

## Herrold, Beau

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**From:** Jennifer Binder [jbinder@photofete.com]  
**Sent:** Monday, April 30, 2001 12:20 PM  
**To:** sherri sera; Beau Harrold; jep@wincrest.com; jab@wincrest.com; jim woodhill; peter schaffer; Peter JMI-linc; charlie noell; jmoores-jmi; MaeBelle; mwillis@comsys.com  
**Subject:** Board Presentation



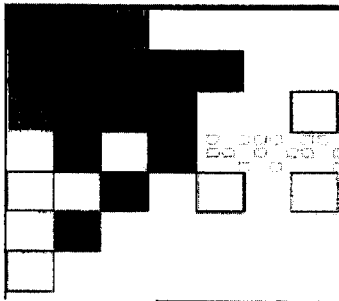
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MB)

All,

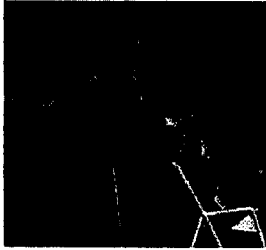
The board presentation as of 4/30/01 at 1:15pm is attached.

Please let me know if you would like any of the attachments.

Thanks,  
Jennifer Binder  
jennifer@photofete.com  
713-942-7797



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# Schedule

**10:00 to 10:15am**      **Introduction & Infrastructure by Jennifer Binder**

**10:15 to 10:45**      **Sales & Marketing by Jennifer Binder & Jim Golden**

General Sales Strategy & primary focus  
Pipeline  
Notes from Carol Cox  
New Sales Teaser

**10:45 to 11:15 am**      **Financials by Jan Sutherlin & Jeffri Botkin**

P&L Statements, Balance Sheets  
Tax issues  
Gut Burn Rate / Longevity  
New Standard Procedures

**11:15 to 11:45 am**      **Technology by Frank Soehnge**

New Product features & schedule  
Time & cost to implement software

**11:45 to 12:15 pm**      **Issues to be Addresses by Jennifer Binder**

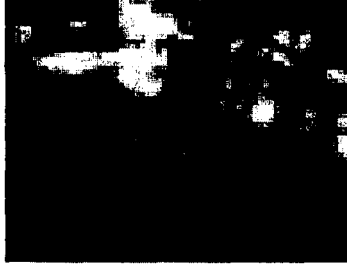
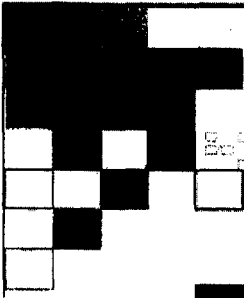
Pricing Structure  
Decision to sue or not sue Microdata Systems  
Cost of Closing /Thompson Knight Legal fees  
Employee Update

**12:15 to 12:45 pm**      **Request for Board Participation by all Board Members**

Q&A  
Financial, Technical, Introductions

**12:45 to 1:15 pm**      **Closing remarks by Jennifer Binder**

Goals  
Milestones  
Conclusion



# Introduction

▪ Photofete officially closed \$550k in new cash and converted \$440 in debt/accrued interest April 9, 2001. The company originally did not budget closing costs which have cost us a month's worth of operation. We have 4-5 months to hit break even.

▪ Our main focus at this time is to accelerate the sales cycle and lock down standard procedures.

▪ We must generate a minimum of \$50k a month to take us to break even. Our recurring revenue is @\$25k, sales are down so our burn is up. After our April 30 payroll:

\$272k in the bank

\$58k in accounts receivable

\$25k in recurring monthly revenue

We expect BP's \$100k to hit in June

BP will increase our recurring revenue to \$50k a month

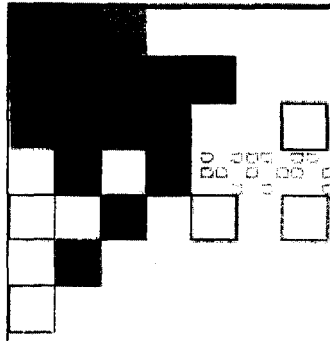
After dismissing King & Golden our cost of ops will be @ 85k

▪ We have experienced a few set backs with our VP of Ops and VP of Sales even though their references checked out. Both employees were given goals but did not deliver immediate results a start up demands. Due to our cash flow situation, I do not recommend replacing the VP of Ops. Jim Golden will have another month to produce, please advise on whether he should be considered an employee or consultant.

▪ Our sales cycle has slowed due to my focus on the due diligence process as well as a weaker economy and employee issues. I will need as much support for researching, calling, meeting and developing new clients.

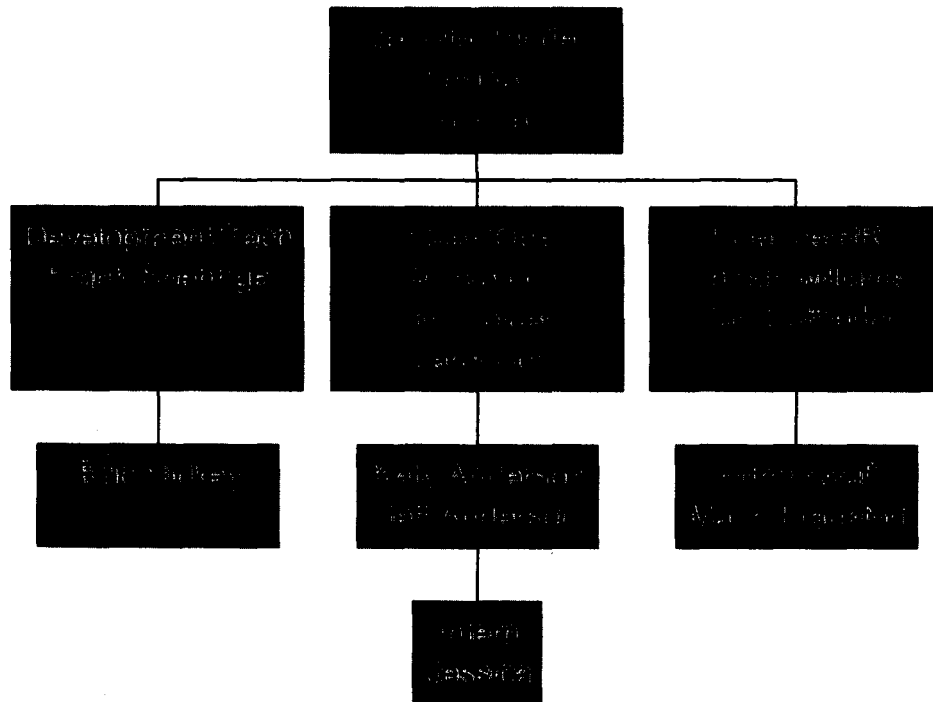
▪ I, along with our core team, are devoted to making this company work.

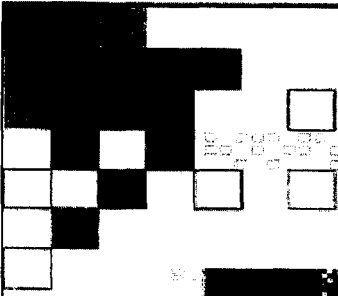
▪ We will make up for lost time in sales THEN focus on recruiting a CEO and raising a Series B round of financing. The company can not afford a CEO at this time. If anyone can find someone who can produce results and will take stock, please let us know. Keep in mind we have \$300k in cash, the only value add at this time is sales.



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# Photofete as of 4/01/01





# Sales & Marketing Strategy

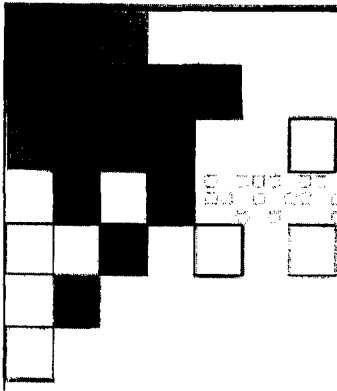
Step	Action
I	Define target industry and region. Identify companies \$1 billion plus
II	Research core business, revenues Categorize as a b2b or b2c, level I,II or III client. Analyze advertising budget
III	Identify marketing,corporate communications, pr, graphic design, imaging and advertising contacts
IV	Identify appropriate department and contact. Establish contact
V	Send teaser. Set up Demo.
VI	Conduct demo. Identify problem. Analyze corporate media flow. Determine budget threshold.
VII	Follow up with presentation addressing the company's problem and offering a solution.
VIII	Follow up with letter of intent
IX	Conduct needs and cost analysis. Set implementation schedule. Sign contract.
X	Turn over schedule to account executive to implement, coordinate, monitor, deliver and maintain.

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# Pipeline

- Setting a Demo for the Houston Texans
- Setting a Demo for JMI
- Salvaging a miscommunication with YPO
- We need all the introductions you all can facilitate for companies with revenues over \$1 billion

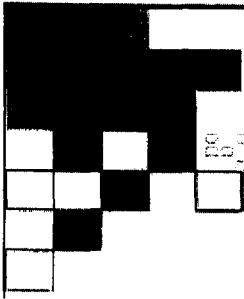
**Please see attached document**



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## Selling Points

- The backend tracking mechanisms-how many times an image has been downloaded, this is valuable to designers so they do not over use an image
  - The backend tracking of users and what the users are doing for security reasons
  - Expirations on user access, so an outside designer can use the system for the scope of their project then they are out
  - The digital rights management tools:all rights, internal only, etc
  - Bulk loading of hundreds of images: dealing with 1000 images as easily as 1 image
  - The simplicity of understanding the system if you are not a graphic designer
  - The media interface
  - Tiered security user access
  - Our ability to scan quickly and affordably
  - Our responsive service and attention to detail
  - The process of publishing owned assets for re-use
  - The quality of the downloads
  - The amount of time it saves people to organize, search and retrieve media
  - Being able to attach a note to an image for multiple purposes
  - Storing the physical assets
  - Custom scan requests
  - Standards to follow
  - Affordability
  - Full service: digitizing, scanning, storage, software, hosting, delivery, support
  - The categories, locations, file types and user types are data driven, meaning the client can make changes without reprogramming hard code
- Ongoing updates, clients love the idea of us adding video capabilities and document management creation as an update versus buying a new system



# Notes From Carol Cox

## Current Targets

MemorialHermann  
Anadarko  
Unocal  
Mattel  
Qualcom  
Sempra Energy  
Occidental  
Merisel  
Global Marine  
El Paso Energy  
Houston Livestock Show and Rodeo  
Transocean  
Sedco  
Forex, Inc.  
Burlington Resources  
Lexicon

## Future hit list includes:

Phillips Petroleum  
Devon Oil & Gas  
Williams Companies  
Duke Energy  
Hill & Knowlton  
Accenture  
AIM Funds

## Our best selling points include:

- Our current clients-- Enron, BP and Apache. These names have a lot of pull.
- The flexibility to buy the software alone or to sign up for additional monthly services
- User friendly---don't have to be tech person to use the software
- Helps companies to need their photography/graphics needs---their staffs can then use their time to work on other projects
- Simultaneous use worldwide of photographic images---staffs in different worldwide locations can use same photos at the same time
- Does not require expensive hardware and other investments
- The new lower price offering seems to be getting people's attention
- The ability to add-on more features in the future
- Meets the company's desire to organize their photography files in a smart, electronic format
- The client still has control of their images----they are gaining control over their photography libraries, not losing control





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 Houston, TX 77019  
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 Info@photofete.com

## Photofête...

Is a media asset management company that organizes, digitizes, delivers and stores media for large corporations in net based software proprietary to Photofete. Our database supports various file types including but not excluded to jpg, tiff, giff, mpeg, ppt , eps and many more. These files are organized into searchable fields like locations, categories and keywords. The fields are data driven giving the client the flexibility to name the fields as they wish. Tiered levels of user access enables companies to control how a browser uses the system when searching, viewing or downloading. Most importantly, our software and services save delivery costs, replication expenditures and time. Your media is available 24/7.

## Who Benefits...

Public relations, corporate communication, marketing departments, special event coordinators, media relations, advertising and design teams.



### ROTATE IMAGES

Photofete Demo page 1 of 2 next page go to: 1

The interface displays a grid of image thumbnails. Each thumbnail has a small control box below it containing a '- rotate -' button, a 'delete' checkbox, and a 'Replace' button. The page includes navigation links for 'next page' and 'go to: 1'.

SEARCH ADMIN

**SEARCH**

event name:  - choose event -

date:  - choose date - to 3/29/01

location:  Houston

category:  refineries

photographer:  - choose photographer -

CCS name:  - choose custom contact sheet -

job name:  Houston 04

keyword search:

SEARCH

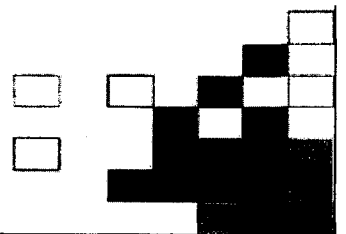
© Copyright 2000 Photofete Inc. Please view our Terms and Conditions before using this site. Please report any problems to Technical Support.

## Site Features...

- Significant cost and time savings
- Digital Rights Management
- Multiple viewing, output and delivery options
- Owner controlled access with tiered security
- Searchable libraries and archives
- Scalable configurations
- Managed tracking, reporting and user analysis
- Traffic flow management system
- Shopping cart and internal billing support
- Advanced text and keyword searching
- Data driven categories, locations, drm and user types

## Our Services...

- Proprietary Software and Digitizing Processes
- High quality scanning, downloading, compression and storage standards
- Multiple file type support
- Installation
- Hosting
- Archive images into a searchable database
- High res downloads 24/7
- Training
- Back Ups





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## Advantages

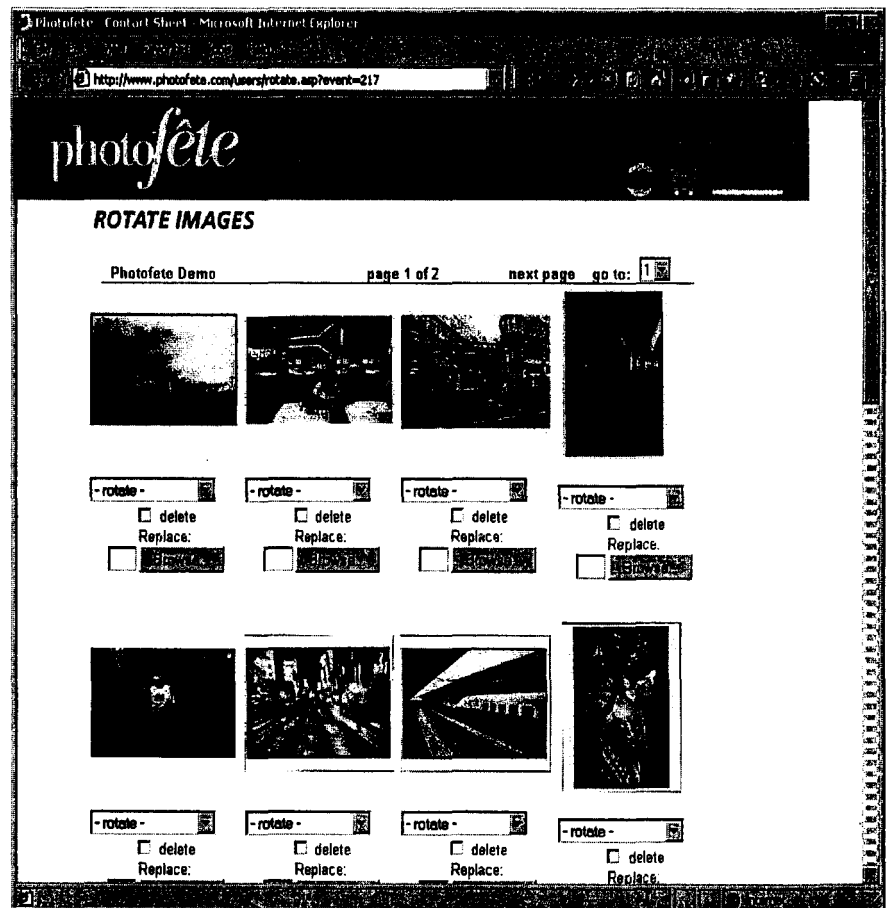
- Reduce time for searches
- Decrease stock buys and re-shoots
- Total service provider
- Minimized internal IT support
- Implementation time measured in days, not weeks, or months.
- Media automatically backed up and archived
- Supports various files types but not limited to jpg, ppt, gif, tiff, pdf, and many more

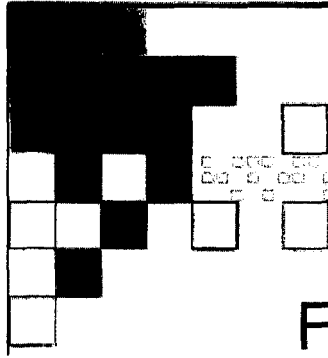
## Nuts and Bolts

- All the end user needs is a 3.X Browser or better.
- Server – Housed w/ Photofête
- Built on Windows NT IIS 4
- Microsoft SQL Server 7 database
- Annual Software Updates
- Fault Tolerant Servers located in a secure environment
- 24 X 7 Access & Support

Photofête is lead by a team of professionals with diverse backgrounds in photography, technology, advertising, publishing, marketing, project management and business development. Companies like Enron, Apache, British Petroleum and Sunrise Company all recognize our expertise and deep industry knowledge regarding the needs of the marketing, communications, pr and imaging groups in organizations. Call or e-mail us today at:

713-807-7799 or 1-877-891-8964  
info@photofete.com





# Financial Department Update

## Jan Sutherland

### **FYE 2000 Financial Statements**

FYE December 31, 2000 is closed, tax returns have been filed, the tax return as amended for capitalization of start-up costs will be filed shortly.

### **Monthly Closing**

A company-wide Monthly Closing calendar has been developed to facilitate timely Financial Statement preparation and other financial reporting.

### **New Accounting Software**

Peachtree Complete has been acquired and conversion is scheduled for the first two weeks of May. Mann, Frankfort, Stein & Lipp will be assisting with the conversion. This will allow more complete, flexible and functional financial reporting both for management and the Board of Directors. Peachtree complete will allow financial result reporting by department and comparison to established budgets.

### **Human Resources and Payroll**

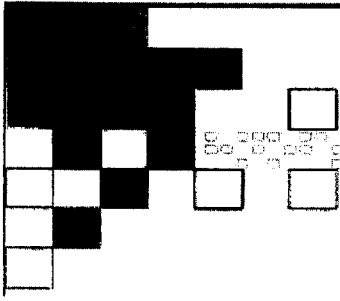
Photofete has retained Administaff for its HR and Payroll functions through a co-employment arrangement. This has provided benefits such as a 401K Plan and health insurance for the employees, Workmen's Comp coverage for Photofete, and HR Management for Photofete. Through Administaff affinity programs, Photofete may also benefit from reduced pricing for services from Administaff partners. A customized Employee Handbook for Photofete is in production and should be delivered to each employee in May 2001.

### **Insurance Coverage**

Insurance coverage has been bound for D&O, Property, General and Automobile Liability and Excess Liability coverages.

### **Funding**

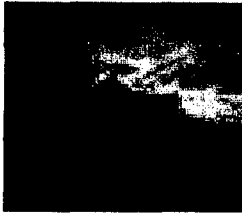
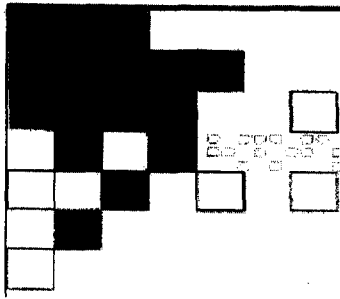
The Preferred Series A funding was completed in April 2001.



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Monthly Closing Schedule  
Jan Sutherlin

Please See attachment



## **Financial Statements**

*Please find Attachments for the following:*

Balance Sheet

Profit & Loss

*Financial Model and Projections:*

Revenue

Expense

Capex

Staffing

Summary

**All projections are subject to change.**

## PROPOSED MONTHLY CLOSE PROCEDURES

### Jeffri Botkin

1. Perform an overview "PBC review" of the balance sheet. This includes:
  - Tying cash general ledger accounts to cash reconciliation/bank statement
  - Tying accounts receivable aging to general ledger; scanning for old outstanding items and questioning Christy regarding possible bad debts.
  - Obtaining support for selected acquisitions, updating fixed asset depreciation schedules for acquisitions and booking current month depreciation expense. Ascertaining that general ledger accounts tie to the supporting detail.
  - Tying accounts payable aging to general ledger; discussing completeness of aging with Christy
  - Making expense accruals as necessary.
  - Tying sales tax liability (cash basis, per system) to amounts actually paid to taxing authorities on a quarterly basis. On a monthly basis, tying the general ledger to the sales tax report per the system.
  - Determining that any necessary payroll liabilities have been booked.
  - Agreeing support for activity in other asset and liability accounts.
2. Scan income statement activity for any large, unusual items; question Christy whether adjustments are needed for these items.
3. Using subsequent cash collections, determine that sales booked to accounts receivable are clearing the aging.
4. Obtain supporting documentation for selected expense items and ascertain that expense is properly coded.
5. Review expense reports for proper approval, support, business purpose, etc.

MFSL previously performed item 1 above as the monthly procedures. In addition, on a go-forward basis, items 2 through 5 will be performed.

## Internal Control procedures

- Segregation of duties re: cash collection, preparation of bank deposits and posting to the accounting records.
- Approval process for expenses, fixed asset acquisitions over \$XX, etc.
- Back up signer for checks (for when Jennifer is out of town/unavailable)
- Dual signature for all checks over a predetermined limit (perhaps, over \$7,500)
- Petty cash procedures
- Office organization – standardize filing procedures.
- Security of company assets in the new, shared space: company accounting records, payroll information, computers, etc.
- General employment policies
- Travel and expense policy (approval process, policy re: use of personal air miles)
- Finance/accounting committee - oversee financial process, review/oversee decisions, etc.
- A reporting mechanism of when and how this information will be distributed and to who



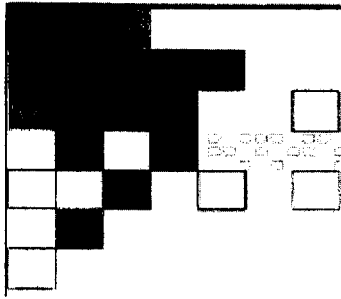
## **Tax Issues**

**Photofete, Inc. (Inc.) 2000 amended return simply moves the deduction for start up costs from Photofete, LLC (where the costs were incurred) to Inc. (who will ultimately pay for those expenses). Inc. gets the tax deduction for the start-up costs, not the LLC.**

**This is a complex area, which is only made MORE difficult by the transactions with Photofete LLC and Photofete Inc.**

**For more explanation, please contact Jeffri Botkin at Mann Frankfort.**





## Gut Burn Rates

March 2001	-\$40k
April 2001	-\$165k
Projected May 2001	-\$65k
Projected June 2001	+\$20k
Projected July 2001	-\$52k
Projected August 2001	-\$52k
Projected September 2001	-\$32k
Projected October 2001	-\$30k
Projected November 2001	-\$11k
Projected December 2001	-\$1k

**This takes us to cash flow positive by 12/01 if**

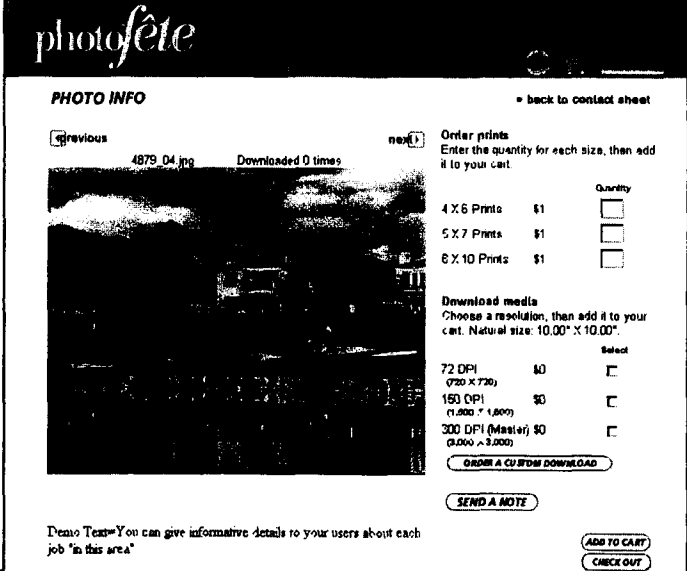
- collect \$100k from BP
- Add \$15k a month of recurring revenue from BP
- Continue to recur our existing \$25k
- Sign 2 \$10k set up clients a month starting in September
- Sign 1 \$30k set up client in November
- Sign 1 \$30k set up client and 1 \$10k set up client

This does not Consider Taxes, this is a **GUT Analysis**. I believe we need to hit break even by October to maintain the existing staff do not add any new staff until October. I would like to increase Jan Sutherlin to 3 days so she can oversee more of the general administrative duties. The goal is to hit break even by October then raise more \$. We will need a bridge loan in October to bring on a seasoned CEO in order for us to close Series B by February or March.

# Technology Update

## Accomplishments from last month

- Added User Comments to Jobs/Events/Photos
- Implemented Comment Changes to all Sites
- Converted Enron site to match new Standard
- Added Advanced Search Capabilities
- Designed and Coded for new User Definable File Types
- Created and Installed Central File Server
- Moved all e-mail over to Exchange/Outlook
- MOVED!!!



**PHOTO INFO** ← back to contact sheet

previous 4879\_04.jpg Downloaded 0 times next

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4 X 6 Prints	\$1	<input type="checkbox"/>
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8 X 10 Prints	\$1	<input type="checkbox"/>

Download media  
Choose a resolution, then add it to your cart. Natural size: 10.00" X 10.00".

Resolution	Price	Select
72 DPI (720 X 720)	\$0	<input type="checkbox"/>
150 DPI (1,500 X 1,500)	\$0	<input type="checkbox"/>
300 DPI (Master) (3,000 X 3,000)	\$0	<input type="checkbox"/>

[ORDER A CUSTOM DOWNLOAD](#)

[SEND A NOTE](#)

Demo Text=You can give informative details to your users about each job "in this area"

[ADD TO CART](#) [CHECK OUT](#)

SEARCH ADMIN

### SEARCH

event name

date  to

location

category

photographer

CCS name

job name

keyword search

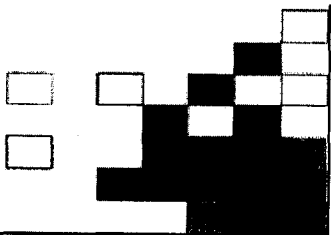
[SEARCH](#)

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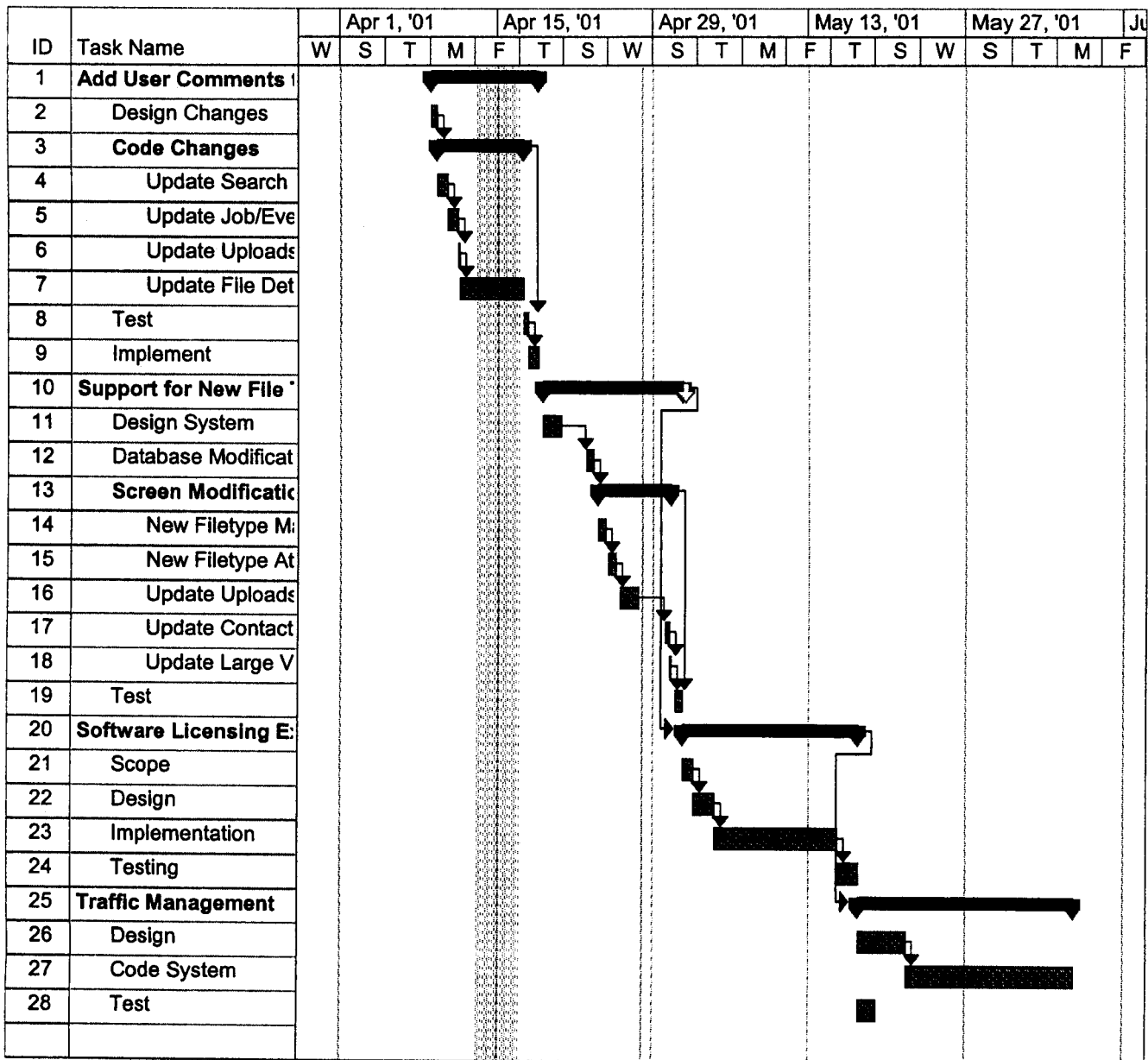
## Infrastructure Goals

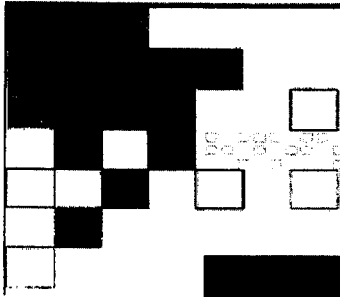
- Train Everyone on Full Features of Outlook/Exchange
- Implement Bug Tracking System for Site Issues

## Site Feature Goals

- Rollout New File Type Support
  - Design, Code, Test and Implement Traffic Flow Management
  - Owner controlled access and tiered security
  - Searchable libraries and archives
  - Management reporting and analyses
  - Shopping cart and invoicing
  - Significant cost and time savings
  - Advanced text and keyword searching
- 

# Technology Timeline





## Pricing Objectives:

1. Profit
2. Undercut Competitors
3. Analyze timing schedules & costs

### *Set Up Fees:*

Level I	\$280k first year
Level II	\$55k first year
Level III	\$25k first year

### *Licensing Fees:*

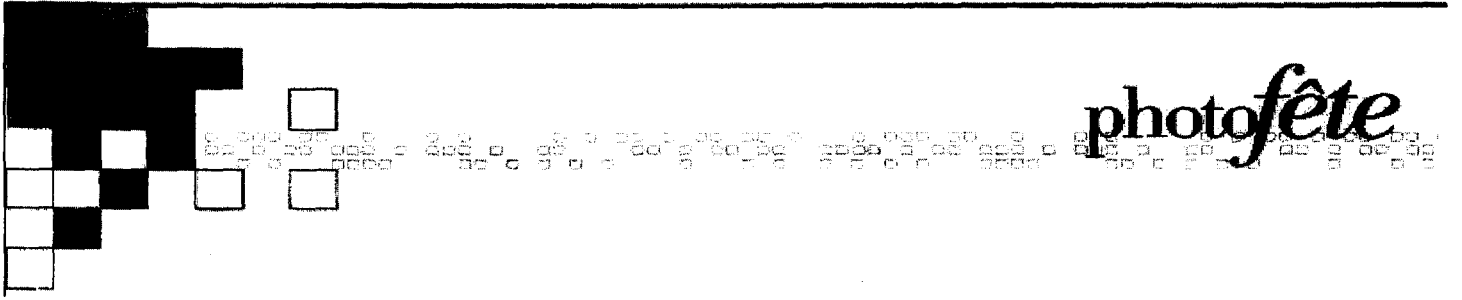
Min 1 Upgrade Per year  
 Negotiated \$1k to \$2k per month

### *Ongoing Monthly Support:*

Training	\$100 an hour
Phone Guides	\$100 an hour
Assisting with Media Requests	\$100 an hour
Searches, physical retrievals	\$100 an hour
Physical Asset Storage	\$500 a binder a year
Hosting	Base quoted \$30 a gig 1 gig = 250 images scanned to Photofete standard

### *Additional Fees:*

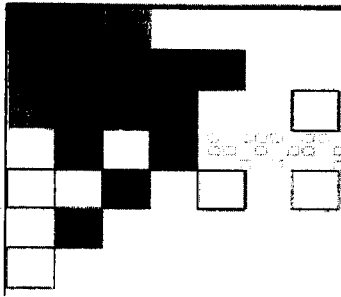
Training Seminars	Quoted
Instillation fees	\$100 an hour
20+ 35mm images scanned to pf std	\$5 per image
-20 35mm images scanned to pf std	\$25 per image
Custom 35mm scan	\$30-\$100
20+ 120 images scanned to pf std	\$10 per image
-20 images scanned to pf std	\$25 per image
Custom 120 scan	\$30-\$100
4x5 plus image scans	\$30-\$100
Consulting	\$100
Photo Shoots	\$100-\$500 an hour
Renaming	\$100 an hour
Loading	\$100
Graphic Design	\$125-\$200 an hour
Back Up CDs	\$10



## **Issues with Microdata Systems**

- Microdata Systems developed eparty pix Photofete's first site
- Their Programming did not function
- Their budget was \$10k, they were paid around \$20k
- They slowed down development by 4 months
- They illegally charged \$13k on an American Express Card that had been reported stolen
- Collected funds after receiving a letter from our legal not to pursue collection of funds

**Please see attached documents**

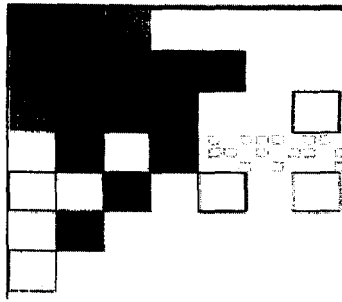


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## **Thompson Knight Brown Parker & Leahy Legal Fees**

- Quoted \$15k to handle closing
- Has not provided Itemized Bills Upon PF's Request
- Wants \$25k in Cash & \$13k in Series A preferred stock, as of 4-23-01

**Please See Attached Invoices**



## Employee Issues

### **Sales/Marketing**

Jennifer Binder, Jim Golden, Carol Cox & Amy Spangler

Jim Golden has been given 1 month to show results, see attachment

Carol & Amy will continue to research and call

We are looking for \$40k sales researcher and caller fulltime to cut out consultants

This department needs to ramp up FAST!

### **Technology**

Frank Soehnge and Eric Hickey

Soehnge and Hickey continue to add functionality to the site at a rapid rate

Soehnge negotiated our hosting costs to remain flat versus going up

Great progress

### **Ops**

Katy Anderson and Jeff Sanders

Sheryl King resigned, please see attachment

Katy Anderson and Jeff Sanders handle account management and the imaging department

Anderson and Sanders have not reported any work overloads

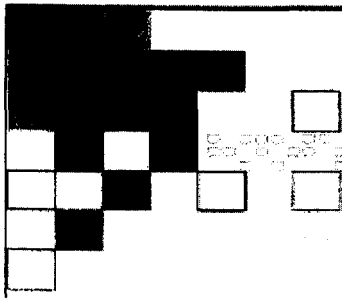
### **Financial**

Jan Sutherlin, Christy Williams and Mann Frankfort Stein and Lipp

We plan to delegate more responsibilities to Sutherlin

Christy is locking down standard accounting procedures

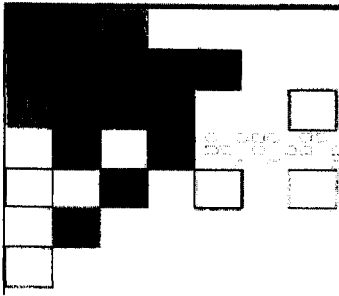
Mann Frankfort is setting some of the standards and handling tax issues



# Board Discussion

- Sales Suggestions
- Brief Financial Analysis
- Processes & Procedures
- Product Recommendations
- Microdata Resolution
- Thompson Knight Resolution
- Employee Discussion
- Pricing Structure

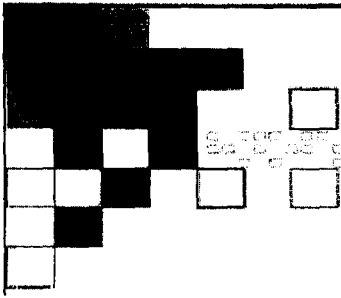




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## **Q1 & Q2 Internal Goals**

- SELL**
- Technology Upgrade Schedule set for 2001**
- Time Analysis of Imaging Operations**
- Standardize Ops, Imaging, Sales process & Technology**
- Imaging & Technology Cost Structure Analysis**
- Revamp Financial Model**
- Sign 4 Contracts**
- Create & Implement Traffic Flow System**
- Standardize Testing**
- Create Process to Add Update Data to New Functionality**
- Kill Paper City**
- Enhance Site Content**
- Revamp Sales Pitch**



# 2000 Milestones

## Q1

- **Photofete founded as an S-Corp in March (was an LLC)**

## Q2

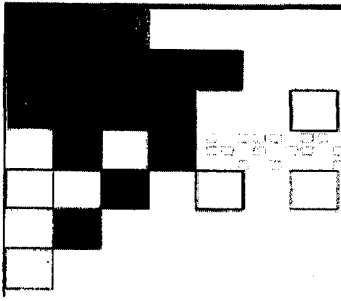
- **Development of Photofete Version I**
- **Collected \$360k in seed investment**
- **Version I live for Beta Testing**
- **Started Online sales**

## Q3

- **Sign Enron as Beta Client**
- **Develop Photofete Version II**
- **Start Beta Testing**

## Q4

- **Start Marketing Houston Market, Fortune 500's**
- **Sign Second Client Apache**
- **Close 2000 with \$318 in Revenues, exceeded expectations**



# 2001 Suggested Milestones

## Q1

- Signed 3 new clients: BP London, Sunrise Colony
- Existing Enron, Apache
- Photofete Version III live, all databases running off same source code
- Add eps Format
- Target companies \$1 billion plus in business over 10 years
- Enhance System Traffic Management

## Q2

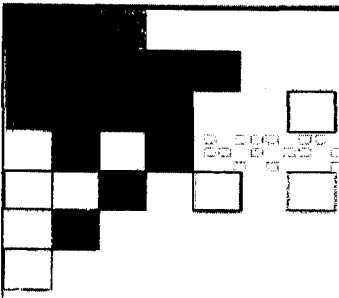
- Sign new contracts: YPO, Padres, Houston Texans, Anadarko, El Paso, BP Houston
- Add mpeg, ppt, gif, tiff
- Add 25 new target companies
- Bring in ex Corbis business developer Jim Golden
- Prepare to move office

## Q3

- Sign 4 contracts
- Move Office
- Upgrade to SQS 2000
- Add pdf, qxd, ai

## Q4

- Sign 4 contracts
- Close the year with revenues of \$600k
- Add 32 new clients to the pipeline



photofête

## Closing Remarks

Standard procedures and processes are improving and will continue to do so. Employee benefits and the new office have increased everyone's level of professionalism.

We are all disappointed that one of our employees did not work out. Since the growth has not exploded in the past 2 months, the company has not suffered operational loss. The company has suffered new client development.

I believe with the cut in our payroll, we will have enough time to compensate for March and April. Software sales cycles have slowed with every company.

We are moving to sell upfront installation and to create recurring revenue. Our philosophy is to understand the needs of the client and provide on going updates, don't re-invent the wheel. The concept of investing in software versus building it yourself is stress free and eliminates the need to rebuild a new system every year.

The annual software upgrades are part on the recurring revenue, which builds a strong base for our cash flow.

Photofete serves the 7<sup>th</sup> largest company in the US and the largest company in the UK, we intend to grow an even stronger base. Our targets are corporate America versus image processing companies which gives us a price market but one with fewer competitors.

There is no doubt in my mind that every corporation will want to own their own database to manage their media assets. The question is when and at what price does the corporation enter. It is a great opportunity that we can provide exceptional imaging services and software at a lower price than any of our competitors.