	0	3	0	0	0	2	0	0	0
Marketing	5	5	4	4	4	4	3	3	3	3	4	3	2	3	2
Subscriptions	3	0	0	0	0	0	0	0	3	0	0	0	0	0	0
Sponsorships		5	5		4	5	4	4	5	4	4	4	2	4	2
Clientele	4.3	3.2	2.8	2.5	2.3	2.5	2.5	2.7	3.0	2.8	2.8	2.0	2.8	1.8	1.5
Health Consumers	4	5	5	3	4	5	2	3	4	4	5	2	3	4	1
Spiritual Consumers	4	3	3	1	2	2	4	3	4	3	2	3	3	1	3
Health Practitioners	4	2	2	5	1	3	1	3	3	3	3	1	3	4	0
Spiritual Practitioners	5	2	2	2	1	1	4	3	3	2	2	3	3	1	2
Health Providers	4	4	3	3	4	4	0	2	2	3	4	0	3	1	1
Spirituality Providers	5	3	2	1	2	0	4	2	2	2	1	3	2	0	2

## **MARKETING SERVICES**

The marketing model includes portalling, cross-promotional, and research services for provider websites. This model draws in advertising, sponsorships, and other promotion-based revenues. These value-added marketing services organize a wide array of content according to topic categories for consumers. WeBreathe's major competitors in this channel are **About.com** and **OnHealth.com**.

About.com, recently rated one of the top 10 most visited websites, was the first human-powered directory. Currently it employs hundreds of human experts within specific content categories that navigate users to valuable information. Although About has two guides related to the *HHS* marketplace, their focus is so horizontal and catered to the Mainstream Consumer that it detracts from their ability to develop a comprehensive user experience and credible brand that would satisfy Transitional and Hardcore Consumers. About.com is the definitive example of a human powered portal, but is limited to a single eBusiness model.

OnHealth.com has successfully aggregated a large amount of content related to Alternative Medicine. The content is surrounded by a virtual community with a built-in eCommerce engine. They are an example of a more comprehensive "gateway" for Mainstream Consumers into the Alternative Medicine market focusing primarily on content, commerce, and community related to the Nutraceutical market. Although Breathe recognizes OnHealth as its major competitor due to its potential to grow beyond a "gateway" once the *HHS* marketplace explodes past a certain threshold, it is not positioned to earn the core *HHS* teachers' and providers' trust as a brand since it lacks Business-to-Business sensibility, strategy and services.

## **VIRTUAL COMMUNITY SERVICES**

One of the most widespread models on the Web is the Virtual Community model since the primary goal of most eBusiness is to use user-generated content to acquire market share and brand integrity through achieving a critical mass of loyal *Members*. This Virtual Community model provides consumers with *Membership* incentives and utilities so that they will "join" an online community related to their specialized personal interests. Although there are exceptions (i.e. [www.blackplanet.com](http://www.blackplanet.com)), the Virtual Community model is rarely successful on its own.

**SpiritWeb.org**, a seven-year-old Web-based non-profit, has developed a thriving virtual community from scratch with basic features such as chat, messageboards, free e-mail, personalization, newsletters, and personal pages. It is targeted towards Mainstream and Transitional New Age Consumers and has been surprisingly successful at acquiring market share through content aggregation and a trustable sensibility. SpiritWeb is one of the few competitors that understands the deeper values of spiritually-oriented consumers within the *HHS* marketplace, and it has established an online community which reflects that understanding. Although SpiritWeb is listed as a competitor, weBreathe views SpiritWeb as a potential ally to make charitable donations to in exchange for sharing of weBreathe and SpiritWeb *Members*.

OnHealth.com and DiscoveryHealth.com have built the Virtual Community model into their content and (in OnHealth's case) commerce aggregation. WeBreathe is not directly competing for the same kinds of Mainstream *Members* that they are, and for those *Members* who are not satisfied with the depth and scope of their offerings, weBreathe will be the next step into the *HHS* space.

## **ECOMMERCE SERVICES**

The B2C eCommerce model consists primarily of a catalogue that aggregates products from different retailers by providing transaction functionality, extracts transaction fees, and then either warehouses certain products or allows the retailers to fulfill orders. Although the latter is weBreathe's approach to the market (combined with its expert guides' shopping advice), weBreathe is ultimately positioning itself for a more sophisticated and lucrative eCommerce model that links the B2B2C2C chain in a real-time, self-service *Agora* where buyers and sellers "discover" prices and weBreathe provides the infrastructure to extract transaction fees.

Ultimately, weBreathe's offering will consist of a greater variety of product types (Books, Videos, Audio, Herbs, Supplements, Organic Foods, Personal Care items, Clothing, Artwork, Home Furnishings) and practice-specific products (products that are only associated with weBreathe's specific *HHS* practices such as a Yoga mat for Yoga or Tongue Cleaner for Ayurveda), than the limited variety of products that have been packaged for Mainstream Consumers. Most competitors focus on Alternative Medicine products, particularly Nutraceuticals as it represents the fastest-growing segment within the marketplace.

OnHealth.com, SelfCare.com, and DiscoveryHealth.com are all fighting it out with **MotherNature.com** to become the primary gateway brand for Alternative Medicine Mainstream and Transitional Consumers.

MotherNature.com, which has recently made a public offering, has established itself as the major competitor for this model with a well-packaged catalogue (mainly Personal Care, Herbs, and Supplements), an emerging brand, and deep pockets. MotherNature, however, relies almost solely on an eCommerce model focused on Alternative Medicine products that have gone mainstream. MotherNature may become a major competitor to weBreathe if it expands its eBusiness model beyond eCommerce (to provide marketing services, content aggregation, practitioner services, and *Memberships* utilities and incentives) and/or establishes reliable relationships with core teachers and practitioners within the deeper *HHS* marketplace.

**WebMD.com** is the only eBusiness well-positioned for B2B e-commerce, but it is limited to traditional health providers and practitioners.

No identified competitors offer C2C eCommerce services.

While there are players who sell products related to the *HHS* market and its practices, they each focus on packaging their products and brands demographically. What they do not realize about their market is its roots in the *HHS* marketplace, which is unified by psychographics that they do not seem to understand yet.

### ***NET-TV SERVICES***

The Net-TV model has two sub-models: an aggregation model that acquires existing content and makes it accessible online; and a production model that produces content for the Internet directly.

The two premier players in this space are OasisTV.com and **WisdomTV.com**. OasisTV.com aggregates programming for the New Age Mainstream Consumer. OasisTV.com does not yet offer an extensive programming package, and lacks a comprehensive model.

WisdomTV.com is the major Net-TV competitor as they produce and, to a limited extent, aggregate high-quality Net-TV content for both the New Age and Alternative Medicine Mainstream Consumer. With two years of synchronized cable-radio-Internet "simulcasting" under their belt and Ted Turner Visions, Inc. behind them, WisdomTV is creating a strong brand for TV programming associated with respected teachers/providers in the *HHS* space. WisdomTV represents a major threat down the road if they build the Virtual Community, eCommerce, and successful eBusiness models necessary to fully leverage their brand and capture greater *HHS* market share.

No competitor has established itself as an aggregator servicing providers of Net-TV content. With its aggregation approach, weBreathe views WisdomTV as a potential partner for which is can re-package and distribute Net-TV content.

### ***PRACTITIONER SERVICES SERVICES***

Practitioner services involve profiling and promoting practitioners through an online directory and/or providing practitioners with tools to conduct their business online as paid experts. Most competitors offer some form of expert advice, but usually through email without a comprehensive directory to lure both quality practitioners and knowledgeable consumers into the online service. WeBreathe offers both the directory and online chat sessions with real *HHS* teachers and practitioners.

The major competitors with regard to the online expert service are Dr.Weil.com, DrKoop.com, AskJeeves.com, and WebMD.com.

**DrWeil.com** is the major competitor to weBreathe since the others focus only on Western Medicine and just the cusp of Alternative Medicine. DrWeil.com offers a variety of health information, and makes it very easy to seek advice from Dr. Weil and other affiliated practitioners. While this site has strong relationships with the respected practitioners as well as retailers such as **VitaminShoppe.com**, it lacks virtual community, content aggregation, and eCommerce services. DrWeil is also a potential ally for weBreathe, insofar as weBreathe and DrWeil can cross-promote and/or share the practitioners that they service.

### ***INFORMATION RESOURCES SERVICES***

This model promotes other teacher/practitioner/provider services through aggregating and/or hosting related information. This aggregated data can then be organized into valuable information resources for consumers, and also compiled into research reports for businesses.

Dr.Koop.com and Discoveryhealth.com provide basic information aggregation services for Alternative Medicine Mainstream Consumers. Although SpiritWeb has aggregated a mass of information resources for the New Age Consumer, **Health World** is the major competitor here as it hosts respected *HHS* practitioners' websites for them and then organizes that content into research services for Consumers, but not yet providers.

WeBreathe is the only model that services both consumers and businesses with information resources, aiming to be the aggregator and, eventually, host for the most respected and prosperous websites in the *HHS* marketplace. Combined with its potential as a market research agency for businesses, weBreathe stands alone as both the *HHS* consumer's and provider's infomediary.

## V. BUSINESS STRATEGY: B2B2C2C VALUE EXCHANGE

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### Overview

The ultimate goal of Breathe's Business Strategy is to maximize shareholder value. Breathe seeks to maximize shareholder value by extracting four sources of revenue from *Satellites* and *Members*. Breathe will acquire and lock-in *Satellites* and *Members* by developing a *Value Exchange* that optimizes exchange of otherwise isolated *sources of value* (websites, products, services, interactive forums, multimedia, practitioners, research, keywords, and members) among *HHS* providers and consumers. By leveraging and extracting value from each transaction between *Satellite* and *Satellite* (Business-to-Business), *Satellite* and *Member* (Business-to-Consumer), and *Member* and *Member* (Consumer-to-Consumer), weBreathe will position itself as the central transaction processor for an extensive Business-to-Business-to-Consumer-to-Consumer (B2B2C2C) network spanning the entire *HHS* marketplace.

Complimenting weBreathe's "Inside-Out" brand development strategy, Breathe's business strategy is to service *Satellites* with an all-in-one package of marketing, eCommerce, and hosting services to leverage and aggregate their market share, mindshare, and *sources of value* (SOV). These services make SOV more accessible for each *Satellite's* consumers, weBreathe's consumers, and consumers from other *Satellites*. This accessibility allows weBreathe and its *Satellites* to capitalize on *Correlational Demand* while introducing each *Satellite's* consumers to weBreathe. WeBreathe's services convert *Satellites'* consumers into revenue-generating weBreathe *Members* through *Membership* utilities, incentives, and commercial transactions.

Servicing *Satellites* thus provides weBreathe with:

- **Multiple Sources of Value** that drive revenue for *Satellites* and weBreathe, and create variety and low prices for consumers.
- **Brand awareness** and integrity, leveraged off of *Satellites'* brand strength and credibility.
- An **optimal Member acquisition rate** and **critical mass of Members** as *Satellites* share their traffic through weBreathe.

In addition to acquiring members through *Satellites* (*Satellite Members*), weBreathe will acquire *Non-Satellite Members* from other online sources (by distributing its Meta-Search Utility to major community sites, gateways, and search engines) and from offline sources through offline marketing campaigns.

Breathe has designed the Value Exchange to evolve through three strategic Phases of development that progressively integrate weBreathe's multiple business models (called *Components*) so that weBreathe can eventually service all of the Internet needs of its *Satellites* and *Members*. Each Phase enables weBreathe to tap more deeply into four revenue streams: *Marketing*, *Hosting*, *eCommerce*, and *Sponsorships & Advertising*.

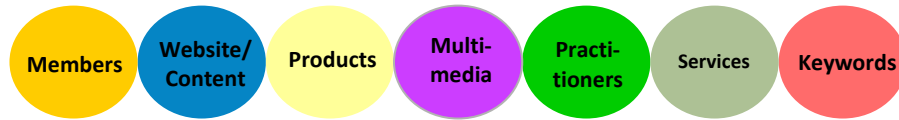
Although one of weBreathe's competitive advantages is its intricate long-term plan guiding it through each Phase, this section introduces the long-term three-phase plan while the subsequent Phase I Business Strategy section focuses on Phase I / Year 1 development (detailed descriptions of Phases II & III are available in [Appendix C: Phase II-III Strategy](#)).

### Value Exchange

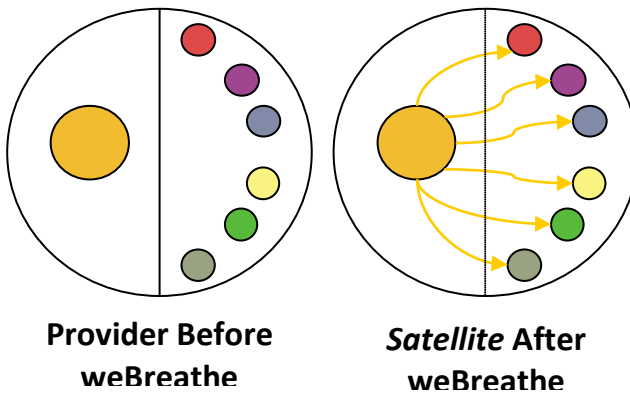
In each exchange between (a) *Satellites* and their consumers, (b) *Satellites* and weBreathe, (c) *Satellites* and *Satellites* (d) weBreathe and its *Members* and (e) among weBreathe's *Members*, weBreathe adds and extracts value while branding itself as the transaction facilitator.

The following two-page flow chart illustrates how weBreathe's *Value Exchange* works in detail, starting with how weBreathe services a single *Satellite*:

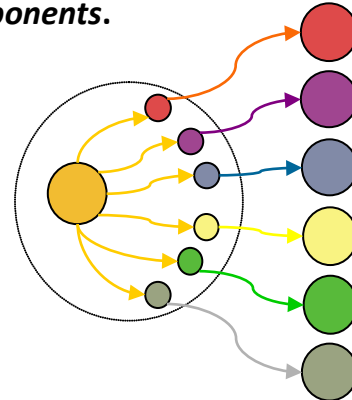
## Sources of Value (SOV)



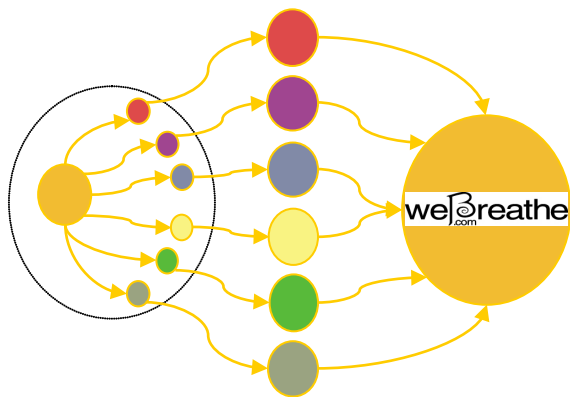
1. Leverage a *Satellite's* SOV for its Consumers.



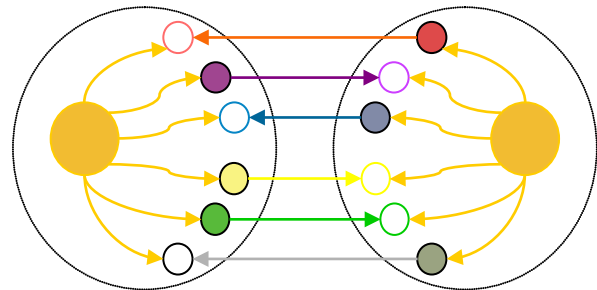
2. Integrate *Satellite's* SOV into weBreathe's pools of value, called *Components*.



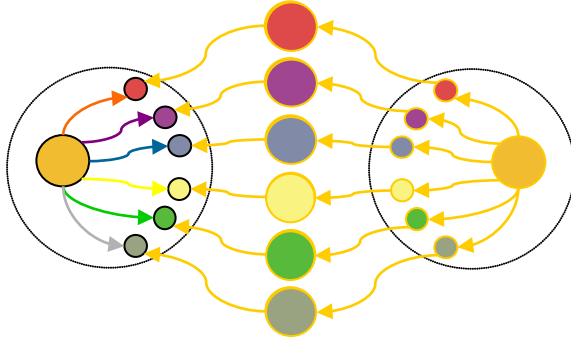
3. Introduce *Satellite's* Consumers to weBreathe through *Components* and convert them into weBreathe *Members*.



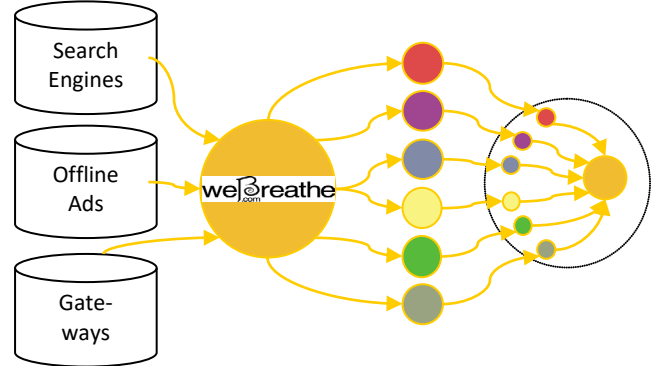
4. Enable *Satellites* to share SOV and earn referral commissions.



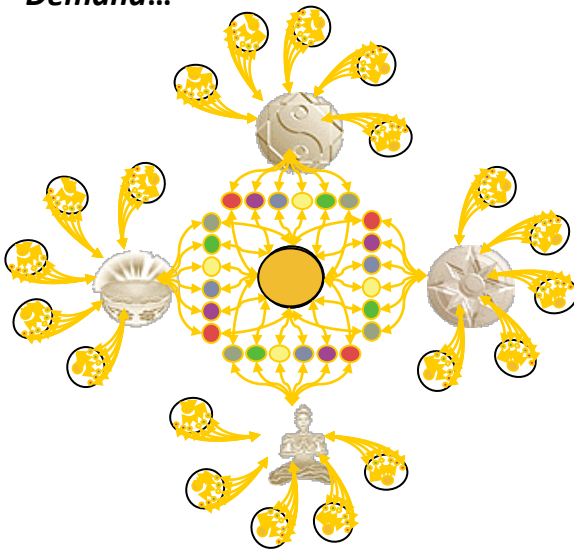
5. Introduce each *Satellite's* consumers to other *Satellites* SOV through weBreathe's *Commons*



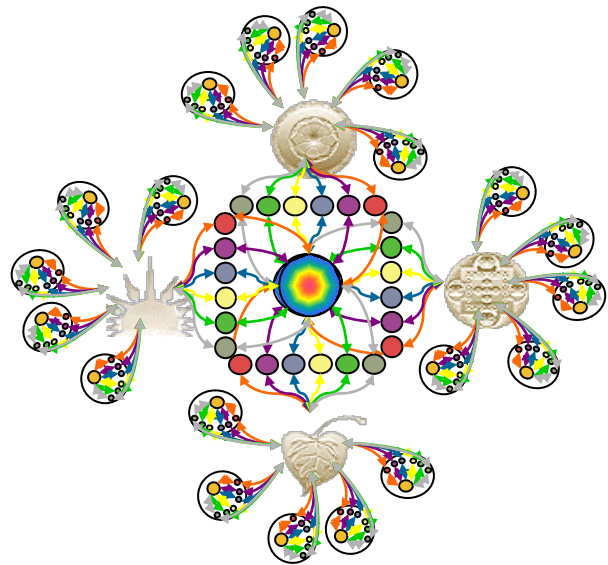
6. Acquire members from non-*Satellite* sources and introduce them to each *Satellite*.



7. Expand the number of *Constellations* and *Satellites* to exponentially increase weBreathe Members, tap *Correlational Demand*...



8. And multiply value exchange among *Satellites*, their consumers, and weBreathe Members.



## Sources of Value (SOV)





## Components

WeBreathe packages the services that it offers to providers/*Satellites* and consumers/*Members* into seven *Components*. Each *Component* leverages a specific source of value from *Satellites* to make it accessible to consumers.<sup>17</sup> Each of the *Components* correspond to a relatively-horizontal eBusiness model, which, as they are combined, become the all-in-one vertical model described in the Value Proposition section, as follows:

Component Packaging Name	eBusiness Model Functionalities	Horizontal eBusiness Model Examples <sup>18</sup>	Sources of Value
<b>Constellations</b>	EXPERT-POWERED PORTAL	<a href="http://WWW.ABOUT.COM">WWW.ABOUT.COM</a>	WEBSITES
<b>Community Hub</b>	VIRTUAL COMMUNITY	<a href="http://WWW.IVILLAGE.COM">WWW.IVILLAGE.COM</a>	<i>MEMBERS</i>
	CONSUMER-TO-CONSUMER TRANSACTIONS	<a href="http://WWW.EBAY.COM">WWW.EBAY.COM</a>	
<b>Solar Emporium</b>	BUSINESS-TO-CONSUMER TRANSACTIONS	<a href="http://WWW.UBID.COM">WWW.UBID.COM</a>	RETAILERS
	BUSINESS-TO-BUSINESS TRANSACTIONS	<a href="http://WWW.FREEMARKET.COM">WWW.FREEMARKET.COM</a>	MANUFACTURERS DISTRIBUTORS
<b>BreatheTV</b>	MULTIMEDIA AGGREGATION	<a href="http://WWW.BROADCAST.COM">WWW.BROADCAST.COM</a> (RECENTLY ACQUIRED BY YAHOO)	MULTIMEDIA
<b>TeleHealth Center</b>	INTERACTIVE SERVICES	<a href="http://WWW.ASKJEEVES.COM">WWW.ASKJEEVES.COM</a>	PRACTITIONERS
<b>Breathe Institute</b>	DATABANK	<a href="http://WWW.JUP.COM">WWW.JUP.COM</a> (JUPITER COMMUNICATIONS)	RESEARCH, SERVICE PROMOTION
<b>Search &amp; Breathe</b>	INTEGRATED SEARCH UTILITY	<a href="http://WWW.INFOSPACE.COM">WWW.INFOSPACE.COM</a>	KEYWORDS

While *Satellites* benefit from leveraging and extending their SOV online, weBreathe's combination of *Constellations* (niche markets) and *Components* (sources of value) enables consumers to access and experience multiple SOV within one *Constellation* (i.e. experiencing Yoga websites, products, *Members*, multimedia, practitioners, information resources, and keywords) and the same SOV throughout multiple *Constellations* (i.e. experiencing the multimedia of all the different *Constellations*).

## Phases

Each *Component* evolves through three Phases of development by packaging new technologies, expanding *Satellite* and *Member* services, and tapping deeper revenue streams.

During Phase I, weBreathe is an expert-powered *Portal* to *Satellites'* specific SOV, providing consumers with a comprehensive directory of SOV that have been hand-picked and reviewed by the *Constellation Guides*. This directory cross-promotes *Satellites* and their existing SOV online in exchange for access to each *Satellite's* consumers, who are shared by *Satellites* through each *Component's* directory. During Phase I, weBreathe also creates an online exchange for *Satellites* to market their products in a real-time, self-service *Agora* (Ancient Greek marketplace) that is populated with *Satellites'* consumers. *Satellites* offer their products through their own "shelfspace" that can also be mirrored as a storefront on their website.

During Phase II, weBreathe becomes an *Aggregator* of the SOV it has been a portal to during Phase I, while leveraging *Satellites'* SOV that do not yet exist online (i.e. a product they sell offline but not online). This provides consumers with not only access to a greater scope of SOV,

<sup>17</sup> WeBreathe's current packaging of these *Components* for *Satellites* can be seen online at [www.webreathe.com/Presentation/breathe4.htm](http://www.webreathe.com/Presentation/breathe4.htm) (normal connections) and [www.webreathe.com/public/Overview/webreathe.htm](http://www.webreathe.com/public/Overview/webreathe.htm) (fast connections).

<sup>18</sup> These examples are plotted in the Vertical Model for Vertical Markets graph of the Value Proposition.

but ultimately the ability to exchange multiple SOV through weBreathe. During Phase II, weBreathe also builds a Business-to-Business exchange into the Business-to-Consumer Agora so that *Satellites* retailers, distributors, and manufacturers can trade their goods online.

During Phase III, weBreathe becomes a *Host* for *Satellites*' entire online presence, (re-)developing and serving their websites with a end-to-end package that meets all of their online needs. Phase III also builds the full B2B2C2C *Value Exchange* by developing a Consumer-to-Consumer exchange into the Agora. The following chart summarizes each of weBreathe's *Component*'s evolution through each Phase:

<b>Component</b>	<b>Phase I: Portal &amp; B2C Value Exchange</b>	<b>Phase II: Aggregator &amp; B2B Value Exchange</b>	<b>Phase III: Host &amp; C2C Value Exchange</b>
<b>Constellations</b>	Cross-Promotion with content-based <i>Satellites</i> through Guides.	Aggregation of content from <i>Satellites</i> into weBreathe news and highlights.	Hosting of <i>Satellite</i> Websites.
<b>Solar Emporium</b>	Business-to-Consumer Value Exchange through real-time marketplace.	Build Business-to-Business transactions into B2C Value Exchange. Develop supply-chain management interface.	Build Business-to-Business transactions and supply-chain integration to create full-scale B2B2C2C Agora.
<b>Community Hub</b>	Cross-Promotion with <i>Satellites</i> that have or require interactive forums. Convert <i>Satellite</i> visitors into weBreathe <i>Members</i> with basic <i>Membership</i> incentives and utilities.	Aggregate user-generated content from hosting <i>Satellites</i> ' interactive forums <i>Satellites</i> . Launch online campaign to acquire <i>Members</i> from non- <i>Satellite</i> sources.	Integrate Consumer-Consumer <i>Value Exchange</i> . Launch offline campaign to acquire <i>Members</i> from offline sources.
<b>BreatheTV</b>	Cross-Promotion with <i>Satellites</i> that stream multimedia online.	Aggregation of <i>Satellites</i> ' online multimedia content.	Production and Hosting of <i>Satellites</i> ' offline multimedia content.
<b>TeleHealth Center</b>	Cross-Promotion with <i>Satellites</i> featuring practitioners.	Aggregation of practitioner profiles. Provide practitioners with functionality to service clients online. Build practitioner referral network.	Provide practitioners with enhanced tele-conferencing capacity to practice and receive referral commissions online.
<b>Breathe Institute</b>	Cross-Promotion with <i>Satellites</i> featuring services and specialized information resources, such as market research, educational programs, employment opportunities...	Aggregation of featured services and information resources. Provide market research resources.	Expanding market research services. Build online transactional functionality into information resources.
<b>Search &amp; Breathe</b>	Distribute search utility to all websites as a cross-promotional tool that searches their website as well as all weBreathe <i>Satellites</i> & <i>Components</i> .	Distribute online as the search utility for <i>HHS</i> marketplace. Aggregate all webpages and keywords from <i>Satellites</i> to extend search functionality.	Integrate all hosted <i>Satellites</i> to complete search functionality. Distribute to handheld and wireless devices.

## VI. PHASE I BUSINESS STRATEGY

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This Phase I Business Strategy section addresses Breathe's short-term development plan in consideration for the immediate investment opportunity. It consists of the Phase I Marketing, Revenue, Technology, and Operational (Budget & Staffing) strategies. All strategies are synchronized and organized by three sub-phases of development; Phase IA is for the first four months; Phase IB is for the second four months; and Phase 1C is for the final four months of year one development. Each strategy and sub-Phase has its own objectives, sub-strategies, and financial requirements. While Phase I revenues and expenses have been determined manually, the five-year projections for revenues and expenses have been calculated based on Breathe's five-year financial model, which is addressed in the subsequent section.

### Marketing Strategy

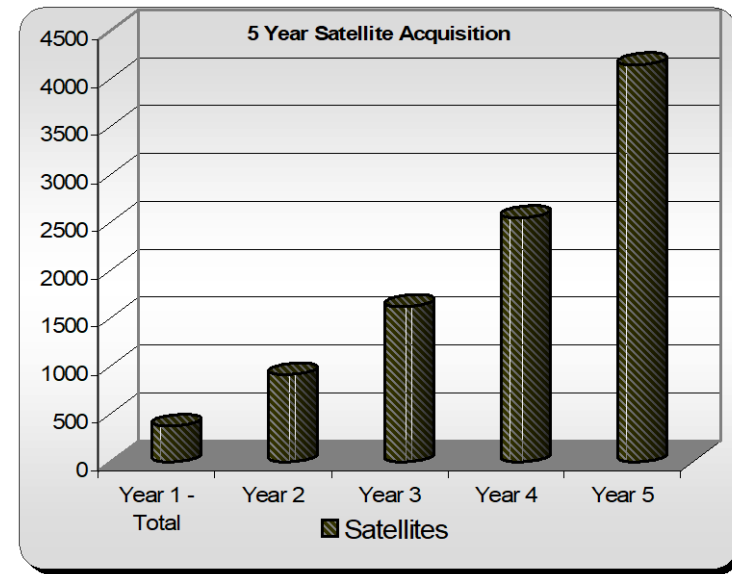
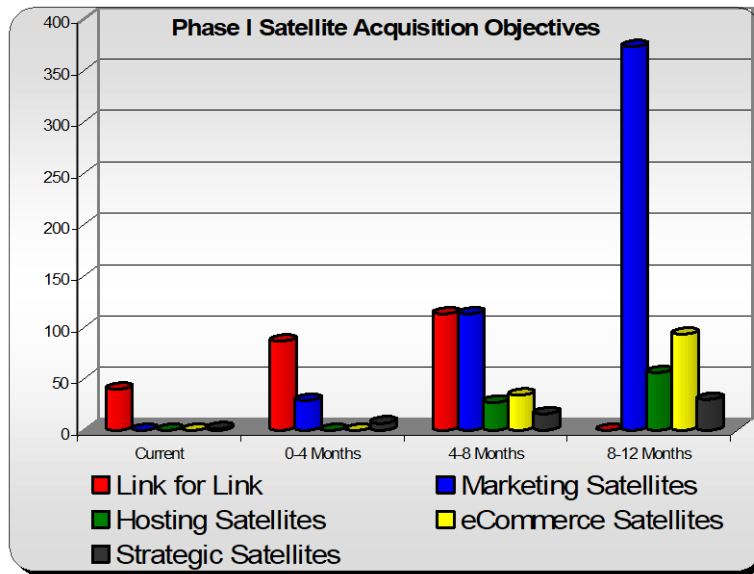
During Phase I, Breathe will build upon its current relationships to establish itself as the epicenter of a vast, interconnected cross-promotional network of *Satellites* that share visitors through weBreathe, which converts those visitors into weBreathe Members. As described in the Market Share & Mindshare sections, Breathe's chief asset will initially be the mindshare it acquires through its *Satellites* since mindshare equals future market share and long-term profitability. Thus weBreathe's first marketing objective is to acquire *Satellites* by offering them marketing (more traffic), eCommerce (more sales), interactive (more user-generated content), and Net-TV hosting (more bandwidth) services. Through acquiring a critical mass of *Satellites* weBreathe can acquire a critical mass of weBreathe Members, which will demonstrate weBreathe's viability and allow it to accelerate into Phases II and III.

Phase I Critical mass is a total of 373 *Satellites* and 37,000 weBreathe Members; 96% (33,500) of these Members will be acquired through *Satellites* and 4% (3,500) through non-*Satellite* sources such as search engines, guerilla marketing and word-of-mouth. WeBreathe will convert visitors from *Satellites* and non-*Satellites* into Members through commercial transactions and by offering branded membership features (i.e. personal pages and greeting cards), interactive utilities (chatrooms and messageboards), and membership incentives (i.e. multi-cultural Astrology readings and free online consultations with weBreathe's expert Guides).

### SATELLITE ACQUISITION

WeBreathe will continue to acquire *Satellites* through its *Constellation Guides* and *Component* services. *Satellite* acquisition is based on the number of *Constellations* and the number of *Satellites* that *Constellation* Guides can collectively acquire each week, which determines the number of *Satellites* within each *Constellation*. The weekly acquisition rate will depend on the attractiveness of weBreathe's services and its success at marketing those services and its brand to *Satellites* vis-à-vis the *Constellation* Guides. (Please request [Appendix A: Strategic Satellite Partners](#) for a sample of weBreathe's current *Satellite* partners).

There are five different kinds of *Satellites*: *Link-for-Link Satellites* (*Satellites* that link to weBreathe from their website); *Marketing Satellites* (*Satellites* that place weBreathe's meta-search utility on their website and/or use other weBreathe marketing services); *Hosting Satellites* (*Satellites* that use weBreathe's interactive forums on their website and/or other hosting services), *eCommerce Satellites* (*Satellites* that sell their products through weBreathe), and *Strategic Satellites* (*Satellites* that possess strategic value to weBreathe through high sales volumes, consumer bases, credibility, and/or content).



Satellite Acquisition <sup>19</sup>	Now	0-4 Months	4-8 Months	8-12 Months	Year 2	Year 3	Year 4	Year 5
Constellations	6	8	10	12	14	16	18	22
Satellites per Week per Constellation	0.6	0.6	0.63	0.65	0.65	0.7	0.775	0.9
Acquired Satellites - Per Const	7	8	8	8	34	36	40	47
Acquired Satellites - Total	40	62	82	101	473	582	725	1030
Total Satellites per Constellation	7	14	23	31	65	101	142	188
Satellites	40	116	227	373	909	1621	2549	4145
Satellite Growth Rate		189%	96%	65%	143%	78%	57%	63%

<sup>19</sup> With no services to offer except a link-for-link exchange, Breathe's first three *Constellation Guides* acquired cross-promotional relationships with over 30 *Satellites* in one month, roughly 300% higher than the pace needed to meet the projected milestone for year one.

## PHASE I SATELLITE SERVICES

### CONSTELLATION GUIDES

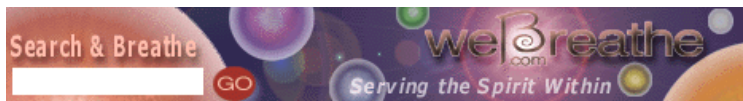
WeBreathe's *Constellation Guides* are its primary sources of credibility for building relationships with *Satellites* and *Members*.<sup>20</sup> The *Guides* hand-pick the best websites from the thousands of hits returned by a typical search engine query and then develop relationships with them. Guides present weBreathe's services and brand to potential *Satellites*, starting with cross-promotional relationships. Guides maintain relationships with *Satellites* and *Members* by providing updated news and highlights related to each *Constellation* and its *Satellites* as well as marketing new weBreathe services. The *Constellation Guides* will review and link to *Satellites'* homepages, products, multimedia, interactive forums, practitioners, services, and other information resources within each *Satellite* domain.

### CONSTELLATIONS PORTAL

The primary service that weBreathe will provide to *Satellites* during Phase I is delivering more traffic to each part of their website. During Phase I, each *Component* acts as a specialized portal to *Satellites'* targeted *sources of value*, navigating users to each *Satellite's* various features through reviews that link to specific pages within their website (i.e. their catalogue, messageboard, about statement, newsletter). Each *Component* is managed by a *Component Manager* who works with each of the *Constellation Guides* to manage the *Component* and market it to *Satellites* and *Members*.

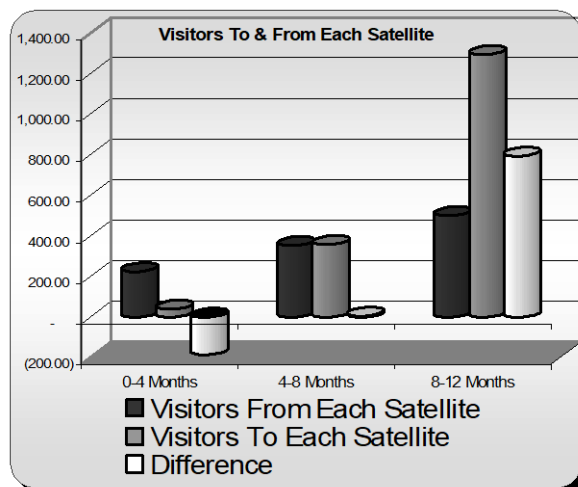
### SEARCH & BREATHE: MEMBER-EXCHANGE

In order to have their website featured in one or more of weBreathe's



Components, *Satellites* must place weBreathe's meta-search utility (*Search & Breathe*, one example is shown above) within 1-3 clicks of their homepage. Search & Breathe navigates each *Satellite's* visitors to weBreathe and on to other *Satellites*. Wherever a visitor is in the Internet universe, once they reach a *Satellite* and create a search query, they will enter weBreathe and be presented with a specialized results page featuring hand-picked websites, products, multimedia, practitioners, and information resources.

Similar to the "Web-ring" concept (multiple like-minded sites all trade banners or create a third-party site that promotes all of them), which has developed in multiple niches on its



own, each *Satellite* opens its traffic up to a larger pool of traffic and then receives more traffic from that larger pool. This will allow *Satellites* to finally take advantage of Correlational Demand and share traffic that they would not otherwise receive through weBreathe. Each *Satellite* will receive traffic from other *Satellites* within its *Constellation* and, based on Correlational Demand, from *Satellites* in other *Constellations*. Based on each *Satellite's* average unique visitors base, Breathe's traffic analysis (shown adjacently to the left) indicates that initially each *Satellite* will deliver more traffic to weBreathe during Phase IA, but that weBreathe will begin delivering exponentially

Please request [Appendix B: Constellation Guides](#) for profiles of weBreathe's current *Constellation Guides*.

more traffic to each *Satellite* from Phase IB onward. This traffic sharing is the primary and natural incentive for *Satellites* to join weBreathe's network.

#### **META-INTERACTIVE FORUMS: USER-GENERATED CONTENT**

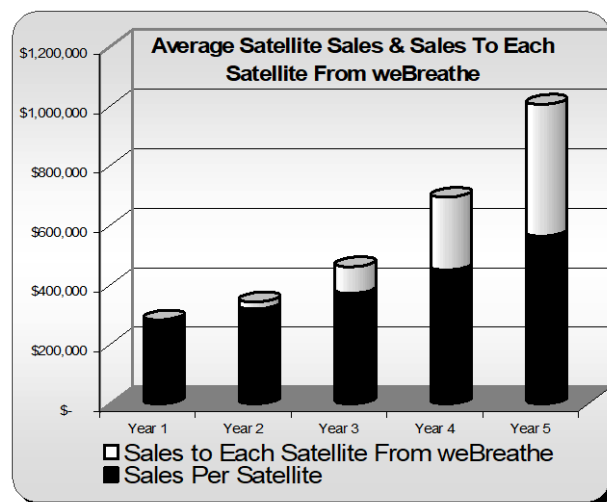
Approximately 75% of weBreathe established and targeted *Satellites* do not have any interactive forums on their websites through which they can encourage their members to interact with each other and themselves. WeBreathe will offer *Satellites* a turn-key system for creating and administering messageboards and chatrooms on their website. Although these messageboards and chatrooms appear customized to the *Satellite*'s website, they are actually served by weBreathe and integrated into the *Constellation* corresponds to each *Satellite*. This provides *Satellites* with a simple, cost-effective way of acquiring user-generated content and promoting interactivity while enabling weBreathe to aggregate all of that user-generated content. With weBreathe's logo on each *Satellite*'s interactive forum, weBreathe will draw in *Satellites* visitors that it does not draw in through Search & Breathe. For *Satellites* that already use messageboards and/or chatrooms, weBreathe will either cross-link with it or it will provide those *Satellites* with a more efficient and affordable interactive solution.

#### **B2C ECOMMERCE EXCHANGE & SUPPORT: PRODUCT SALES**

Whether *Satellites* are selling products online or not, they inevitably want to increase their transaction volume and tap into new markets for their products. For *Satellites* that have products but do not sell them online, weBreathe provides not only a simple way to use the technology to sell products online, but ultimately the way for *Satellites* to capitalize on *Correlational Demand* by reaching online consumers from other *Constellations* that they would otherwise not reach.

*Satellites* will be able to create and manage their own *shelfspace* where they can post information about the products they wish to market and sell to new consumers. These product postings are verified by weBreathe and then dynamically posted in weBreathe's *Solar Emporium Component*. Each *Satellite*'s shelfspace can also be mirrored on their website as their own storefront, which serves as a means of drawing *Satellite* visitors into weBreathe as revenue-generating Members. When a consumer buys one or more of the products featured on any *Satellite*'s shelfspace, taxation, shipping and commission are dynamically calculated and the order is sent to the corresponding *Satellite*. Credit is verified by a third-party fiduciary and then payment (including Breathe's commission) is processed once the order has been shipped by the *Satellite*. Breathe will offer its *Satellites* and Members online customer support for any problems that arise with orders. Each *Satellite* has a "reputation" that is based on their fulfillment reliability, which is based on *Satellite* responsiveness to fulfilling orders, customer service feedback, and direct customer feedback.<sup>21</sup>

*Satellites* that already sell their products online can use weBreathe's shelfspace to market them to a greater consumer base. The adjacent sales analysis indicates the amount of sales that weBreathe will generate for each *Satellite* compared to the average amount of sales generated without weBreathe. During year one (with only four months of active sales), *Satellites* can generate 1% (\$2,000 in sales) through weBreathe; by



<sup>21</sup> Please request [Appendix F: eCommerce Order Flow Model](#) for Breathe's planned order flow process for the eCommerce Exchange and [Appendix G](#) and [Appendix H](#) containing weBreathe's *Request for Proposal* documents for further technological plans and requirements.



Phase III/ year three (which includes B2B eCommerce services), Breathe projects that it will generate 24% (\$89,000) of each *Satellites* sales, increasing to 78% (\$442,660) by year five.

#### **REFERRAL COMMISSIONS**

*Satellites* that do not sell products or wish to expand their product offering may select products from weBreathe's Solar Emporium to feature on their websites. When consumers buy one of those featured products, weBreathe shares its commission with the affiliated *Satellite*. This generates revenue for all three parties involved: the affiliate *Satellite*, weBreathe, and the *Satellite* that originally offered the respective product(s). *Satellites* that do sell products from their websites are also incentivized to feature their products in the Solar Emporium since they can receive commissions for consumers that originate from their website who purchase products on weBreathe.

#### **PRACTITIONER DIRECTORY, SCHEDULER, & MEETINGS**

Practitioners affiliated with *Satellites* can sign up to be in weBreathe's directory of practitioners. WeBreathe's *Constellation* Guides and these practitioners can also manage their own online schedules to let weBreathe Members know when they are available to meet online in private chatrooms and offline in their respective locations.

#### **SATELLITE ACCOUNTS**

*Satellites* will primarily communicate with weBreathe through secure web-based accounts that allow them to monitor and modify their profiles for each *Component*, the shelfspace and order status and history, their interactive forums, their traffic to/from weBreathe, and other services they use on weBreathe.

#### **MEMBER ACQUISITION**

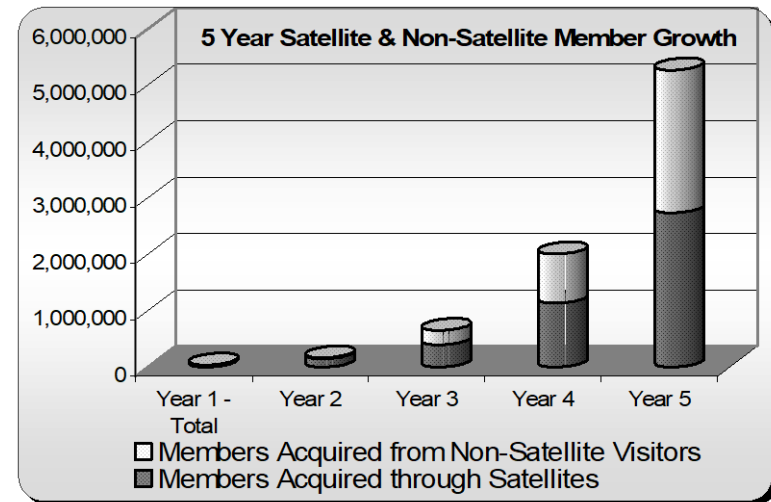
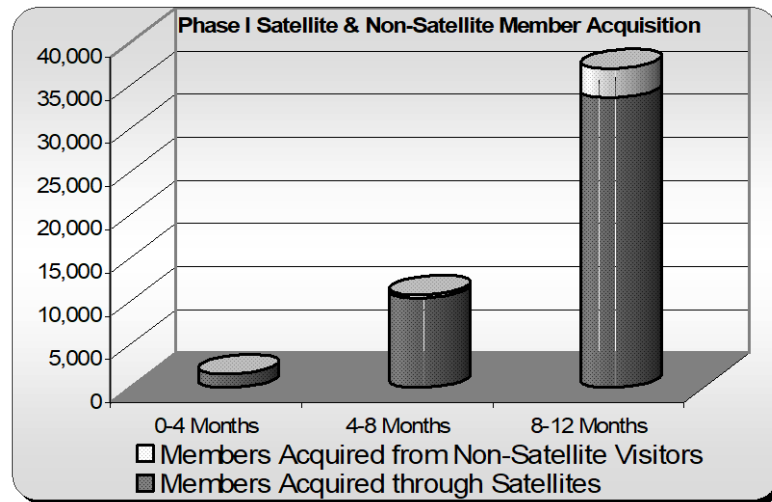
*Member* acquisition is dependent upon acquiring visitors from *Satellites* and non-*Satellite* sources and then converting those visitors into weBreathe *Members* through the Virtual Community *Component* as well as through commercial transactions in other weBreathe *Components*. Members that originate from *Satellite* sources are called *Satellite Members* while those that originate from non-*Satellite* sources are called *Non-Satellite Members*. The conversion rates for *Satellite Members* are higher than the conversion rates for non-*Satellite Members* since *Satellite Visitors* are more likely to join weBreathe as *Members* due to their interest *a priori* in a particular *Satellite*. All conversion numbers from are conservative to offset churn rate. During Phase I, Breathe projects that the majority (96%) of its visitors and Members will derive from *Satellites*. As weBreathe markets itself online and offline during Phases II and III, it will begin to acquire higher percentages of *Non-Satellite Visitors* and *Non-Satellite Members*, representing 52% of weBreathe's total *Member* acquisition in year five.

Acquiring *Satellite Members* is based on weBreathe's success at developing *Satellite* relationships and converting their members/consumers into weBreathe visitors and then into weBreathe *Members*. The amount of *Satellite Visitors* depends on the average number of visitors to each *Satellite*, which is based on a survey of current *Satellites* and starts at 2,200 and grows 6% annually on average. The conversion rate from *Satellite Visitors* to weBreathe *Members* is based on the number visitors that join based on membership utilities and incentives or because they buy products through weBreathe.

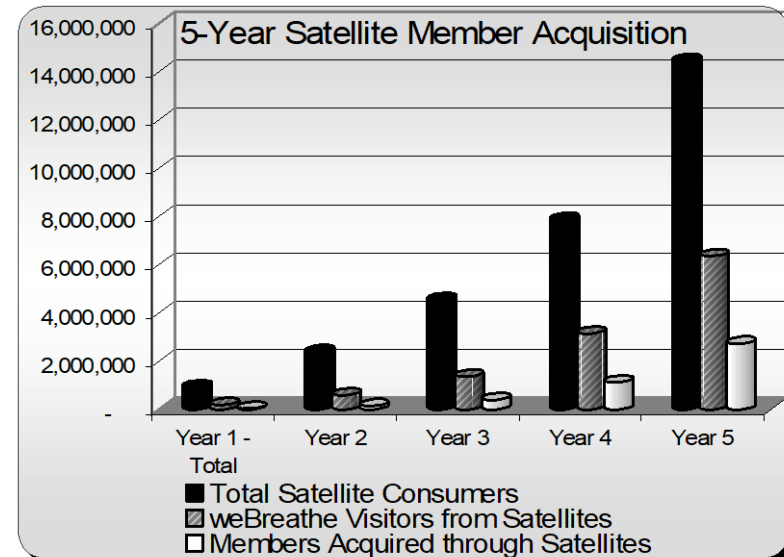
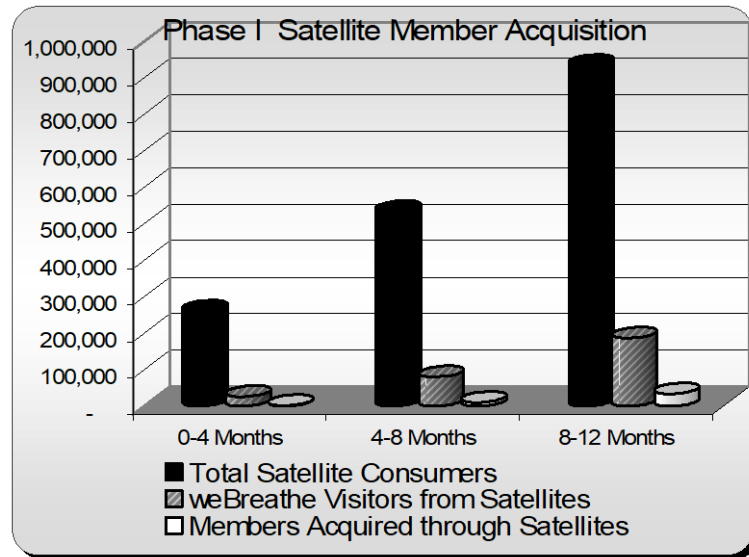
*Non-Satellite Member* acquisition is based on the total number of *HHS* consumers online, the number of those consumers that "know-about" weBreathe, the number of those "know-about" consumers that visit weBreathe, and the number of those visitors that actually become weBreathe *Members*. WeBreathe will draw in *Non-Satellite Visitors* through cost-effective online marketing, which consists of: achieving top listings in major search engines and directories; acquiring visitors from newsgroups, chatrooms, and messageboards; incentivizing Members to invite their friends to join as Members.

In Phases II, weBreathe will acquire *Non-Satellite Visitors* and Members by distributing *Search & Breathe* to major community sites and search engines throughout the Internet. In Phase III and beyond weBreathe will market itself offline through a series of advertising campaigns.

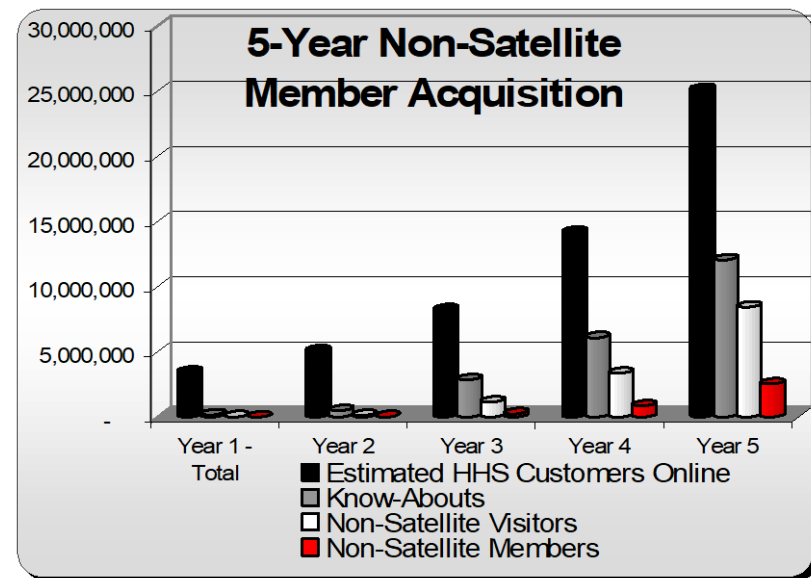
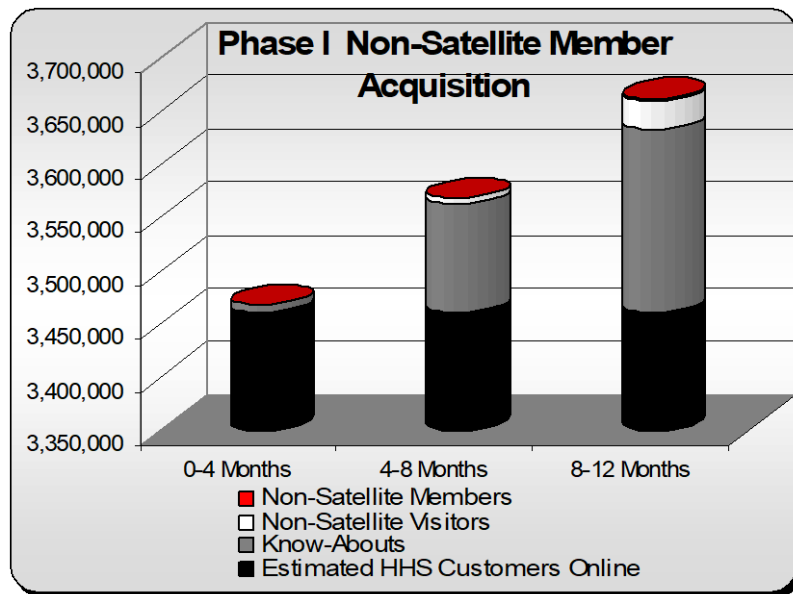




<i><b>MEMBER ACQUISITION</b></i>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Total Members</b>	<b>1,575</b>	<b>10,746</b>	<b>36,969</b>	<b>164,094</b>	<b>649,951</b>	<b>2,006,379</b>	<b>5,274,321</b>
Total Visitors	260,659	537,621	959,149	2,501,844	5,706,652	11,230,396	22,925,748
Average Conversion	0.60%	2.00%	3.85%	6.56%	11.39%	17.87%	23.01%
New Members	1,575	10,746	26,223	127,125	485,858	1,356,428	3,267,941
Satellite Members	99%	97%	91%	87%	61%	57%	52%
Non-Satellite Members	1%	3%	9%	13%	39%	43%	48%
Growth Rate	NA	582%	244%	344%	296%	209%	163%
Member Visits Per Month	2	4	6	8	10	12	14
Impressions Per Visit	10	15	20	25	30	35	40
Total Impressions	126,030	2,578,969	17,744,923	393,824,455	2,339,825,097	10,112,150,300	35,443,433,815



<b>SATELLITE MEMBER ACQUISITION</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
AVG Members per <i>Satellite</i>	2250	2350	2,500	2,625	2,809	3,090	3,491
Growth Rate	2%	3%	4%	5%	7%	10%	13%
Total <i>Satellite</i> Consumers	260,400	532,432	933,200	2,385,320	4,552,722	7,875,207	14,471,154
Conversion to weBreathe Visitors	10%	15%	20%	25%	30%	40%	44%
Visitors from <i>Satellites</i>	26,040	79,865	186,640	596,330	1,365,816	3,150,083	6,367,308
Conversion to weBreathe Members	6%	13%	18.00%	24.00%	29.00%	36.00%	43.00%
<i>Satellite</i> Members	1,562	10,382	33,595	143,119	396,087	1,134,030	2,737,942
Growth Rate		565%	224%	326%	177%	186%	141%
Conversion from <i>Satellite</i> Members to weBreathe Members	0.60%	1.95%	3.60%	6.00%	8.70%	14.40%	18.92%
Members Per <i>Satellite</i>	14	46	90	158	244	445	661



<b>NON-SATELLITE MEMBER ACQUISITION</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Estimated HHS Customers Online</b>	<b>3,459,886</b>	<b>3,459,886</b>	<b>3,459,886</b>	<b>5,066,262</b>	<b>8,242,358</b>	<b>14,186,847</b>	<b>25,162,482</b>
Conversion to "Know-Abouts"	0.3%	3.0%	5.0%	10.0%	35.0%	43.0%	48.0%
"Know-Abouts"	8,650	103,797	172,994	506,626	2,884,825	6,100,344	12,077,991
Conversion to weBreathe Visitors	3%	5%	15%	23%	40%	55%	70%
<b>Non-Satellite Visitors</b>	<b>259</b>	<b>5,190</b>	<b>25,949</b>	<b>116,524</b>	<b>1,153,930</b>	<b>3,355,189</b>	<b>8,454,594</b>
Conversion to weBreathe Members	5.00%	7.00%	13.00%	18.00%	22.00%	26.00%	30.00%
<b>Non-Satellite Members</b>	<b>13</b>	<b>363</b>	<b>3,373</b>	<b>20,974</b>	<b>253,865</b>	<b>872,349</b>	<b>2,536,378</b>
Growth Rate		2700%	829%	522%	1110%	244%	191%
Total Conversion from HHS Online Consumers to Non-Satellite Members	0.00038%	0.011%	0.098%	0.414%	3.080%	6.149%	10.080%

## MEMBERSHIP UTILITIES & INCENTIVES

Visitors will become weBreathe Members based on the following utilities and incentives:

- Use weBreathe's *Component* Portal and search functionality to easily find the *Satellites* and sources of value across the *HHS* marketplace.
- Receive weBreathe's proprietary Multi-Cultural Astrology reading.
- Send (Flash!) animated greeting cards to their friends.
- Create their own personal page as their "Electronic Alter" for others to learn about them.
- Experience multimedia/Net-TV streams that weBreathe has aggregated from *Satellites*.
- Access information resources such as a calendar of events, educational programs, employment opportunities, travel opportunities, and other organized data aggregated from *Satellites*.
- Interact with other Members through messageboards and chatrooms.
- Schedule and experience online meetings with *Constellation* Guides and expert practitioners to ask questions and get advice.
- Receive newsletters from weBreathe's expert *Constellation* Guides for news and highlights.
- Buy products from the entire *HHS* marketplace and search by lowest prices, vendor, related products, and other beneficial search criteria.

## Revenue Strategy

This section describes weBreathe's four revenue streams and their corresponding sub-revenue streams from both *Satellites* and *Members* in years one through five. The revenues are based on the number of weBreathe *Members* and *Satellites* acquired, the percentage of those acquired that drive each sub-revenue stream, and the price or rate that each *Satellite/Member* will pay based on weBreathe's projected pricing structure. The Phase I revenue strategy is specifically addressed and then weBreathe's revenue model is presented.

### PHASE I REVENUE STRATEGIES

Although Breathe will not charge *Satellites* any fees for marketing their website or hosting their interactive forums during year one in effort to maximize *Satellite* acquisition rates, Breathe will demonstrate the viability of its Sponsorships and B2C eCommerce commissions revenues.

The major source of income during Phase I will be Sponsorships from *Satellites* and larger companies. Each sponsorship will feature a graphic and message targeted for a specific *Constellation* and run on that *Constellation* in all 7 weBreathe Components for four-month periods. Breathe will attempt to raise \$12,000 in Sponsorships revenue during Phase IB with 10 sponsors each purchasing \$1,200 sponsorship packages for four months. During Phase IC, Breathe will seek out 12 Sponsors for \$6,100 sponsorship packages (\$86,000 total). The price of these sponsorships is based on the total number weBreathe's projected "Total Impressions" (see previous *Member* acquisition chart) valued at \$10 per thousand impressions for Phase IB and \$11 for Phase IC respectively.

The eCommerce revenues for Phase IC are based 20% of weBreathe's Members (7,394) spending 59% of their online expenditure during those four months (\$12.50 per month) on weBreathe at a 7% commission rate, totaling \$15,183.

Although Breathe projects that it will generate just over \$100,000 in revenues during Phase I, a five year break down of Breathe's revenue and sub-revenue streams is included to demonstrate how Breathe plans to become profitable by its fourth year and achieve over \$224 million in revenue by year five. This revenue distribution model also

provides Breathe's projected number of *Satellites* and Members that will drive each sub-revenue stream as well as a pricing structure through all five years.

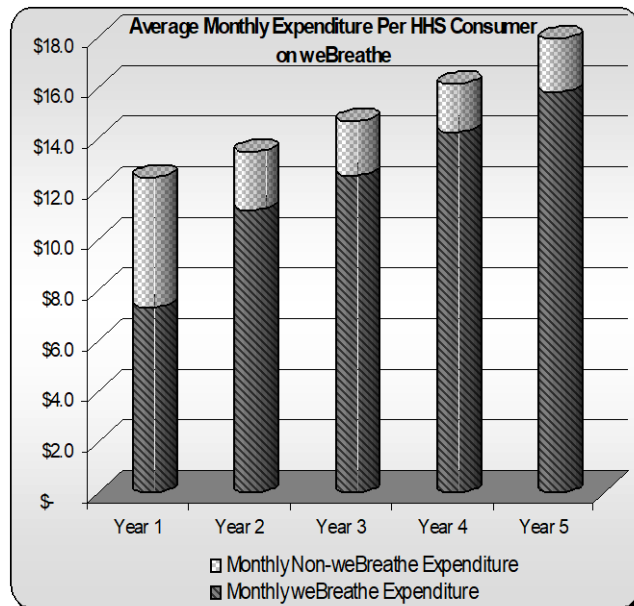
### WEBREATHE REVENUE MODEL

With each Phase and year Breathe plans to diversify its revenues to maximize growth over a five-year period with minimum investment. There are four projected revenue streams; two that are generally driven by *Satellites* (*Marketing* and *Hosting*); and two that are generally driven by Members (*eCommerce* and *Sponsorships & Advertising*). Breathe's projected revenues are generally characterized by the initial dominance of *Sponsorships & Advertising* in years one and two, and then the dominance of *eCommerce*-based revenues after year two with a gradual move towards an even distribution between *B2B* and *B2C* *eCommerce* sub-revenues. *Hosting* and *marketing* revenues are projected to grow dramatically in years two and three and eventually rise over *Sponsorships & Advertising* revenues in years four and five. The projected streams also reflect three key Internet trends: the move towards creating more personalized and one-to-one advertising opportunities; the explosive market of Net-TV and higher-bandwidth interactivity; and the lucrative nature of Business-to-Business *eCommerce*.

*Marketing* revenues consist of four sub-revenue streams: *website marketing* (inclusion in the *Constellations Component*); *service marketing* (inclusion in the Breathe Institute *Component*); *practitioner marketing* (inclusion in the TeleHealth Center *Component*); and *market research* (use of weBreathe's proprietary research data and reports).

*Hosting* revenues consist of three sub-revenue streams: *website hosting* (for developing and serving *Satellite* websites); *Net-TV hosting* (for encoding and serving *Satellite* Net-TV streams); and *interactive forum* hosting (for hosting *Satellites'* interactive forums).

*eCommerce* revenues consist of four sub-revenue streams: Business-to-Consumer *eCommerce* (*B2C*); Consumer-to-Consumer *eCommerce* (*C2C*); Business-to-Business *eCommerce* (*B2B*); and *TeleHealth* *eCommerce* (commissions from practitioners performing online sessions with clients). Although the *eCommerce* revenue stream is categorized as *Member-driven*, *B2B* *eCommerce* is an exception since it is driven by *Satellites*, not Members. *eCommerce* revenues are based on the number of weBreathe Members that purchase products through weBreathe and the percentage of an average *HHS* consumer's online expenditure each of those Members spends on weBreathe. The adjacent chart shows that during year one, weBreathe Members will spend 59% of their online *HHS* expenditure on weBreathe (\$7.30) reaching 85% (\$12.57) by year three and 88% (\$15.86) by year five.



#### *Sponsorships & Advertising*

revenues consist of four sub-revenue streams: *non-personalized advertising* (for ads placed before Breathe has enough *Member* data and technological capacity to personalize them); *personalized advertising*; *Net-TV advertising* (streaming commercials within Net-TV); and *sponsorships*. The Sponsorships revenue rate corresponds to the amount each *Constellation* sponsorship will cost annually (up to three sponsors will sponsor a *Constellation* each year). Although the *advertising* revenue stream is

categorized as *Member-driven*, sponsorships is an exception since it is driven by *Satellites* and sponsors more than by *Members*.

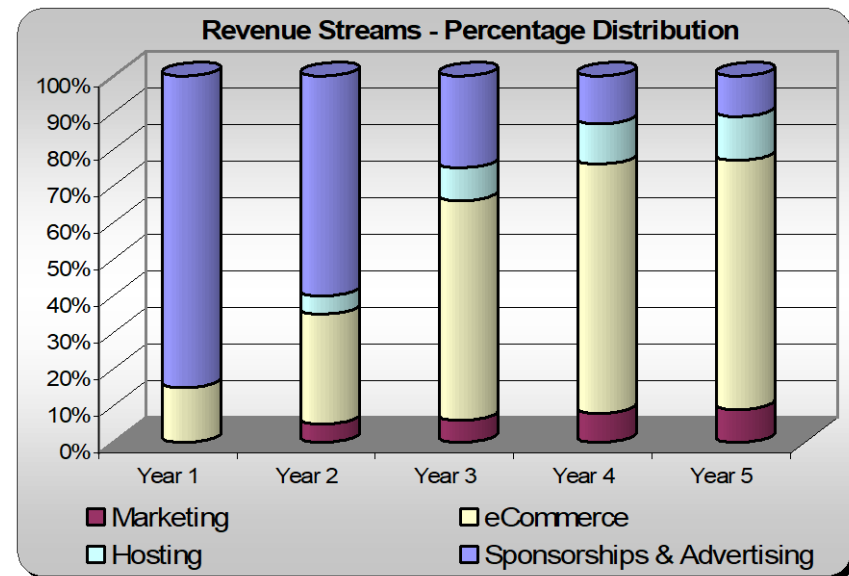
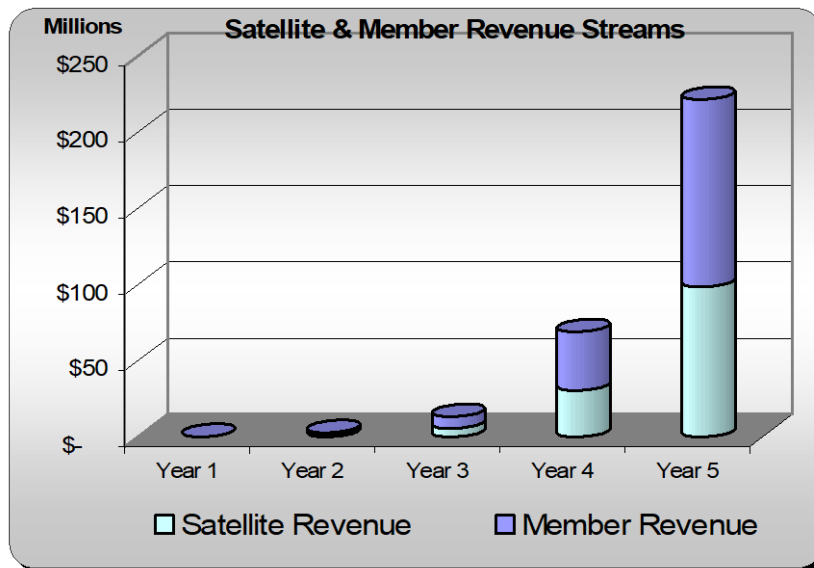
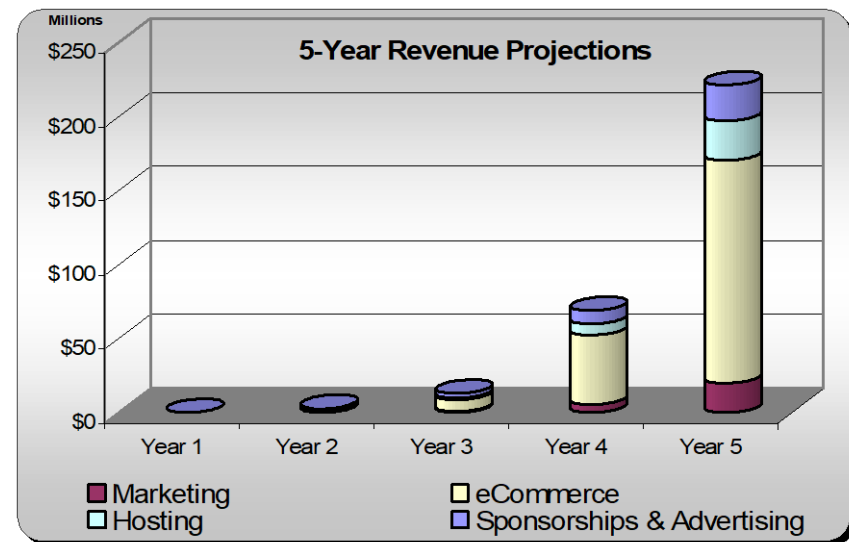
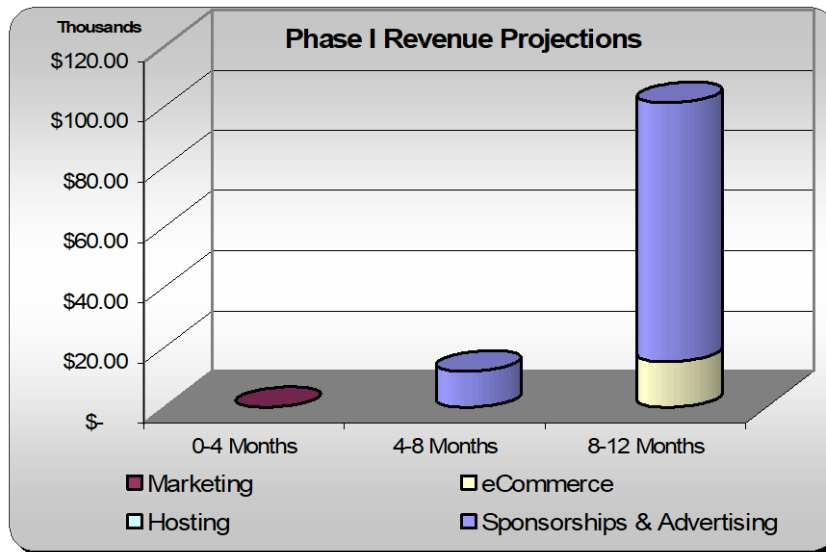
The subsequent charts illustrate the overall revenue growth trends for Phase I and years 1-5 through showing total and percentage distribution of each revenue and sub-revenue stream for each year. The tables presented after these charts provide the following details:

- *Conversion*: The percentage of total *Satellites* or *Members* (depending on the revenue stream) that generate a particular sub-revenue stream through use of specific weBreathe services.
- *Participation*: The number of total *Satellites* or *Members* from whom the revenue is extracted based on the *Conversion*.
- *Rate*: The amount that each *Satellite* or *Member* will pay to contribute to each sub-revenue stream on average. The type of rates vary for each revenue stream; for Marketing and Hosting they are *per year*; for Sponsorships they are *per Constellation* per year; for Advertising they are cost-per-thousand impressions (CPM); for eCommerce they are total expenditure per month based on the corresponding commission rate. These rates set the pricing structure for the corresponding weBreathe services.
- *Revenue*: The total amount of revenue generated by each sub-revenue stream.

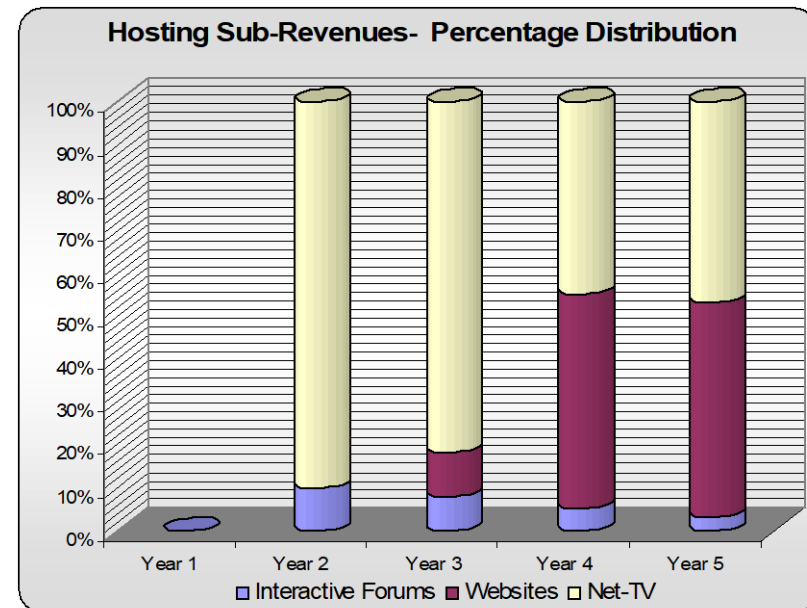
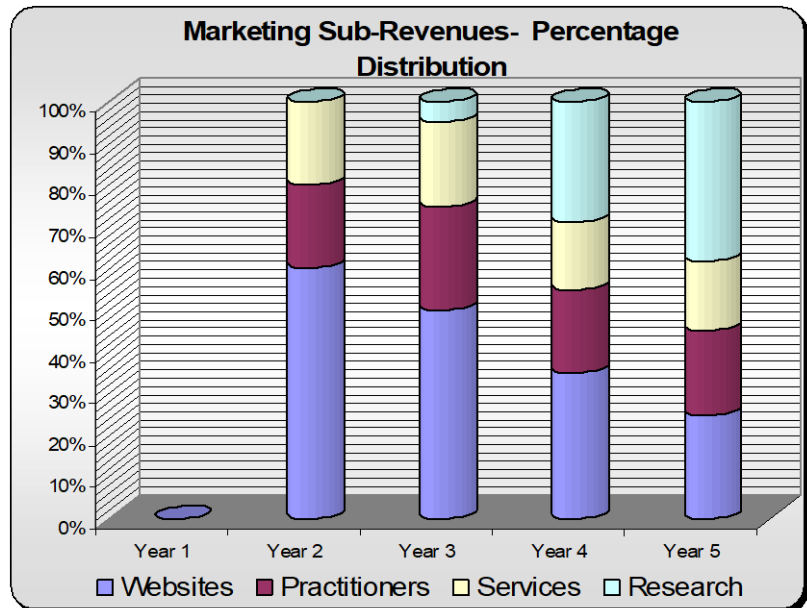
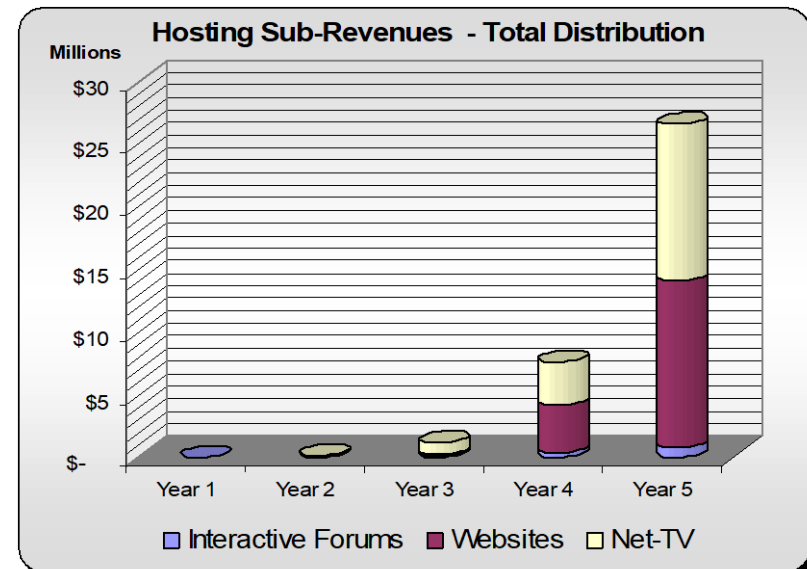
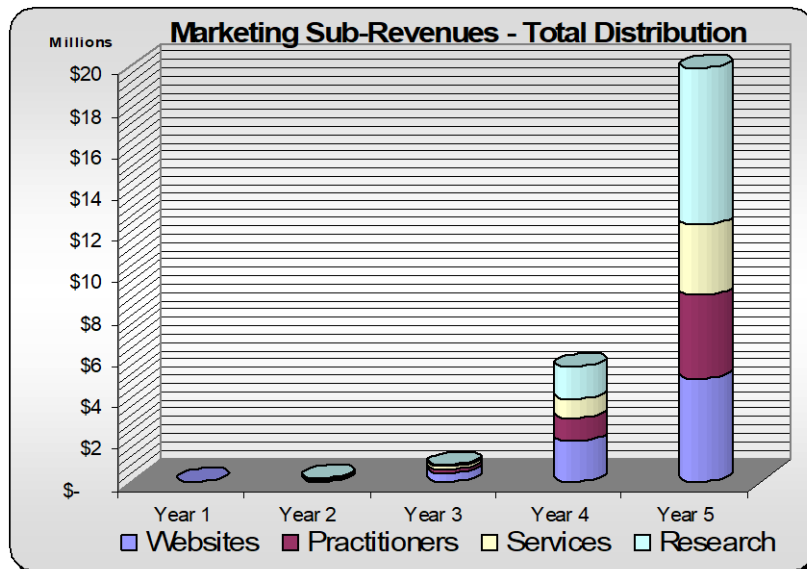
#### FEES & COMMISSIONS

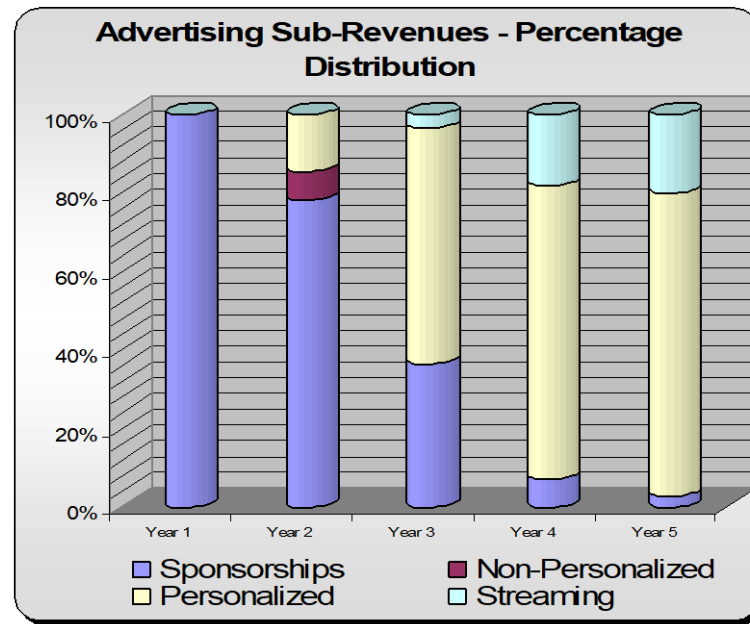
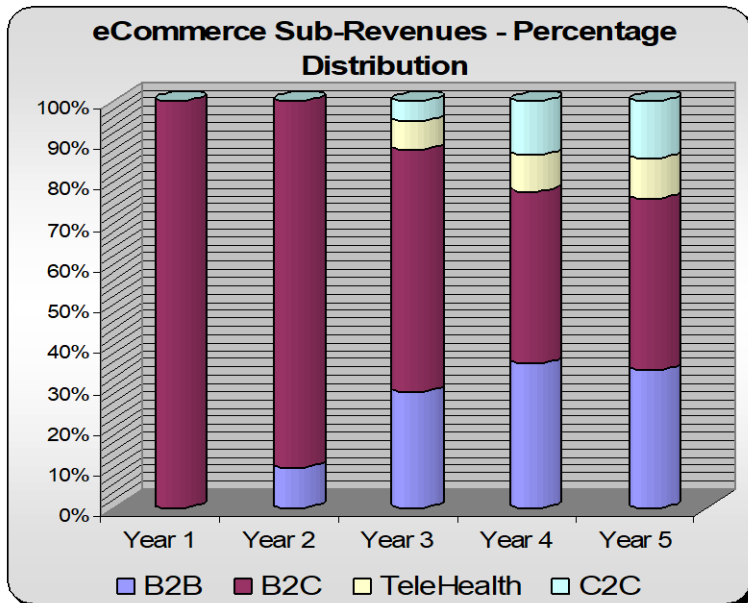
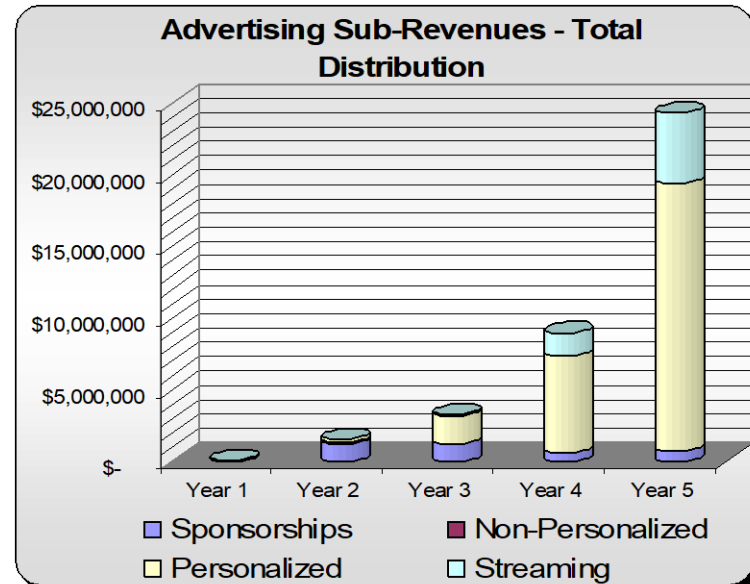
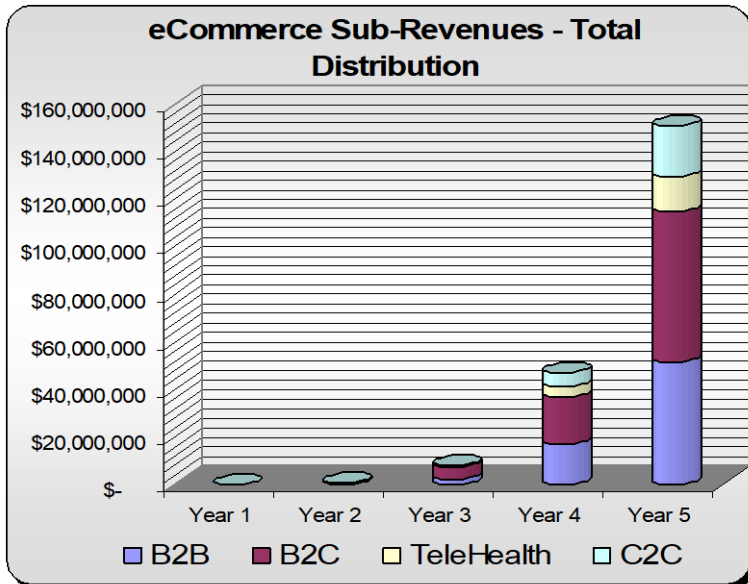
The rates for each revenue stream will be extracted from *Members* and *Satellites* through the following fees and commissions that set the rates described in the table above.

- *Satellite Fees* consist of the fees associated with each *Component*. There are: *Marketing Fees* (for presence in the *Constellations* and unique visitors delivered to *Satellites* in excess what *Satellites* deliver to weBreathe); *eCommerce Fees* (for setting up storefronts, processing transactions, and providing customer service in the *Solar Emporium*); *Multimedia Fees* (for encoding and serving video and/or audio files in *BreatheTV*); *Practitioner Fees* (for *Satellites* with directly affiliated *Practitioners*); *Research Fees* (for *Satellites* purchasing Intel); and *Website Hosting Fees* (for serving their website and emails through weBreathe). WeBreathe will also offer different *Satellite Packages* that combine fees into a discounted monthly and annual package.
- *Member Fees* consist of: the *C2C Fees* for posting products to trade with other *Members*; and *Pay-Per-View Fees* for viewing special Net-TV programming in *BreatheTV*.
- *Practitioner Fees* consist of the monthly costs of being listed in *TeleHealth Center* as a *Practitioner*.
- *Research Fees* consist of: per-question *Fees* for data not yet integrated into the *Breathe Institute*; *Intel Fees* for *Satellites* purchasing Research Reports.
- *Advertiser Fees* consist of: a CPM rate for non-personalized advertising, personalized advertising, and streaming advertising.
- *Sponsor Fees* consist of: *Monthly Fees* for sponsoring a *Constellation* and/or a *Component*.
- *Product Commissions*: Extracted from the seller in every transaction made in the B2B2C exchange. Commission rates will correspond to the amount of shelfspace (product size and volume) used by the vendor and total purchase size.
- *Chat Practitioner Commissions*: Extracted from the consumers of *Chat Practitioner Sessions* during which *Members* consult with expert online.
- *Auction Commissions*: Extracted from the *Member* vendor for each transaction that occurs in the *Member Auctions Area* within C2C exchanges.









<b>SATELLITE REVENUE</b>	<b>0-4 Months</b>				<b>4-8 Months</b>				<b>8-12 Months</b>				<b>Total</b>
	Con-version	Partici-pation	Rate	Revenue	Con-version	Partici-pation	Rate	Revenue	Con-version	Partici-pation	Rate	Revenue	Revenue
<b>Marketing</b>				\$ -				\$ -				\$ -	\$ -
Websites	100%	116	FREE	\$ -	70%	159	FREE	\$ -	80%	299	FREE	\$ -	\$ -
Practitioners	50%	58	FREE	\$ -	30%	68	FREE	\$ -	40%	149	FREE	\$ -	\$ -
Services	25%	29	FREE	\$ -	10%	23	FREE	\$ -	40%	149	FREE	\$ -	\$ -
Research	0%	0	FREE	\$ -	0%	0	FREE	\$ -	0%	0	FREE	\$ -	\$ -
<b>Sponsorships</b>		0	NA	\$ -	5%	10	\$ 1,181	\$ 12,045	3%	12	\$ 6,099	\$ 73,990	\$ 86,036
<b>B2B</b>		0	NA	\$ -		0	0	\$ -	5%	19	\$ -	\$ -	\$ -
<b>Hosting</b>				\$ -				\$ -				\$ -	\$ -
Interactive Forums		0	NA	\$ -	10%	23	FREE	\$ -	10%	37	FREE	\$ -	\$ -
Websites		0	NA	\$ -	0%	0	NA	\$ -	0%	0	NA	\$ -	\$ -
Net-TV		0	NA	\$ -	0%	0	NA	\$ -	0%	0	FREE	\$ -	\$ -

<b>MEMBER REVENUE</b>	<b>0-4 Months</b>				<b>4-8 Months</b>				<b>8-12 Months</b>				<b>Total</b>
	Con-version	Partici-pation	Rate	Revenue	Con-version	Partici-pation	Rate	Revenue	Con-version	Partici-pation	Rate	Revenue	
<b>eCommerce</b>											7% Commission Rate		\$ 15,183
B2C		0	FREE		0%	0	\$ -	\$ -	20%	7394	\$ 7.3	\$ 15,183	\$ 15,183
TeleHealth		0	FREE			0	\$ -	\$ -	0%	0	\$ -	\$ -	\$ -
C2C		0	FREE			0	\$ -	\$ -	0%	0	\$ -	\$ -	\$ -
<b>Advertising</b>				\$ -				\$ -				\$ -	\$ -
Non-Personalized		0	FREE		100%	10746	\$ -	\$ -	100%	36969	\$ -	\$ -	\$ -
Personalized		0	FREE			0		\$ -	0%	0	\$ -	\$ -	\$ -
Streaming		0	FREE			0		\$ -	0%	0	\$ -	\$ -	\$ -

SATELLITE REVENUE	Year 1	Year 2				Year 3				Year 4				Year 5			
	Revenue	Con- version	Partici- pation	Rate	Revenue	Con- version	Partici- pation	Rate	Revenue	Con- version	Partici- pation	Rate	Revenue	Con- version	Partici- pation	Rate	Revenue
Marketing					\$143,211				\$797,445				\$5,535,509				\$19,932,279
Websites	\$-	72%	654	\$131	\$85,927	90%	1459	\$273	\$398,723	100%	2549	\$760	\$1,937,428	100%	4145	\$1,200	\$4,975,097
Practitioners	\$-	30%	273	\$105	\$28,642	50%	810	\$246	\$199,361	60%	1529	\$723	\$1,107,102	70%	2901	\$1,373	\$3,986,456
Services	\$-	30%	273	\$105	\$28,642	40%	648	\$246	\$159,489	50%	1274	\$694	\$885,681	60%	2487	\$1,362	\$3,388,487
Research	\$-	0%	0	\$-	\$-	10%	162	\$246	\$39,872	20%	510	\$3,148	\$1,605,298	30%	1243	\$6,091	\$7,574,266
Sponsorships	\$86,036	5%	48	\$24,978	\$1,202,973	3%	48	\$25,363	\$1,212,781	1%	24	\$26,003	\$629,664	1%	24	\$27,867	\$669,946
B2B	\$-	1%	9	\$9,456	\$85,927	3%	51	\$44,512	\$2,272,719	11%	270	\$61,821	\$16,703,398	15%	622	\$82,355	\$51,203,810
Hosting					\$143,211				\$1,196,168				\$7,611,325				\$26,576,372
Interactive Forums	\$-	30%	273	\$53	\$14,321	30%	486	\$197	\$95,693	40%	1020	\$373	\$380,566	50%	2072	\$384	\$797,291
Websites	\$-	0%	0	\$-	\$-	10%	162	\$738	\$119,617	35%	892	\$4,265	\$3,805,662	60%	2487	\$5,343	\$13,288,186
Net-TV	\$-	25%	227	\$567	\$128,890	30%	486	\$2,017	\$980,858	30%	765	\$4,479	\$3,425,096	50%	2072	\$6,027	\$12,490,895

MEMBER REVENUE	Year 1	Year 2				Year 3				Year 4				Year 5			
	Revenue	Con- version	Partici- pation	Rate	Revenue	Con- version	Partici- pation	Rate	Revenue	Con- version	Partici- pation	Rate	Revenue	Con- version	Partici- pation	Rate	Revenue
eCommerce	\$15,183	10%	Commission		\$773,340	12%	Commission		\$5,661,862	14%	Commission		\$30,113,168	15%	Commission		\$99,395,631
B2C	\$15,183	35%	57433	\$11	\$773,340	40%	259981	\$13	\$4,704,927	41%	822615	\$14.30	\$19,761,766	42%	2215215	\$15.86	\$63,251,765
TeleHealth	\$-	0%	0	\$-	\$-	10%	64995	\$6	\$558,212	15%	300957	\$8.38	\$4,234,664	20%	1054864	\$7.93	\$15,059,944
C2C	\$-	0%	0	\$-	\$-	10%	64995	\$4	\$398,723	20%	401276	\$9.07	\$6,116,737	25%	1318580	\$8.88	\$21,083,922
Advertising					\$335,114				\$2,109,907				\$8,365,538		0		\$23,630,824
Non-Personalized	\$-	40%	65637	\$14	\$111,705	0%	0	\$-	\$-	0%	0	\$-	\$-	0%	0	\$-	\$-
Personalized	\$-	60%	98456	\$19	\$223,409	100%	649951	\$26	\$1,993,613	100%	2006379	\$28.02	\$6,746,401	100%	5274321	\$29.64	\$18,758,489
Streaming	\$-	0%	0	\$-	\$-	10%	64995	\$30	\$116,294	21%	421340	\$32.02	\$1,619,136	23%	1213094	\$33.47	\$4,872,335

## Technology Strategy

### WEBREATH 1.0: EXISTING PROTOTYPE

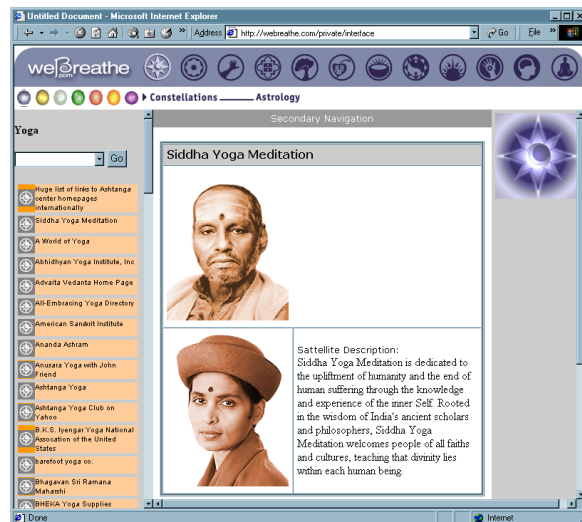
Breathe has developed a Prototype (*weBreathe 1.0*) in-house that demonstrates the functionality of its *Satellite* database and the work of its eight expert *Constellation* Guides who have established cross-promotional relationships with over 50+ *Satellites*. The Prototype is the foundation for all future technology development, consisting of: an administrative intranet database; an intricate informational and navigational architecture; fully-scalable, dynamically-generated, and graphically-branded interface; a membership database; personal page hosting; electronic greeting cards; interactive forums; and local and remote search functionality.

*WeBreathe 1.0* integrates the weBreathe brand with the majority of Phase I technological requirements and with the back-end database work of 8 *Constellation Guides*, who have collectively filtered, reviewed, and contacted over 500 *Satellites* and developed cross-promotional relationships with over 50 based primarily on the attractiveness of weBreathe's brand. WeBreathe 1.0 also features weBreathe's innovative interface, the *Universal Template*, and search functionality in action.

Breathe has also developed and used a Request For Proposal (RFP) document for Phase I (as well as an RFP for Phases I-III) to acquire proposals from leading Internet technology consultants and companies.

### UNIVERSAL TEMPLATE INTERFACE

WeBreathe has designed a unique interface that optimizes navigation throughout all weBreathe *Components*, *Constellations*, and *Satellites*. This interface design, called the *Universal Navigation Template*, structures the interface and navigational flow within and between all seven weBreathe *Components*. Its highly-efficient user-perspective design facilitates efficient, elegant navigation for Members through the range of weBreathe's websites, products, interactive forums, practitioner directories, multimedia content, and other *HHS* resources. The Template enables users to "choose their own adventure" through an endless number of paths that are structured vertically according to



Component type (i.e. *Solar Emporium*, *BreatheTV*, *TeleHealth*...) and horizontally according to *Constellation* type (i.e. *Ayurveda*, *Herbalism*, *Yoga*...). Within a few clicks, the viewer can submerge deep into weBreathe's domain, preview and purchase a Yoga instructional video, jump to the chat room for Tai Chi in Hong Kong, and then teleport to the newsletter page of an Astrology *Satellite*. This all works through an innovative "previewing" feature that allows visitors to navigate through several different SOV without having to click through to any other pages. The previewing feature is similar to that of email browser programs such as *Outlook* and *Eudora*.

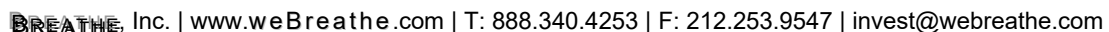
By layering information on each *Component's* navigation into three levels of depth, *Members* can save time by only downloading the data they need to and make more informed decisions to better access *Satellites* and their sources of value. The Interface has also been designed so that it can remain consistent throughout all three Phases of development.

## PHASE 1A: ECOMMERCE EXCHANGE FUNCTIONALITY & DATABASE DEVELOPMENT

### PHASE 1B: THIRD-PARTY INTEGRATION, BETA-TESTING & META-INTERACTIVE FORUMS DEVELOPMENT

## PHASE 1C: LAUNCH ECOMMERCE EXCHANGE & NET-TV ENCODING & SERVING

For more information on Phase I technology development plans please view Breathe's *Request For Proposal* (RFP) document specifically for Phase I technological development or for Phases I-III for long-term development.



## Operational Strategy

Breathe's Phase / Year 1 operational strategy is to acquire, organize, and mobilize the infrastructural, mechanical, and human capital to meet its marketing, revenue, and technological objectives for Phases IA, IB, and IC. The operational budget and staffing for Phase I and the projected budget and staffing for years 1-5 follow the descriptions of each sub-Phase below.

### *PHASE IA BUDGET*

The Phase IA budget is mainly for outsourcing the development of the eCommerce technology (\$200,000). Other expense highlights are: acquiring hardware, software, and network to serve weBreathe.com in-house; procuring office space and equipment for Phase I development; employing Breathe's President (Amir Hasson) and prospective Vice President of Content (Vanessa Weinberg) at half their future salary; employing Breathe's prospective Director of Business Development (Derek Keller) to operationalize strategic marketing, financial, and technology relationships; hiring Breathe's prospective Vice President of Technology (Carl Bentley) part-time to oversee the development of the eCommerce exchange and accelerate in-house development; employing and fully training weBreathe's *Constellation* Guides; Hiring Breathe's prospective Interface Design Director (Jonas Goldstein) part-time to refine the weBreathe interface; developing and distributing marketing materials; and legal and accounting services.

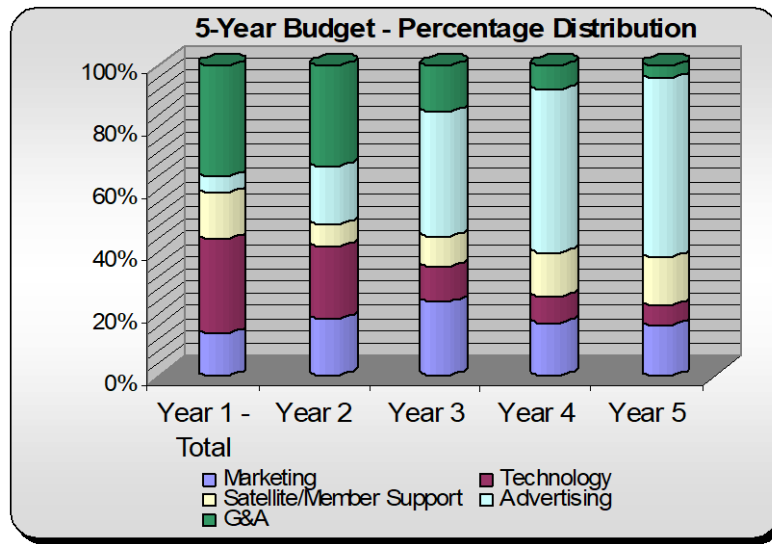
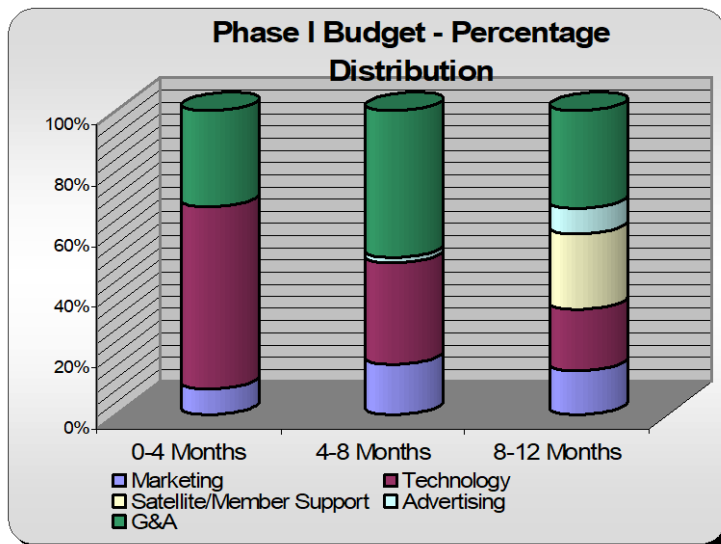
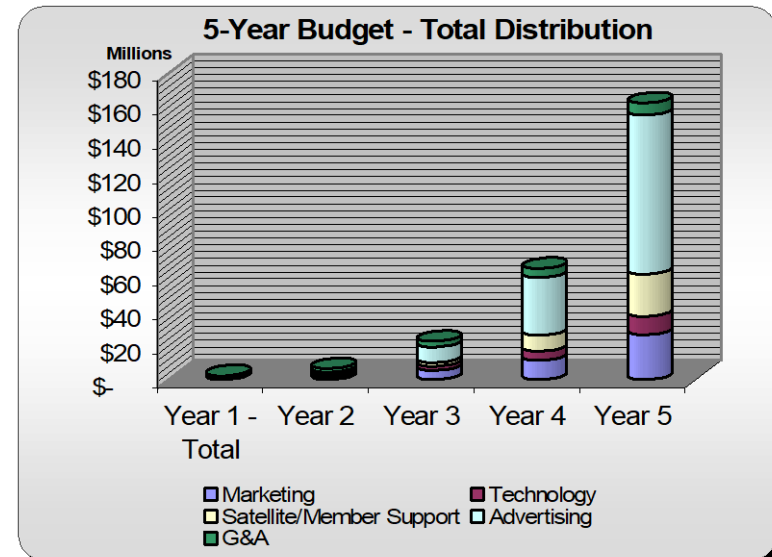
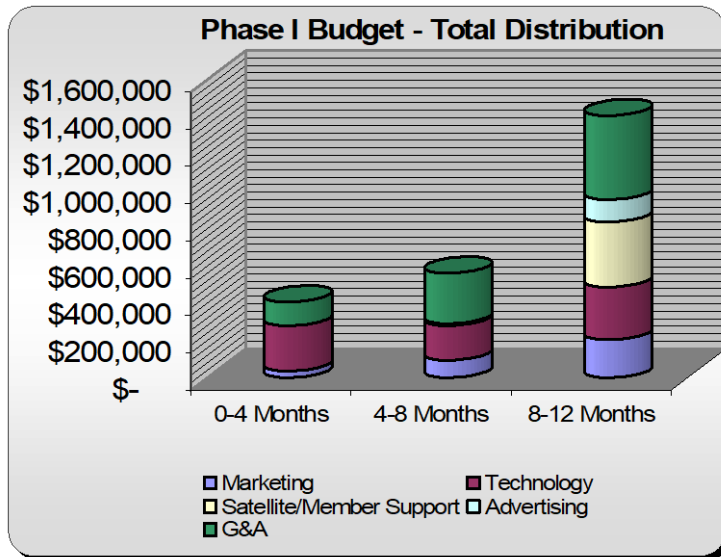
### *PHASE IB BUDGET*

The new highlight costs for the Phase IB budget are: serving and debugging the eCommerce functionality with beta-level *Satellites*; recruiting and employing a Vice President of Operations to manage fiscal responsibilities and strategic planning; recruiting and employing a Vice President of Marketing to operationalize *Satellite* and *Member* acquisition and initiate Sponsorships revenue; employing Breathe's prospective programmer (Jimmy Coronado) at half-time to develop the meta-interactive forums, search functionality, and other *Component* database development; employing a *Component* Manager to administrate within each *Component's* database; targeting customer service, third-party logistics, and fiduciary services; search engine placement and monitoring; recruiting and hiring two new *Constellation* Guides; and publicity for an official soft-launch party.

### *PHASE IC BUDGET*

The new highlight costs for the Phase IC budget are: launching the eCommerce functionality with customer service, third party logistics, and fiduciary services in place (\$350,000); recruiting an employing an Executive Vice President to work with the President to manage the chief executive operations of the Company; recruiting an employing a Database Administrator to enhance functionality and ensure reliability of weBreathe's databases; recruiting an employing an additional *Component* Manager to accelerate aggregation and organization of sources of value into weBreathe's Components; recruiting an employing two *Component* Editors to enhance and acquire new content for each *Component*; recruiting and hiring two additional *Constellation* Guides; recruiting an employing an Advertising & Sponsorships Manager to accelerate weBreathe's Sponsorships revenue; recruiting an employing a *Satellite* Account Executive to maintain relationships with *Satellites*; hardware, software, and network to provide Net-TV encoding and streaming services to *Satellites*; marketing Breathe's eCommerce, interactive, and Net-TV services to *Satellites*; Strategic alliance development; planning and/or acquiring proposals for Phase II-III technological development; and launch weBreathe's first online advertising and publicity campaign.





<b>PHASE I BUDGET</b>				
<b>Technology</b>	<b>Current</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>
Consulting/Outsourcing	\$1,896	\$200,000	\$10,000	\$19,600
Travel	\$-	\$750	\$2,400	\$3,607
Education/Training/Support	\$-	\$-	\$800	\$4,800
Hardware	\$3,450	\$12,350	\$45,750	\$53,900
Software	\$492	\$4,495	\$12,225	\$28,080
Maintenance & Testing	\$120	\$-	\$20,000	\$13,600
Connectivity / Bandwidth	\$1,960	\$4,000	\$6,000	\$29,200
Security	\$-	\$800	\$2,200	\$2,631
Licensing / Subscriptions / Regulatory	\$70	\$980	\$1,600	\$3,020
Outsource Integration	\$-	\$-	\$5,750	\$11,050
Pre-Total Technology	\$7,988	\$223,375	\$106,725	\$169,488
+ Tech Staff Costs	\$-	\$20,833	\$80,000	\$114,000
<b>= Total Tech Costs</b>	<b>\$7,988</b>	<b>\$244,208</b>	<b>\$186,725</b>	<b>\$283,488</b>
<b>General &amp; Administrative</b>	<b>Current</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>
Legal, Accounting, & Consulting	\$17,375	\$15,000	\$20,000	\$46,600
Office	\$-	\$19,040	\$19,040	\$19,040
Recruiting	\$-	\$1,500	\$6,450	\$11,090
Equipment & Maintenance	\$5,392	\$4,658	\$11,000	\$25,142
Travel	\$2,172	\$1,500	\$2,960	\$6,420
Communications	\$3,737	\$3,600	\$5,200	\$12,960
Pre-Total G&A	\$28,676	\$45,298	\$64,650	\$166,550
+ G&A & Content Staff Costs	\$-	\$83,000	\$206,000	\$331,000
<b>= Total G&amp;A Costs</b>	<b>\$28,676</b>	<b>\$128,298</b>	<b>\$270,650</b>	<b>\$497,550</b>
<b>Office Expenses</b>	<b>Current</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>
Rent	\$-	\$11,043	\$11,043	\$11,043
Electricity	\$-	\$1,076	\$1,076	\$1,076
Insurance	\$-	\$1,291	\$1,291	\$1,291
Maintenance	\$-	\$1,076	\$1,076	\$1,076
Supplies	\$-	\$952	\$952	\$952
Messengers	\$-	\$571	\$571	\$571
Real estate taxes	\$-	\$1,076	\$1,076	\$1,076
Postage	\$-	\$538	\$538	\$538
Entertainment	\$-	\$538	\$538	\$538
Other	\$-	\$952	\$952	\$952
<b>Total Office</b>	<b>\$-</b>	<b>\$19,111</b>	<b>\$19,111</b>	<b>\$19,111</b>
<b>Sales &amp; Marketing</b>	<b>Current</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>
Distribution	\$-	\$-	\$-	\$8,506
Consulting/Outsourcing	\$1,872	\$3,000	\$4,500	\$16,500
Travel	\$-	\$1,500	\$2,500	\$4,506
Entertainment	\$-	\$750	\$1,100	\$1,930
Strategic Alliances	\$-	\$-	\$6,800	\$10,000
Marketing Materials	\$519	\$5,000	\$6,700	\$12,300
Exhibitions/Conferences	\$-	\$2,000	\$4,000	\$6,000
Research	\$770	\$1,100	\$3,500	\$9,800
Total Sales & Mkt exp	\$3,161	\$13,350	\$29,100	\$69,541
+ Sales & Mkt Staff Costs	\$-	\$21,000	\$64,000	\$134,000
<b>= Total Sales &amp; Mkt Costs</b>	<b>\$3,161</b>	<b>\$34,350</b>	<b>\$93,100</b>	<b>\$203,541</b>
<b>Advertising &amp; Publicity</b>	<b>Current</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>
Advertising	\$-	\$-	\$-	\$89,600
Publicity	\$-	\$-	\$10,000	\$28,400
<b>Total Advertising &amp; Publicity</b>	<b>\$-</b>	<b>\$-</b>	<b>\$10,000</b>	<b>\$118,000</b>
<b>Customer Relationship Management</b>	<b>Current</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>
Satellite/Member Support	\$ -	\$ -	\$ -	\$ 210,000
Fiduciary Services	\$ -	\$ -	\$ -	\$ 52,500
Logistics & Fulfillment Integration	\$ -	\$ -	\$ -	\$ 87,500
<b>Total CRM</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 350,000</b>
<b>Total Operating Expenses</b>	<b>\$ 39,825</b>	<b>\$ 406,856</b>	<b>\$ 560,475</b>	<b>\$ 1,407,282</b>

<b>FIVE-YEAR BUDGET</b>					
<b>Technology</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Consulting/Outsourcing	\$229,600	\$242,188	\$324,469	\$723,664	\$1,200,033
Travel	\$6,757	\$12,109	\$21,631	\$72,366	\$171,433
Education/Training/Support	\$5,600	\$24,219	\$43,263	\$144,733	\$342,867
Hardware	\$112,000	\$217,970	\$540,782	\$940,763	\$2,571,499
Software	\$44,800	\$145,313	\$281,207	\$723,664	\$1,371,466
Maintenance & Testing	\$33,600	\$36,386	\$66,878	\$148,330	\$407,116
Connectivity / Bandwidth	\$39,200	\$108,985	\$216,313	\$868,397	\$1,714,333
Security	\$5,631	\$24,219	\$43,263	\$72,366	\$171,433
Licensing / Subscriptions / Regulatory	\$5,600	\$12,129	\$25,722	\$83,436	\$325,693
Outsource Integration	\$16,800	\$20,214	\$51,445	\$185,413	\$488,540
Pre-Total Technology	\$499,588	\$843,732	\$1,614,971	\$3,963,132	\$8,764,412
+ Tech Staff Costs	\$214,833	\$674,100	\$952,560	\$1,361,367	\$2,042,051
<b>= Total Tech Costs</b>	<b>\$714,421</b>	<b>\$1,517,832</b>	<b>\$2,567,531</b>	<b>\$5,324,499</b>	<b>\$10,806,463</b>
<b>General &amp; Administrative</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Legal, Accounting, & Consulting	\$81,600	\$52,108	\$297,430	\$868,397	\$1,600,044
Office	\$57,120	\$104,948	\$257,773	\$651,298	\$800,022
Recruiting	\$19,040	\$15,633	\$39,657	\$72,366	\$106,670
Equipment & Maintenance	\$40,800	\$9,588	\$35,314	\$132,269	\$251,439
Travel	\$10,880	\$10,495	\$39,657	\$144,733	\$266,674
Communications	\$21,760	\$20,990	\$79,315	\$289,466	\$400,011
Pre-Total G&A	\$231,200	\$213,762	\$749,146	\$2,158,528	\$3,424,859
+ G&A & Content Staff Costs	\$620,000	\$1,902,600	\$2,718,765	\$3,243,665	\$3,734,035
<b>= Total G&amp;A Costs</b>	<b>\$851,200</b>	<b>\$2,116,362</b>	<b>\$3,467,911</b>	<b>\$5,402,194</b>	<b>\$7,158,894</b>
<b>Office Expenses</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Rent	\$33,130	\$60,870	\$149,508	\$377,753	\$464,013
Electricity	\$3,227	\$5,929	\$14,562	\$36,792	\$45,194
Insurance	\$3,872	\$7,114	\$17,474	\$44,151	\$54,233
Maintenance	\$3,227	\$5,929	\$14,562	\$36,792	\$45,194
Supplies	\$2,856	\$5,247	\$12,889	\$32,565	\$40,001
Messengers	\$1,714	\$3,148	\$7,733	\$19,539	\$24,001
Real estate taxes	\$3,227	\$5,929	\$14,562	\$36,792	\$45,194
Postage	\$1,613	\$2,964	\$7,281	\$18,396	\$22,597
Entertainment	\$1,613	\$2,964	\$7,281	\$18,396	\$22,597
Other	\$2,856	\$5,247	\$12,889	\$32,565	\$40,001
<b>Total Office</b>	<b>\$57,334</b>	<b>\$105,342</b>	<b>\$258,740</b>	<b>\$653,741</b>	<b>\$803,024</b>
<b>Sales &amp; Marketing</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Distribution	\$8,506	\$40,752	\$194,649	\$1,015,731	\$4,088,122
Consulting/Outsourcing	\$24,000	\$58,125	\$2,163,127	\$1,013,130	\$2,514,354
Travel	\$8,506	\$24,451	\$97,324	\$578,931	\$1,676,236
Entertainment	\$3,780	\$16,301	\$77,859	\$580,418	\$1,752,052
Strategic Alliances	\$16,800	\$130,406	\$583,946	\$2,902,088	\$7,300,217
Marketing Materials	\$24,000	\$19,375	\$108,156	\$578,931	\$838,118
Exhibitions/Conferences	\$12,000	\$24,451	\$97,324	\$580,418	\$1,460,043
Research	\$14,400	\$24,451	\$135,195	\$1,013,130	\$2,933,414
Total Sales & Mkt exp	\$111,991	\$338,313	\$3,457,581	\$8,262,775	\$22,562,557
+ Sales & Mkt Staff Costs	\$219,000	\$850,500	\$1,911,735	\$2,931,107	\$3,806,966
<b>= Total Sales &amp; Mkt Costs</b>	<b>\$330,991</b>	<b>\$1,188,813</b>	<b>\$5,369,316</b>	<b>\$11,193,882</b>	<b>\$26,369,522</b>
<b>Advertising &amp; Publicity</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Advertising	\$89,600	\$854,783	\$6,437,878	\$25,509,155	\$74,668,708
Publicity	\$38,400	\$356,159	\$2,575,151	\$8,503,052	\$18,667,177
<b>Total Advertising &amp; Publicity</b>	<b>\$128,000</b>	<b>\$1,210,942</b>	<b>\$9,013,029</b>	<b>\$34,012,206</b>	<b>\$93,335,885</b>
<b>Customer Relationship Management</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Satellite/Member Support	\$ 210,000	\$ 266,407	\$ 1,297,876	\$ 5,644,579	\$ 14,857,549
Fiduciary Services	\$ 52,500	\$ 66,602	\$ 324,469	\$ 1,411,145	\$ 3,714,387
Logistics & Fulfillment Integration	\$ 87,500	\$ 111,003	\$ 540,782	\$ 2,351,908	\$ 6,190,645
<b>Total CRM</b>	<b>\$ 350,000</b>	<b>\$ 444,012</b>	<b>\$ 2,163,127</b>	<b>\$ 9,407,631</b>	<b>\$ 24,762,582</b>
<b>Total Operating Expenses</b>	<b>\$ 2,374,613</b>	<b>\$ 6,477,961</b>	<b>\$ 22,580,915</b>	<b>\$ 65,340,412</b>	<b>\$ 162,433,346</b>

<i><b>BREATH STAFFING</b></i>	<b>Base Salary</b>	<b>0-4 Months</b>		<b>4-8 Months</b>		<b>8-12 Months</b>		<b>Year 1</b>	<b>Year 2</b>		<b>Year 3</b>		<b>Year 4</b>		<b>Year 5</b>	
		Number	Cost*	Number	Cost*	Number	Cost*	Cost*	Number	Cost*	Number	Cost*	Number	Cost*	Number	Cost*
<b>Technology</b>		<b>*Includes Insurance, Taxes, Benefits, and 5% Annual Salary Increase</b>														
VP Technology	\$100,000	0.50	\$16,667	1.00	\$40,000	1.00	\$40,000	\$96,667	1.00	\$126,000	1.00	\$132,300	1.00	\$138,915	2.00	\$291,722
Programmers	\$75,000	-	\$-	1.00	\$30,000	1.00	\$30,000	\$60,000	3.00	\$283,500	4.00	\$396,900	6.00	\$625,118	8.00	\$875,165
DBA/Project Manager	\$60,000	-	\$-	-	\$-	1.00	\$24,000	\$24,000	1.00	\$75,600	2.00	\$158,760	3.00	\$250,047	5.00	\$437,582
Interface Designer	\$50,000	0.25	\$4,167	0.50	\$10,000	1.00	\$20,000	\$38,333	3.00	\$189,000	4.00	\$264,600	5.00	\$347,288	6.00	\$437,582
<b>Total Technology</b>		<b>0.75</b>	<b>\$20,833</b>	<b>2.50</b>	<b>\$80,000</b>	<b>4.00</b>	<b>\$114,000</b>	<b>\$219,000</b>	<b>8.00</b>	<b>\$674,100</b>	<b>11.00</b>	<b>\$952,560</b>	<b>15.00</b>	<b>\$1,361,367</b>	<b>21.00</b>	<b>\$2,042,051</b>
<b>G&amp;A - Operations</b>																
President	\$100,000	0.50	\$20,000	1.00	\$40,000	1.00	\$40,000	\$100,000	1.00	\$126,000	1.00	\$132,300	1.00	\$138,915	1.00	\$145,861
CEO	\$100,000	-	\$-	-	\$-	1.00	\$40,000	\$33,333	1.00	\$126,000	1.00	\$132,300	1.00	\$138,915	1.00	\$145,861
COO/VP Operations	\$100,000	-	\$-	1.00	\$40,000	1.00	\$40,000	\$80,000	1.00	\$126,000	1.00	\$132,300	1.00	\$138,915	1.00	\$145,861
Administrative Assistant	\$35,000	-	\$-	-	\$-	1.00	\$14,000	\$14,000	2.00	\$88,200	2.00	\$92,610	2.00	\$97,241	2.00	\$102,103
CFO/VP Finance	\$100,000	-	\$-	-	\$-	-	\$-	\$-	1.00	\$126,000	1.00	\$132,300	2.00	\$277,830	2.00	\$291,722
Controller/Bookkeeper	\$45,000	-	\$-	-	\$-	0.50	\$9,000	\$9,000	2.00	\$113,400	2.00	\$119,070	3.00	\$187,535	3.00	\$196,912
HR Manager	\$50,000	-	\$-	-	\$-	-	\$-	\$-	1.00	\$63,000	2.00	\$132,300	2.00	\$138,915	2.00	\$145,861
General Manager	\$60,000	-	\$-	-	\$-	-	\$-	\$-	1.00	\$75,600	1.00	\$79,380	1.00	\$83,349	1.00	\$87,516
General Staff	\$30,000	-	\$-	-	\$-	-	\$-	\$-	2.00	\$75,600	3.00	\$119,070	4.00	\$166,698	4.00	\$175,033
<b>Total Operations</b>		<b>0.50</b>	<b>\$20,000</b>	<b>2.00</b>	<b>\$80,000</b>	<b>4.50</b>	<b>\$143,000</b>	<b>\$243,000</b>	<b>12.00</b>	<b>\$919,800</b>	<b>14.00</b>	<b>\$1,071,630</b>	<b>17.00</b>	<b>\$1,368,313</b>	<b>17.00</b>	<b>\$1,436,728</b>
<b>G&amp;A - Content</b>																
VP Content	\$90,000	0.50	\$18,000	1.00	\$36,000	1.00	\$36,000	\$90,000	1.00	\$113,400	2.00	\$238,140	2.00	\$250,047	2.00	\$262,549
Administrative Assistant	\$35,000	-	\$-	-	\$-	-	\$-	\$-	1.00	\$44,100	2.00	\$92,610	2.00	\$97,241	2.00	\$102,103
Component Manager	\$50,000	0.50	\$10,000	1.00	\$20,000	2.00	\$40,000	\$60,000	4.00	\$252,000	8.00	\$529,200	8.00	\$555,660	9.00	\$656,373
Component Editor	\$35,000	-	\$-	-	\$-	2.00	\$8,000	\$28,000	5.00	\$220,500	7.00	\$324,135	7.00	\$340,342	9.00	\$459,461
Constellation Guide	\$35,000	3.00	\$35,000	5.00	\$70,000	6.00	\$84,000	\$189,000	8.00	\$352,800	10.00	\$463,050	13.00	\$632,063	16.00	\$816,820
<b>Total Content</b>		<b>4.00</b>	<b>\$63,000</b>	<b>7.00</b>	<b>\$126,000</b>	<b>11.00</b>	<b>\$188,000</b>	<b>\$367,000</b>	<b>19.00</b>	<b>\$982,800</b>	<b>29.00</b>	<b>\$1,647,135</b>	<b>32.00</b>	<b>\$1,875,353</b>	<b>38.00</b>	<b>\$2,297,307</b>
<b>Marketing &amp; Sales</b>																
BDO/VP Marketing & Sales	\$90,000	-	\$-	1.00	\$36,000	1.00	\$36,000	\$72,000	1.00	\$113,400	1.00	\$119,070	1.00	\$125,024	1.00	\$131,275
Ad & Sponsorships Manager	\$80,000	-	\$-	-	\$-	1.00	\$32,000	\$32,000	1.00	\$100,800	2.00	\$211,680	3.00	\$333,396	3.00	\$350,066
Satellite Account Executive	\$45,000	-	\$-	-	\$-	-	\$-	\$-	4.00	\$226,800	9.00	\$535,815	14.00	\$875,165	20.00	\$1,312,747
Administrative Assistant	\$35,000	-	\$-	-	\$-	-	\$-	\$-	1.00	\$44,100	2.00	\$92,610	2.00	\$97,241	2.00	\$102,103
Office Manager	\$45,000	-	\$-	-	\$-	-	\$-	\$-	1.00	\$56,700	1.00	\$59,535	1.00	\$62,512	1.00	\$65,637
Salesperson	\$40,000	-	\$-	-	\$-	1.00	\$16,000	\$16,000	2.00	\$100,800	5.00	\$264,600	11.00	\$611,226	11.00	\$641,787
Product Manager	\$50,000	-	\$-	-	\$-	1.00	\$20,000	\$20,000	1.00	\$63,000	4.00	\$264,600	5.00	\$347,288	5.00	\$364,652
Market Research	\$45,000	-	\$-	-	\$-	-	\$-	\$-	1.00	\$56,700	3.00	\$178,605	3.00	\$187,535	5.00	\$328,187
Strategic Marketing	\$70,000	0.75	\$21,000	1.00	\$28,000	1.00	\$28,000	\$28,000	1.00	\$88,200	2.00	\$185,220	3.00	\$291,722	5.00	\$510,513
<b>Total Marketing</b>		<b>0.75</b>	<b>\$21,000</b>	<b>2.00</b>	<b>\$64,000</b>	<b>5.00</b>	<b>\$132,000</b>	<b>\$168,000</b>	<b>13.00</b>	<b>\$850,500</b>	<b>29.00</b>	<b>\$1,911,735</b>	<b>43.00</b>	<b>\$2,931,107</b>	<b>53.00</b>	<b>\$3,806,966</b>
<b>Total Staff</b>		<b>6.00</b>	<b>\$124,833</b>	<b>13.50</b>	<b>\$350,000</b>	<b>24.50</b>	<b>\$577,000</b>	<b>\$997,000</b>	<b>52.00</b>	<b>\$3,427,200</b>	<b>83.00</b>	<b>\$5,583,060</b>	<b>107.00</b>	<b>\$7,536,139</b>	<b>129.00</b>	<b>\$9,583,051</b>

## VII. FINANCIAL STATEMENTS & PROJECTIONS

The financial projections implicit and explicit in Breathe's Business Strategy are based on a model that has been reverse-engineered from the economic model of the *infomediary* by Breathe's financial consultant, Tatyana Okshteyn.<sup>22</sup> This theoretical model has been developed to provide the investor with a forecast of Breathe's investment requirements and potential market value beyond Breathe's first year of operations. The projections it sets forth are by no means to be considered guarantees.

The basic assumptions of the model are:

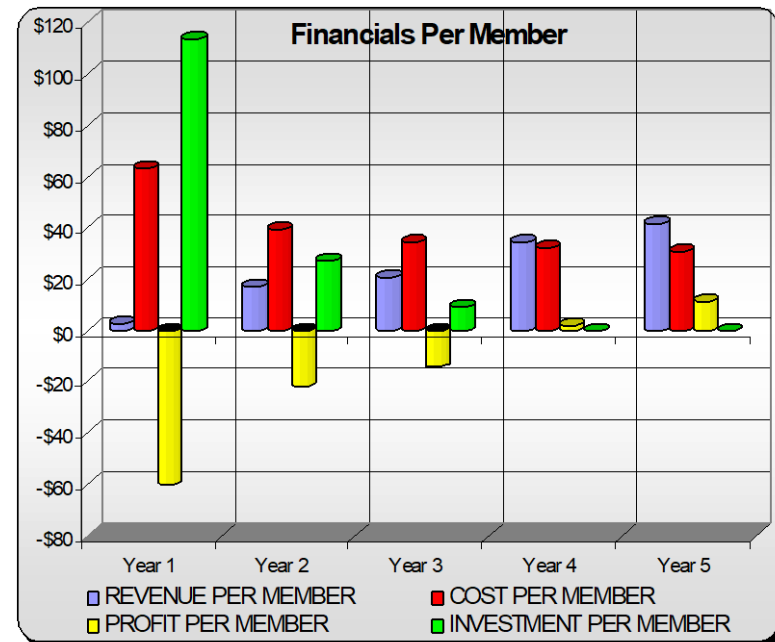
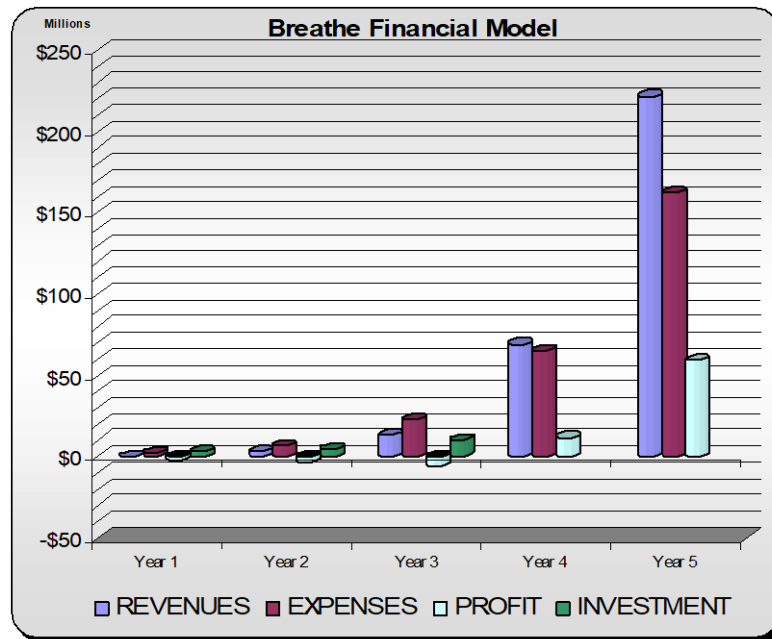
- *Satellite Member* acquisition will cost approximately 35% less than *Non-Satellite Member* acquisition.
- Breathe will initially focus on the US market and will extend its international reach during year 3.
- Breathe will make no acquisitions during the period analyzed.
- Churn rates will be relatively low as a direct result of *Satellite* and *Member* loyalty.
- 15% contingency for each round of financing.

The model indicates positive cash flow from the 1<sup>st</sup> year of operation and positive operating cash flow by year 4. This cash flow pattern assumes that Breathe will successfully set in motion the increasing returns dynamics and economies of scale. The model projects that Breathe may require a cumulative investment of \$17.6M over three years.

### Terms and Conditions

<b>Total Investment</b>	Total projected equity investment of \$17.6M.
<b>Dividends</b>	No dividends are expected to be paid out during the 5-year period.
<b>Revenues / Cash Flow</b>	Breathe projects positive annual cash flows from its first year of operation, substantially narrowing the gap between expenses and revenues during the 3 <sup>rd</sup> year and reaching profitability in year 4.
<b>Cost per <i>Satellite</i> &amp; <i>Member</i></b>	During the 1 <sup>st</sup> and 2 <sup>nd</sup> years of operation, acquisition cost is assumed at \$35 per <i>Satellite Member</i> and \$55 per <i>Non-Satellite Member</i> with a gradual decline of such costs thereafter at approximately 20% per annum.
<b>Fixed Assets</b>	Fixed assets to be purchased include hardware, software, office equipment, and patents. Fixed assets will be depreciated over a five-year period on a straight-line basis.
<b>Terms of Sale</b>	Terms of eCommerce sales are expected to be COD, except for <i>Hosting</i> and <i>Marketing</i> fees and <i>Sponsorships</i> , which are assumed to be net 30.
<b>Supplier Terms</b>	Breathe plans to negotiate 30-day terms from its suppliers and sub-contractors.
<b>Staffing</b>	Staffing is projected to be 24.5 persons for the 1 <sup>st</sup> year of operation and to reach 129 persons by the end of year 5.
<b>Exit Strategy</b>	IPO, Merger, or Acquisition

<sup>22</sup> As described in *Net Gain* (John Hagel, Arthur G. Armstrong ©1997), an infomediary is an agent matching consumers' profiles and preferences with vendors' product and service offerings. Breathe's financial model was reverse-engineered from the assumptions and trends that Hagel and Armstrong used to develop an economic model for the infomediary, which they predict will prove to be one of the most profitable eBusiness models.



<b>Breathe Financial Model</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
REVENUES	\$101,219	\$2,864,222	\$13,290,755	\$69,193,860	\$221,469,765
EXPENSES	\$2,374,613	\$6,477,961	\$22,580,915	\$65,340,412	\$162,433,346
PRE-TAX LOSS/GAIN	\$(2,273,394)	\$(3,613,740)	\$(5,710,629)	\$11,619,295	\$59,036,420
CUMULATIVE LOSS/GAIN:	\$(2,273,394)	\$(5,887,134)	\$(11,597,762)	\$21,533	\$59,057,952
FIXED ASSETS CUMULATIVE INVESTMENTS	\$991,893	\$1,929,798	\$3,115,773	\$4,930,264	\$8,713,790
DEPRECIATION:	\$169,511	\$357,092	\$594,287	\$957,185	\$1,713,891
REQUIRED INVESTMENT PER YEAR:	\$2,809,396	\$4,491,348	\$10,269,193		
CUMULATIVE INVESTMENT:	\$2,809,396	\$7,300,744	\$17,569,937		
REVENUE PER MEMBER	\$3	\$17	\$20	\$34	\$42
COST PER MEMBER	\$64	\$39	\$35	\$33	\$31
PROFIT PER MEMBER	\$(61)	\$(22)	\$(14)	\$2	\$11
INVESTMENT PER MEMBER	\$76	\$27	\$16	\$-	\$-
<b>VALUE PER MEMBER*</b>	<b>\$108</b>	<b>\$205</b>	<b>\$447</b>	<b>\$1,103</b>	<b>\$2,834</b>

\*Calculated by multiplying the subsequent five years of revenue per Member less a 5% churn rate.

<b>BALANCE SHEET</b>									
	Current	0-4 Months	4-8 Months	8-12 Months	Year 1 - Total	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>									
<b>Current Assets</b>									
Cash	\$3,932.93	\$58,896	\$93,351	\$208,078	\$360,326	\$946,154	\$2,285,614	\$2,285,614	\$2,285,614
Account Receivable	\$-	\$-	\$-	\$7,170	\$7,170	\$167,080	\$443,025	\$1,845,170	\$5,905,860
<b>Total Current Assets</b>	<b>\$3,932.93</b>	<b>\$58,896</b>	<b>\$93,351</b>	<b>\$215,248</b>	<b>\$371,428</b>	<b>\$1,113,233</b>	<b>\$2,728,639</b>	<b>\$4,130,783</b>	<b>\$8,191,474</b>
<b>Fixed Assets</b>									
Equipment	\$8,842.26	\$135,494	\$291,002	\$556,555	\$991,893	\$1,929,798	\$3,115,773	\$4,930,264	\$8,713,790
Depreciation	\$(1,768.45)	\$(27,099)	\$(58,200)	\$(82,444)	\$(169,511)	\$(357,092)	\$(594,287)	\$(957,185)	\$(1,713,891)
<b>Total Fixed Assets</b>	<b>\$7,074</b>	<b>\$108,396</b>	<b>\$232,802</b>	<b>\$474,111</b>	<b>\$822,382</b>	<b>\$1,572,706</b>	<b>\$2,521,486</b>	<b>\$3,973,078</b>	<b>\$6,999,900</b>
Other Assets	\$-	\$13,007	\$27,936	\$56,893	\$97,837	\$188,725	\$302,578	\$476,769	\$839,988
<b>Total Assets</b>	<b>\$11,007</b>	<b>\$180,299</b>	<b>\$354,089</b>	<b>\$746,252</b>	<b>\$1,291,647</b>	<b>\$2,874,664</b>	<b>\$5,552,703</b>	<b>\$8,580,631</b>	<b>\$16,031,362</b>
<b>Liabilities &amp; Stockholders' Equity</b>									
<b>Current Liabilities</b>									
Accounts Payable	\$-	\$135,619	\$186,825	\$469,094	\$791,538	\$539,830	\$1,881,743	\$5,445,034	\$13,536,112
Short-Term Note	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Accrued Expenses	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Income Taxes	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$18,159,742
Other	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Line of Credit	\$5,476	\$5,476	\$5,476	\$5,476	\$5,476	\$-	\$-	\$-	\$-
Current Portion of Long Term Debt	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
<b>Total Current Liabilities</b>	<b>\$5,476</b>	<b>\$141,094</b>	<b>\$192,301</b>	<b>\$474,570</b>	<b>\$797,013</b>	<b>\$539,830</b>	<b>\$1,881,743</b>	<b>\$5,445,034</b>	<b>\$31,695,854</b>
<b>Long-Term Debt</b>									
Notes Payable	\$17,624	\$-	\$-	\$-	\$17,624	\$-	\$-	\$-	\$-
Less: Current Portion	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
<b>Total Long Term Debt</b>	<b>\$17,624</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$17,624</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>Total Liabilities</b>	<b>\$23,099</b>	<b>\$141,094</b>	<b>\$192,301</b>	<b>\$474,570</b>	<b>\$831,064</b>	<b>\$539,830</b>	<b>\$1,881,743</b>	<b>\$5,445,034</b>	<b>\$31,695,854</b>
<b>Shareholders' Equity</b>					\$-				
Capital Stock	\$22,700	\$474,237	\$1,189,931	\$2,785,197	\$2,785,197	\$7,276,545	\$17,545,738	\$17,545,738	\$17,545,738
Retained Earnings	\$(30,854)	\$(446,682)	\$(995,112)	\$(2,313,220)	\$(3,785,866)	\$(5,926,959)	\$(15,217,119)	\$(11,363,670)	\$29,513,007
<b>Total Shareholders' Equity</b>	<b>\$(8,154)</b>	<b>\$27,555</b>	<b>\$194,819</b>	<b>\$471,978</b>	<b>\$686,198</b>	<b>\$1,349,586</b>	<b>\$2,328,620</b>	<b>\$6,182,068</b>	<b>\$47,058,745</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$14,946</b>	<b>\$168,650</b>	<b>\$387,120</b>	<b>\$946,547</b>	<b>\$1,517,262</b>	<b>\$1,889,416</b>	<b>\$4,210,362</b>	<b>\$11,627,102</b>	<b>\$78,754,600</b>



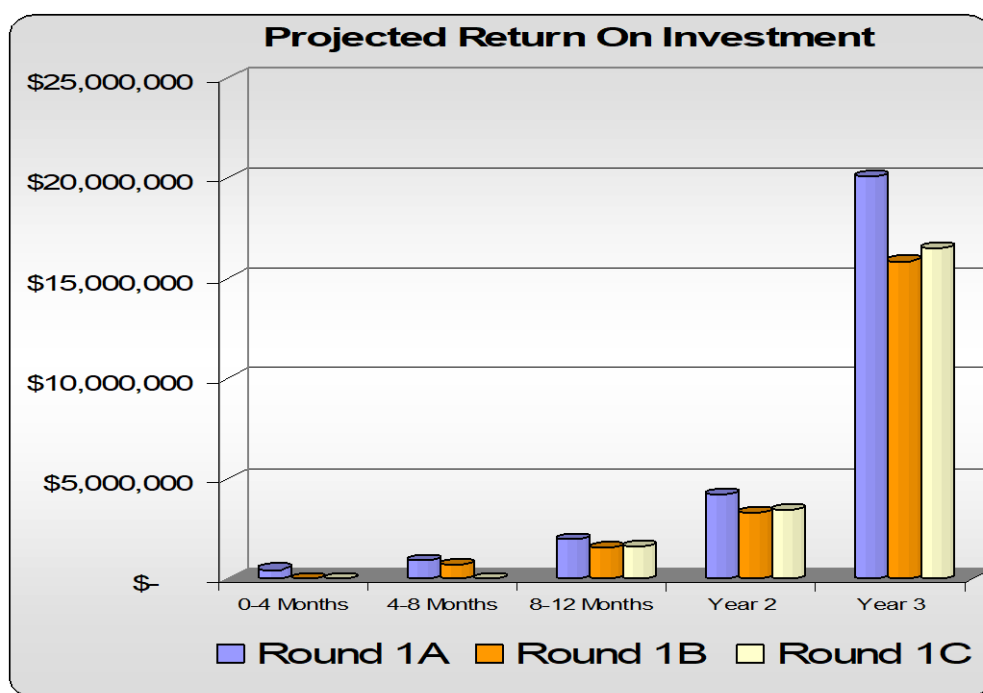
<b>INCOME STATEMENT</b>	<b>Current</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Revenue			\$12,045	\$89,174	\$101,219	\$2,864,222	\$13,290,755	\$69,193,860	\$221,469,765
Expenses									
Marketing	\$3,161.32	\$34,350.00	\$93,100.00	\$203,541	\$330,991	\$1,188,813	\$5,369,316	\$11,193,882	\$26,369,522
Technology	\$7,987.77	\$244,208.33	\$186,725.00	\$283,488	\$714,421	\$1,517,832	\$2,567,531	\$5,324,499	\$10,806,463
Member/Customer Support	\$-	\$-	\$-	\$350,000	\$350,000	\$444,012	\$2,163,127	\$9,407,631	\$24,762,582
Advertising	\$-	\$-	\$10,000.00	\$118,000	\$128,000	\$1,210,942	\$9,013,029	\$34,012,206	\$93,335,885
G&A	\$28,676.15	\$128,298.00	\$270,650.00	\$452,252	\$851,200	\$2,116,362	\$3,467,911	\$5,402,194	\$7,158,894
Total Expenses	\$39,825	\$406,856	\$560,475	\$1,407,282	\$2,374,613	\$6,477,961	\$22,580,915	\$65,340,412	\$162,433,346
Income (Loss) from Operations	\$(39,825)	\$(406,856)	\$(548,430)	\$(1,318,108)	\$(2,273,394)	\$(3,613,740)	\$(9,290,160)	\$3,853,448	\$59,036,420
Interest Income - Net									
Net Income (Loss) Before Taxes	\$(39,825)	\$(406,856)	\$(548,430)	\$(1,318,108)	\$(2,273,394)	\$(3,613,740)	\$(9,290,160)	\$3,853,448	\$59,036,420
Provision for Income Taxes	\$-	0		\$-	\$-	\$-	\$-	\$-	\$18,159,742
Net Income	\$(39,825)	\$(406,856)	\$(548,430)	\$(1,318,108)	\$(2,273,394)	\$(3,613,740)	\$(9,290,160)	\$3,853,448	\$40,876,678
Retained Earnings									
Beginning	\$-	\$(39,825)	\$(446,682)	\$(995,112)	\$-	\$(2,313,220)	\$(5,926,959)	\$(15,217,119)	\$(11,363,670)
Ending	\$(39,825)	\$(446,682)	\$(995,112)	\$(2,313,220)	\$(2,313,220)	\$(5,926,959)	\$(15,217,119)	\$(11,363,670)	\$29,513,007

<b>STATEMENT OF CASH FLOW</b>	<b>Current</b>	<b>0-4 Months</b>	<b>4-8 Months</b>	<b>8-12 Months</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Net Income (Loss)	\$(39,825)	\$(406,856)	\$(548,430)	\$(1,318,108)	\$(2,313,220)	\$(3,613,740)	\$(9,290,160)	\$3,853,448	\$40,876,678
Adjustments									
Depreciation	\$1,768	\$27,099	\$58,200	\$82,444	\$169,511	\$357,092	\$594,287	\$957,185	\$1,713,891
Accounts Receivable	\$-	\$-	\$-	\$(7,170)	\$(7,170)	\$(159,910)	\$(275,946)	\$(1,402,144)	\$(4,060,691)
Accounts Payable	\$-	\$135,619	\$186,825	\$469,094	\$791,538	\$539,830	\$1,341,913	\$3,563,291	\$8,091,078
Accrued Income Taxes	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$18,159,742
Net Cash Flow From Operations	\$(38,057)	\$(244,139)	\$(303,405)	\$(773,740)	\$(1,359,340)	\$(2,876,727)	\$(7,629,905)	\$6,971,781	\$64,780,697
Investing Cash Flow									
Equipment Purchases	\$(8,842)	\$(135,494)	\$(291,002)	\$(556,555)	\$(991,893)	\$(937,905)	\$(1,185,975)	\$(1,814,491)	\$(3,783,527)
Acquisition of Patent	\$-	\$(13,007)	\$(27,936)	\$(56,893)	\$(97,837)	\$(90,888)	\$(113,854)	\$(174,191)	\$(363,219)
Total Investing Cash Flow	\$(8,842)	\$(148,502)	\$(318,938)	\$(613,448)	\$(1,089,730)	\$(1,028,793)	\$(1,299,828)	\$(1,988,682)	\$(4,146,745)
Financing Cash Flow									
Line Of Credit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Proceeds From Notes Payable	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Repayment Of Notes Payable	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Total Financing Of Cash Flow	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Net Cash Flow Before Equity	\$(46,899)	\$(392,641)	\$(622,343)	\$(1,387,188)	\$(2,449,071)	\$(3,905,520)	\$(8,929,733)	\$4,983,099	\$60,633,952
Equity Cash Flow	\$46,899	\$451,537	\$715,694	\$1,595,267	\$2,809,396	\$4,491,348	\$10,269,193	\$(4,983,099)	\$(60,633,952)
Net Cash Flow	\$-	\$58,896	\$93,351	\$208,078	\$360,326	\$585,828	\$1,339,460	\$-	\$-
Cash Balances									
Beginning	\$-	\$-	\$58,896	\$93,351	\$-	\$360,326	\$946,154	\$2,285,614	\$2,285,614
Ending	\$-	\$58,896	\$93,351	\$208,078	\$360,326	\$946,154	\$2,285,614	\$2,285,614	\$2,285,614

## VIII. INVESTMENT OPPORTUNITY

Breathe, Inc. is seeking a total of \$2.8 million for Phase I development through three rounds of financing—Round 1A (\$452,000), Round 1B (\$716,000), and Round 1C (\$1.6M)—that correspond to Phases IA, IB, and IC, respectively. This financial plan will reduce the amount of risk for investors while leveraging and maximizing shareholder value from round to round. The Return-On-Investment chart shown below highlights the investment opportunity for each round and is based on Breathe's success at meeting its milestones and thereby increasing shareholder value. Based on its financial model, Breathe projects that it will require two additional rounds of financing—Round 2 (\$4.5M) and Round 3 (\$10.3M)—for development of Phases II and III, respectively. All financing is projected to be raised in equity according to the subsequent capitalization tables.

### Projected Return On Investment



ROI TABLE	0-4 Months	4-8 Months	Growth	8-12 Months	Growth	Year 2	Growth	Year 3	Growth	Year 4	Growth
Round 1A	\$451,537	\$907,186	101%	\$1,936,949	329%	\$4,201,849	831%	\$20,076,018	4346%	\$88,113,448	19414%
Round 1B	\$-	\$715,694	0%	\$1,528,092	114%	\$3,314,910	363%	\$15,838,312	2113%	\$69,514,200	9613%
Round 1C	\$-	\$-	0%	\$1,595,267	0%	\$3,460,632	117%	\$16,534,558	936%	\$72,570,015	4449%
Round 2	\$-	\$-	0%	\$-	0%	\$4,491,348	0%	\$21,459,214	378%	\$94,184,285	1997%
Round 3	\$-	\$-	0%	\$-	0%	\$-	0%	\$10,269,193	0%	\$45,071,389	339%

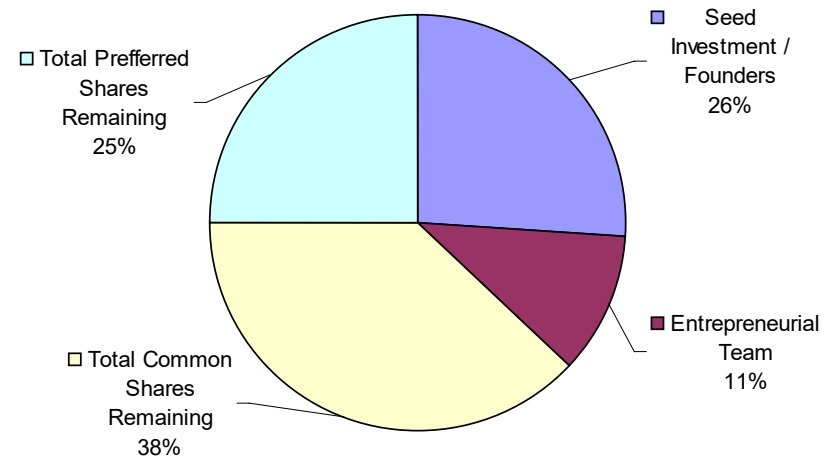
<b><i>CURRENT EQUITY STRUCTURE</i></b>	<b>Shares</b>	<b>Investment</b>	<b>Percent</b>
Total Authorized Shares	4,875,000		100.00%
Total Common Stock Shares	3,656,250		75.00%
Total Preferred Stock Shares	1,218,750		25.00%

### ***Current Capitalization***

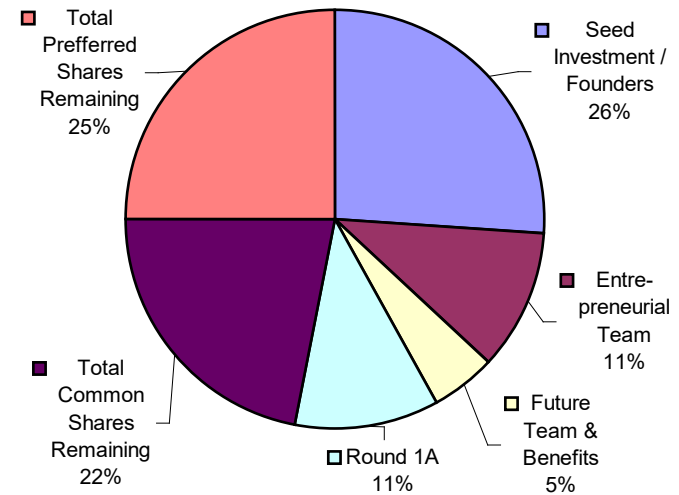
Seed Investment / Founders (Issued Common Stock)	1,267,500	\$46,899	26.00%
Entrepreneurial Team (Issued & Outstanding Options)	536,138	SWEAT	11.00%
Issued and Outstanding Common Shares	1,803,638		49.33%
Common Shares Remaining	1,852,612		50.67%
Preferred Shares Issued	0		0.00%
Preferred Shares Remaining	1,218,750		100.00%
Shares Issued	1,803,638		37.00%
Authorized Shares Remaining	3,071,362		63.00%

<b><i>Round 1A Capitalization</i></b>	<b>Shares</b>	<b>Investment</b>	<b>Percent</b>
<b>Share Price \$0.84</b>			
<b>Current Valuation \$4,075,443</b>			
Seed Investment / Founders (Issued Common Stock)	1,267,500	\$46,899	
Entrepreneurial Team (Issued & Outstanding Options)	536,138	SWEAT	
Future Team & Benefits (100% Common Stock)	243,750		
Round 1A (Common Stock)	540,123	\$451,537	11.08%
Issued and Outstanding Common Shares	2,587,511		70.77%
Common Shares Remaining	1,068,739		29.23%
Preferred Shares Issued	0		0.00%
Preferred Shares Remaining	1,218,750		100.00%
Shares Issued & Outstanding	2,587,511		53.08%
Authorized Shares Remaining	2,287,489		46.92%

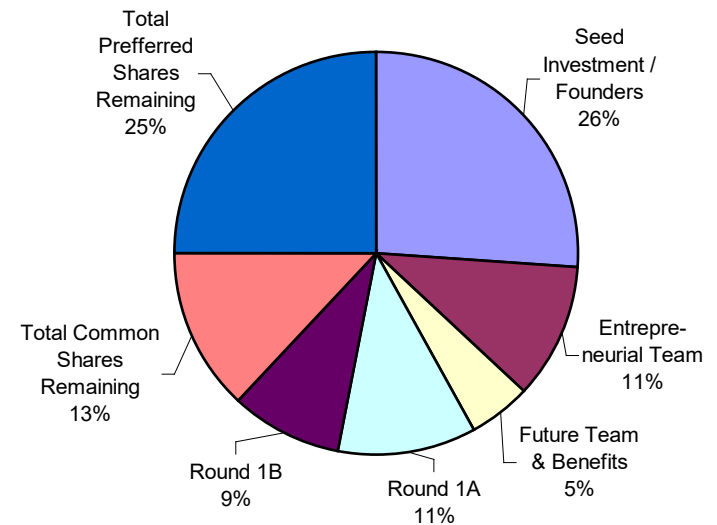
### **Current Equity Structure**



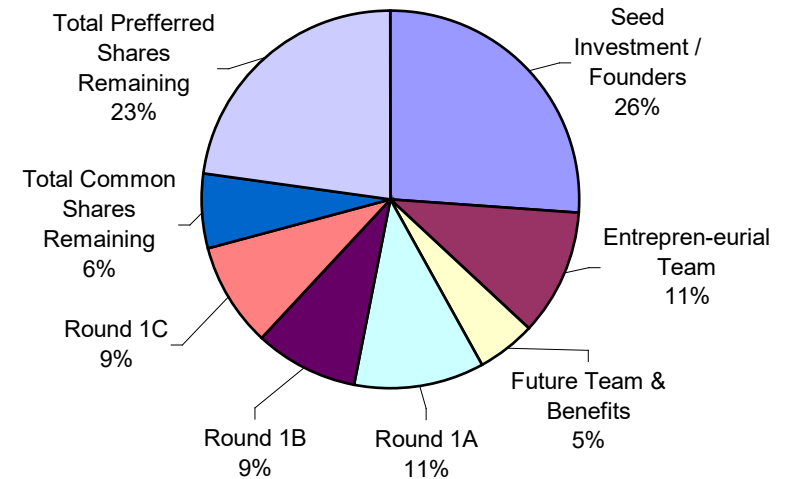
### **Round 1A Equity Structure**



<b>Round 1B Capitalization</b>	<b>Shares</b>	<b>Investment</b>	<b>Percent</b>	<b>Value</b>	<b>Growth</b>
<b>Share Price: \$1.68</b>					
<b>Valuation: \$8,188,002</b>					
Seed Investment / Founders	1,267,500	\$46,899	26.00%		
Entrepreneurial Team	536,138	SWEAT	11.00%		
Future Team & Benefits (100% Common Stock)	243,750		5.00%		
Round 1A (Common Stock)	540,123	\$451,537	11.08%	\$907,186	101%
Round 1B (Common Stock)	426,112	\$715,694	8.74%	\$715,694	0%
Issued & Outstanding Common	3,013,624		82.42%		
Common Shares Remaining	642,626		17.58%		
Preferred Shares Issued	0		0.00%		
Preferred Shares Remaining	1,218,750		100.00%		
Shares Issued & Outstanding	3,013,624		61.82%		
Authorized Shares Remaining	1,861,376		38.18%		

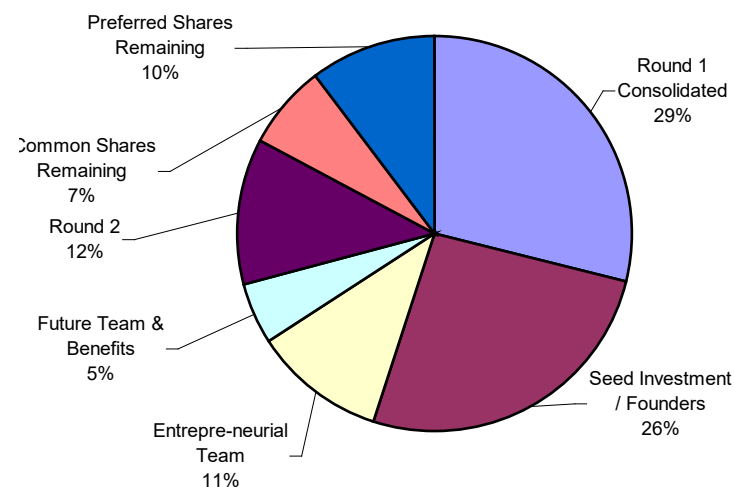
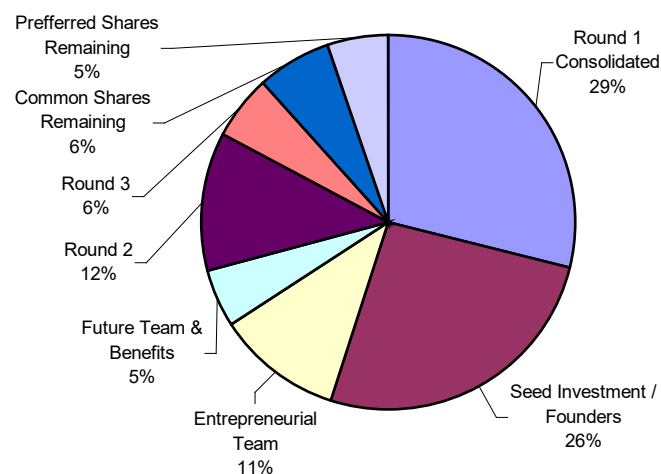
**Round 1B Equity Structure**


<b>Round 1C Capitalization</b>	<b>Shares</b>	<b>Investment</b>	<b>Percent</b>	<b>Value</b>	<b>Growth</b>
<b>Share Price: \$3.59</b>					
<b>Valuation: \$17,482,361</b>					
Seed Investment / Founders	1,267,500	\$46,899	26.00%		
Entrepreneurial Team	536,138	SWEAT	11.00%		
Future Team & Benefits	243,750		5.00%		
Round 1A (Common Stock)	540,123	\$451,537	11.08%	\$1,936,949	329%
Round 1B (Common Stock)	426,112	\$715,694	8.74%	\$1,528,092	114%
Round 1C (75% Common & 25% Preferred)	444,844	\$1,595,267	9.13%	\$1,595,267	0%
Issued and Outstanding Common	3,347,257		91.55%		
Common Shares Remaining	308,993		8.45%		
Preferred Shares Issued	111,211		9.13%		
Preferred Shares Remaining	1,107,539		90.87%		
Shares Issued & Outstanding	3,458,468		70.94%		
Authorized Shares Remaining	1,416,532		29.06%		

**Round 1C Equity Structure**


<b>Round 2 Capitalization</b>	<b>Shares</b>	<b>Investment</b>	<b>Percent</b>	<b>Value</b>	<b>Growth</b>
<b>Share Price: \$7.78</b>					
<b>Valuation: \$37,924,709</b>					
Seed Investment / Founders	1,267,500	\$46,899	26.00%		
Entrepreneurial Team	536,138	SWEAT	11.00%		
Future Team & Benefits	243,750		5.00%		
Round 1A (Common Stock)	540,123	\$451,537	11.08%	\$4,201,849	831%
Round 1B (Common Stock)	426,112	\$715,694	8.74%	\$3,314,910	363%
Round 1C (75% Common & 25% Preferred)	444,844	\$1,595,267	9.13%	\$3,460,632	117%
Round 2: (25% Common 75% Preferred)	577,337	\$4,491,348	11.84%	\$4,491,348	0%
Issued and Outstanding Common Shares	3,312,746		90.61%		
Common Shares Remaining	343,504		9.39%		
Preferred Shares Issued	723,058		59.33%		
Preferred Shares Remaining	495,692		40.67%		
Shares Issued & Outstanding	4,035,804		82.79%		
Authorized Shares Remaining	839,196		17.21%		

<b>Round 3 Capitalization</b>	<b>Shares</b>	<b>Investment</b>	<b>Percent</b>	<b>Value</b>	<b>Growth</b>
<b>Share Price: \$37.17</b>					
<b>Valuation: \$193,064,770</b>					
Seed Investment / Founders	1,267,500	\$46,899	26.00%		
Entrepreneurial Team	536,138	SWEAT	11.00%		
Future Team & Benefits (100% Common Stock)	243,750		5.00%		
Round 1A (Common Stock)	540,123	\$451,537	10.40%	\$20,076,018	4346%
Round 1B (Common Stock)	426,112	\$715,694	8.20%	\$15,838,312	2113%
Round 1C (75% Common & 25% Preferred)	444,844	\$1,595,267	8.56%	\$16,534,558	936%
Round 2: (25% Common 75% Preferred)	577,337	\$4,491,348	11.12%	\$21,459,214	378%
Round 3: (100% Preferred)	276,281	\$10,269,193	5.32%	\$10,269,193	0%
Issued and Outstanding Common Shares	3,312,746		91.55%		
Common Shares Remaining	305,820		8.45%		
Preferred Shares Issued	999,340		79.54%		
Preferred Shares Remaining	257,094		5.27%		
Shares Issued & Outstanding	4,312,085		88.45%		
Authorized Shares Remaining	562,915		11.55%		

**Round 2 Equity Structure**

**Round 3 Equity Structure**


## IX. ENTREPRENEURIAL TEAM

The Entrepreneurial Team has formed around Breathe's mission and vision since its incorporation in March of 1999. This Team brings together the unique combination of diverse professional backgrounds that will make Breathe's unique business succeed. The members of the Entrepreneurial Team have signed Independent Contractor Agreements that govern their deliverables and compensation through stock options. Amir Hasson, President, and Vanessa Weinberg, Director of Content and Secretary of the Board, and Sharon Sharrett, founder and Chairperson of the Board, work full-time on Breathe. All of the other Members have been recruited as part-time consultants for their expertise. As the Phase I staffing model and subsequent biographies indicate, some of these members are prospective hires that will join Breathe full-time upon capitalization while others will remain as consultants. Breathe plans to recruit a Vice President of Marketing in Phase IB and Chief Executive and Chief Operating Officers in Phase IC.

Breathe's organizational structure consists of four dynamic departments:

- **Operations**—Responsible for: Breathe's executive decisions; legal and accounting functions; and high-level organizational processes.
- **Business**—Responsible for: developing the Business Plan; marketing strategies and materials; financial strategies and relationships; and other business processes vital to Breathe's development.
- **Content**—Responsible for: managing weBreathe's *Constellation* Guides; populating weBreathe's databases with content by developing relationships with *Satellites*; designing weBreathe's brand elements and materials including the weBreathe interface; and other creative and organizational processes related to *Satellite* development.
- **Technology**—Responsible for: developing weBreathe's intranet; developing the architecture and feature sets for the weBreathe 1.0 Prototype; developing the Request for Proposal and analyzing Proposals; and any other decisions and processes relating to technological development.

OPERATIONS			BUSINESS		
NAME	ROLE	BACKGROUND	NAME	ROLE	BACKGROUND
AMIR HASSON	President	Internet Business & Marketing	BARBARA LILLY	Marketing Consultant	Marketing & Communications
SHARON SHARRETT	Chairperson of the Board	Holistic Health Business & Practice	TATYANA OKSHTEYN	Financial Consultant	Finance & Banking
VANESSA WEINBERG	Content Director/ Board Secretary	Net-TV Production & HHS Practitioner	DEREK KELLER	Business Development Consultant	eCommerce Development
DR. HARRITH HASSON	Treasurer of the Board	Ob/Gyne Doctor & Inventor	MORGAN SIMONSON	Business Development Consultant	Internet Advertising
LARRY LUX	Board Member	Veteran Internet Executive	JOSEPH HASSON	Chief Legal Counsel	Corporate Law
CONTENT			TECHNOLOGY		
NOAH DEGAETANO	Satellite Development Consultant	Western & Eastern Medicine	CARL BENTLEY	Technology Consultant	Internet Technology
JESSE FERRARO	Graphic Design Consultant	Interactive Telecommunications	JONAS GOLDSTEIN	Interface Consultant	Website Development
8 CONSTELLATION GUIDES	Satellite Development	(Please request Appendix I)			

## Operations

### Amir Hasson

Mr. Hasson was responsible for online marketing and business development at *Pseudo Programs, Inc.* ([www.pseudo.com](http://www.pseudo.com)) as the Director of Community. While at Pseudo, Hasson also co-founded and worked as the Executive Producer for *SpiriTV*, a Net-TV channel for Holistic Health and Spirituality. Hasson resigned from Pseudo in December, 1999 to join the Breathe Team in full capacity. Hasson was elected President of Breathe in January 2000 based on his combined understanding of Breathe's three core functions: Internet technology; Internet business and marketing; and the Holistic Health and Spirituality marketplace. Other Internet related experiences include: acting as the General Manager for the development of two online magazines related to popular science; managing the development of CD-ROM training software for laparoscopic training devices as a consultant for *Spectrum Medical*; and developing the initial website launch for *Congressional Quarterly* ([www.cq.com](http://www.cq.com)). Hasson's entrepreneurial experience began as a distributor of Holistic Health products for *CellTech* at the age of seventeen.

**Education:** BA in College of Social Studies (1998), Wesleyan University, CT

### Sharon Sharrett

Ms. Sharrett is the figurehead of Breathe's credibility and relationships within the *HHS* industry. For the past 30 years Sharrett has developed a comprehensive health care background with work as a Registered Nurse, Family Counselor, Clinical Herbalist, Hypnotherapist, and Ayurvedic Practitioner. Through her company, *ByCoincidence, Inc.*, Sharrett currently organizes educational programs in Ayurveda and Phytotherapy, distributes her own product line of herbs, and practices her own integrated health system with clients across the U.S. Sharrett founded Breathe, Inc. as a way to leverage her unique health care expertise and her relationships with respected Holistic Health practitioners and institutions online. She served as Breathe's President prior to Amir Hasson and now serves as Chairperson of the Board.

**Training:** Ayurveda Practitioner, Ayurvedic Institute, Albuquerque, NM  
Foundations & Clinical Herbalism (1996), New Mexico Herb Center, ALBQ, NM

**Education:** BA in Sociology & MA in Public Health (1970, 1978), University of Illinois.

### Vanessa Weinberg

For the past seven years, Ms. Weinberg has operated a successful business designing sound and video for theater, dance, film and television. In 1996 Weinberg began producing and directing the Net-TV program, *Infinity Factory*, which can be seen on the *Pseudo Online Network* ([www.pseudo.com](http://www.pseudo.com)) as well as the *Razorfish SubNetwork*, ([www.rsub.com](http://www.rsub.com)). Offline, Weinberg has produced programming for cable television's *Manhattan Neighborhood Network* and for the *BBC's Channel 4*. An active member of the spiritual health community for the past fourteen years, Weinberg has studied with practitioners of Biodynamic Farming, Acupuncture, Feng Shui, Shiatsu, Body Mind Centering, Sat Nam Rasayan, and various forms of Yoga and meditation. Secretary of the Breathe, Inc. Board, Weinberg has been working full-time on Breathe since its incorporation. She has played an integral role in developing Breathe's vision and mission, and has successfully managed Breathe's Strategic Satellite Partner development, Constellation Guides, interface design, and database administration.

**Training:** Yoga Teacher Certification (1999), Kundalini Yoga Research Institute of Espanola, NM

**Education:** BFA in Multimedia Performance (1993), New York University, TSOA, NYC, NY



## Larry Lux

With several years of management experience within the Internet Industry, Larry Lux is one of the few *veteran* Internet executives. He was the Managing Director of National Geographic Interactive ([www.nationalgeographic.com](http://www.nationalgeographic.com)) which, under his direction, became known as one of the first major offline media brands to take advantage of the Internet as a business medium. Mr. Lux served as the CEO at Pseudo Programs ([www.pseudo.com](http://www.pseudo.com)) where he brought in over \$18 million from leading venture firms, hired over 120 employees, and established strategic partnerships with players such as Intel and the NFL. Currently, Mr. Lux is the CEO at Sudden Industries ([www.suddenindustries.com](http://www.suddenindustries.com) - formerly Pushmedia), which specializes in producing high-bandwidth entertainment for Internet and cable distribution. Larry has joined the Breathe team to leverage his extensive connections to capital and talent as well as his expertise in guiding start-ups into the big leagues.

**Education:** B.A. in Marketing and Finance, University of Cincinnati, Cincinnati, OH;  
M.A. in International Business, Xavier University, Cincinnati, OH

## Dr. Harrieth M. Hasson (M.D.)

Dr. Hasson is one of the most distinguished doctors of Obstetrics & Gynecology in the world today, known for his procedures, such as the *Hasson Technique*, that have been recorded in medical texts and taught internationally. He was one of the originators of laparoscopic surgery during the 1970's and has invented several related medical devices. He founded the *Society for the Advancement of Contraception* (SAC), an international organization dedicated to raising contraception standards. He has published 47 articles in medical journals, produced 27 videos, and lectured throughout the world. Currently he is the Director of Gynecologic Endoscopy and Chairman of the Ob/Gyne Division at *Weiss Memorial Hospital* in Chicago and a Clinical Professor at the *University of Chicago*. Dr. Hasson financed Breathe's seed capital round and serves as Treasurer on the Board to provide operational counsel and oversee fiscal activity. Going forward, Dr. Hasson will play an important role in linking weBreathe into the Western Medical Community.

**Education:** M.D., Ein Shams University (1955), Cairo, Egypt

## Business

## Barbara Lilly

Ms. Lilly is an e-communications consultant from Portland, OR, with over 20 years of marketing, advertising, journalism, public relations, television, and corporate sales experience. She spent four years with *Kenyon and Eckhardt*, *Chrysler's* ad agency under Lee Iacocca, three years at *J. Walter Thompson*, and five years in sales and marketing in public television. For the past 15 years Lilly has explored and written about how spiritual health and whole systems theories create more productive and balanced organizations. In 1994, she created *Lillywing Communications* to help small businesses and executives identify and package their ideas with cutting-edge communications techniques. She offers her popular seminar on *The Eway of Email: How to Act, Write and Stand Out Online*, to companies throughout the Western United States. Lilly also is an adjunct professor at Portland State and Marylhurst Universities. Lilly has played an integral role developing Breathe's marketing strategy, branding, and promotional materials and will continue to act as Breathe's marketing consultant in such capacity going forward.

**Education:** BA in English (1965), Northwestern University;  
MA in English (1968), Indiana University

## Tatyana Okshteyn

Ms. Okshteyn has 15 years experience with major US financial institutions. For the past 11 years, Okshteyn has been with Chase Manhattan Bank in various capacities, assisting CFOs of Fortune 500 companies with financial and risk management solutions and more, recently, developing proposals for Business-to-Business Internet Exchanges. As Breathe's Financial Consultant, Okshteyn has assisted in developing the Business Plan and Breathe's Financial Model, and valuation. Okshteyn will continue to assist Breathe in securing financing throughout its first round as a consultant with the potential of becoming Breathe's Chief Financial Officer.

**Education:** MA in Roman-German Philology (1974),  
MBA in Finance (1984), University of Massachusetts, Amherst, MA  
Continuing Education in Marketing, Transpersonal Psychology, and Metaphysics

## Derek Keller

With a diverse international business background in eCommerce, trade and banking, financial services, corporate sales, and not-for-profit industries, Mr. Keller joined the team to develop Breathe's Business Plan, eCommerce model, and strategic relationships. Currently, Keller works for Ernst and Young's E-Commerce practice assisting clients with their Internet strategy, specifically with eCRM (Customer Relationship Management) and eFulfillment. Prior to joining Ernst & Young he was employed Mercedes Benz in Stuttgart and Citibank in the Dominican Republic developing technology solutions for knowledge management and transaction processing respectively. In 1996, Keller also served as a research fellow with NATO's Implementation Force in Bosnia. Breathe plans to hire Keller upon Round/Phase IA capitalization to oversee eCommerce development and continue to develop strategic relationships as the Director of Business Development.

**Education:** BA in International Affairs, Philosophy, & German, Texas A&M Univ., TX

## Morgan Simonson

Currently, Mr. Simonson works at *WiseAds* ([www.wiseads.com](http://www.wiseads.com)) creating and managing advertising and sponsorship accounts as a member of the Strategic Business Development team. Simonson worked as an equity investment assistant at *Investment Bank Sands Brothers, LTD* and as an independent contractor doing budget and audit analysis for various film productions in New York City. Simonson has joined Breathe as a Business Development consultant to develop the Business Plan, the Advertising and Sponsorships model, and the relationships and database for Breathe's eCommerce *Component*, the *Solar Emporium*.

**Education:** BA in Economics (1997), Wesleyan University, CT

## Joseph K. Hasson

For the past thirteen years Mr. Hasson has practiced corporate and securities law. Hasson is currently a partner with the Chicago law firm of Ungaretti & Harris in the Business Planning and Financial Services Group. His legal background includes the representation of issuers or underwriters or institutional investors in public offering of equity and debt securities or private placement of equity and debt securities. Hasson has also represented purchasers and sellers in merger and acquisition transactions (ranging from \$500,000 to \$300 million). As the chief legal counsel, Hasson has been responsible for managing the bulk of Breathe's legal work, including its Articles of Incorporation, its Charter, the Independent Contractor Agreements, and the equity structuring. Hasson will continue to represent Breathe during its financing process.

**Education:** AB in Public Policy Studies (1984), Duke University, Durham, NC  
JD from the University of Illinois College of Law, Champaign, IL

## Noah DeGaetano

Mr. DeGaetano has experience in both Holistic Health and Western Medicine practices. DeGaetano has worked at the Omega Institute's Holistic Studies Department, at the research hospital of the National Institutes of Health, and at the Rosenthal Center for Alternative and Complementary Medicine at Columbia. DeGaetano spent four months in the East studying at The Tibetan Medical and Astrological Institute in Dharamsala, India under the direction of Dr. Lobsang Tsultrim and Dr. Tsering Takchoe Drungsto. Currently, DeGaetano is in a pre-Medical school program at Baruch College and has joined the Breathe team to develop content for the *TeleHealth Center* and *Breathe Institute Components*. DeGaetano will forego medical school to join Breathe as the *Component Manager* part-time during Phase IA and full-time upon Phase IB capitalization.

**Education:** BA in Psychology (1998), Wesleyan University, CT

## Jesse Ferraro

Ferraro is both a talented graphic artist and website developer. He has studied several artistic mediums and has developed a rich understanding of digital tools to process his creativity online. Ferraro is currently in a highly-selective academic program for Internet design and technology through which he also generates materials for Breathe. Ferraro's technical background combined with his experience as a student of several Holistic Health and Spiritual practices gives him the unique sensibility to develop brand design assets for weBreathe. Ferraro will continue to develop brand assets for weBreathe as a consultant until he finishes his Masters degree in May, at which point Breathe may employ him part-time.

**Education:** BA in Studio Arts (1998), Davidson College, NC  
MA in Interactive Telecommunications (2000), New York University, NY

## *Technology*

## Carl Bentley

Mr. Bentley has a diverse professional background in various facets of Internet technology development and management. He served as the Senior Systems Administrator at *US Web* ([www.usweb.com](http://www.usweb.com)) and as the Systems Engineer at *CNN Interactive* ([www.cnn.com](http://www.cnn.com)). He also worked as a Technical Advisor for *Candid Media Works* to create a network in the Moroccan desert that communicated via *Satellite* with headquarters in San Francisco. As Breathe's Technology Consultant, Bentley has managed the technical development of the weBreathe Prototype as well as Breathe's technical plans and requirements for each Phase of weBreathe's evolution. Bentley will join Breathe full-time as the Vice President of Technology upon Phase IA capitalization to oversee in-house development and the development of the eCommerce platform.

## Jonas Goldstein

Goldstein has five years of experience in professional Web Design and Web Development. He is the founder and creative director for *Repurpose.net* ([www.repurpose.net](http://www.repurpose.net)), which provides progressive content and design solutions in the areas where information, entertainment, and technology converge. He also worked as the Technical Director for *Root* ([www.root.net](http://www.root.net)) and Creative Director for *Pseudo Programs, Inc.* ([www.pseudo.com](http://www.pseudo.com)). As Breathe's Interface Consultant, Goldstein has assisted in developing weBreathe's information architecture, interface templates, and back-end integration. Breathe plans to hire Goldstein part-time during Phase IA and full-time upon Phase IB capitalization as Breathe's Director of Website Development.

**Education:** BFA in Film & Video (1996), Museum of Fine Arts, Boston, MA

# NON-DISCLOSURE AGREEMENT

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In consideration of the mutual promises and covenants contained in this Agreement, the mutual disclosure of confidential information to each other, the undersigned parties individually and on behalf of their respective organizations, if any, agree as follows:

Confidential Information means non-public information that Disclosing Party designates in any manner as being confidential or which, under the circumstances surrounding disclosure, ought to be treated as confidential and is disclosed orally, formally or informally, at the present time or in the future. Confidential Information includes, without limitation, (a) any information, trade secrets, manufacturing processes, research developments, inventions or engineering concepts concerning design, development, or manufacture of certain unreleased products or services, (b) the present or proposed promotion or marketing techniques, strategies, plans or approaches, or actual or prospective customer lists of the Disclosing Party (c) the Disclosing Party's business practices, financial status, records or reports, or (d) information received from others that Disclosing Party is obligated to treat as confidential (all of which matters hereinafter are collectively referred to as the "Confidential Information").

The undersigned shall maintain in confidence, not disclose to any third party and not use for any purpose other than evaluation of the Disclosing Party's presentation or products, without prior written permission, any Confidential Information. The undersigned also agrees to take all reasonable precautions to safeguard the Confidential Information, and to refrain from copying in whole or in part any written portions thereof except as authorized in writing. The undersigned agrees to return promptly to the Disclosing Party, upon request, any written or tangible materials that embody the Confidential Information and all copies thereof. The undersigned parties may disclose the Confidential Information to Officers and those employees and others under control of the undersigned's agreements who have a need to know such information to carry out the above described purposes. If any such officer, employee or other party under the undersigned's control breaches his or her obligation to hold the Confidential Information in confidence, the undersigned will immediately disclose such breach to the Disclosing Party and take action to remedy the breach and/or to cooperate in any action by the Disclosing Party to remedy the breach. The undersigned's obligations under this agreement shall continue for a period of five years from the date of disclosure.

Confidential Information does not include information which:

- (a) Is or becomes in the public domain without violation of this agreement by the undersigned;
- (b) Was known by the undersigned prior to receipt;
- (c) Is received by the undersigned from a third party who has not obtained such information from the Disclosing Party under an obligation not to disclose; or
- (d) Is hereafter independently developed by or for the undersigned and is not directly or indirectly derived from or based upon information obtained from the Disclosing Party.

The undersigned acknowledges that the acceptance of the agreement shall not be considered as an express or implied grant by the Disclosing Party of a license or an offer to grant a license under any patent rights and/or the Confidential Information.

This agreement reflects the entire understanding of the parties and may not be modified except by a writing signed by the party or parties to be bound.

ACCEPTED AND AGREED as of \_\_\_\_\_, 2000.

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_