

iMemories™

iMemories Executive Summary
& Business Plan Overview

Your Home Movies. Now on DVD.™

**Somewhere in the dark,
your memories are fading away.**

Under the bed. Up in the attic. Out in the garage. Somewhere there's a box of home movies you're hoping to treasure forever. But they're fading fast. Captured on videotape and film, those priceless moments are disappearing – victims of heat, humidity and time itself. You've thought about tackling that box dozens of times. But who has the time or the patience?

Enjoy and preserve the past without the hassle.

Now it's easy with iMemories. We take everything out of the box – home movies, photos & slides – and preserve them on crystal-clear, high-fidelity DVD. Life's treasured moments. One watchable, shareable disk.

Introduction

iMemories (www.imemories.com) professionally transforms legacy home movies, slides and photos into a digital format, enabling consumers to watch, share, organize, edit and/or store their home movies and photo images on DVDs, slideshows, movie montages or on the Web. Families use iMemories as a one-stop service both for transferring old film/videotape and for uploading and merging new digital video/photo content, in addition to creating one-of-a-kind movie montages of their old and new content. The company mission is to help people enjoy, share and preserve the memories they've captured before they're gone forever.

The Problem:

While home movie film was popularized during the early half of the 20th century, it is not a permanent medium, as the celluloid film is organic. Consequently, we are at a time when most film is reaching the end of its average lifespan of approximately 40 years. The chemical properties of film are decomposing at a fast rate and are especially susceptible to time and substantially impacted by environmental factors (where and how it is stored). Similarly, analog magnetic videotape also begins to degrade, but at a much faster rate – typically after only 10 years. The most clear evidence begins with loss of audio quality (sound goes in and out) or image quality (distorted pixels, wavy lines, dark or blanked out visuals). Photos and slides are not immune, either.

Photos are often stored in boxes and get torn or crushed, while the plastic cellophane pages in photo albums react with the chemical makeup of the photos and often discolor them, turning them yellow over time. Slides fare somewhat better, since they are usually protected in circular trays that house anywhere from 20-140 slides. It is difficult, however, to find a specific slide without having to load up the projector and go through each slide, and the once popular individual slide view finders that were manufactured in the 20th century are fast disappearing.

More than 75 years of home movies and pictures, making up millions of reels, tapes and photos are stored away in families' basements, closets and garages, containing valuable images of family memories that are fading away with each passing year. Unless this physical media is converted to a modern digital format, their images will eventually be lost and irretrievable. Older consumers, who typically are the safekeepers of this physical media, do not have the know-how or desire to transfer the movies themselves, nor do they want the hassle and expense of purchasing the necessary equipment. Currently, there is no leading brand in the market – only small, amateur providers, many of whom operate a cottage business out of their home. Consumers do not know where to turn to find a trustworthy brand to convert their priceless keepsakes.

The Solution:

iMemories provides a new web-based service and interface that combines one of the broadest ranges of services available for sharing both pre-digital and digital media in just one family collection online. The company's goal is to serve as the home base for everything memory-related and deliver an innovative social expression and personal publishing service to families everywhere. It accomplishes this through a fee-based and subscription-based business model

that is designed to provide “stickiness” and recurring revenue. Customers can go online to watch, share, edit, store, and create DVDs of their private collections, regardless of whether the media is new (digital home movies and digital photos) or old (16mm, 8mm, and Super 8 film, VHS and 8mm videotapes, photo prints, negatives, and slides).

How it Works:

New, innovative “home movie/photo transfer” service with online video/photo sharing. Customers want to transfer home movies to DVD or have photos scanned to digital. Customers are 35-65 with large collections of home movies and photos/slides. Customers also have modern digital videos and digital photos to combine with old style media. Customers do not have to do any work ahead of time with iMemories, just send in physical media, then, interact with online digital media once converted – simple, fast and fun.

Revenue model: Customers pay fee for service for conversion and subscription upgrade. Receive customized home movie DVDs, Photo CDs and other home movie merchandise including custom video montages and photo slideshows with music. Average price point per order is \$300.

iMemories has the unique ability to scale up the home movies/photos to DVD transfer segment of the market the same way that Shutterfly/Kodak Gallery/Snapfish scaled up the (already digital) online photo sharing/merchandising market. And, because of the built in ability to broadcast streaming video, iMemories can easily introduce additional revenue streams associated with subscription revenue and advertising revenue similar to YouTube & Photobucket although targeted for an untapped market segment (>35 years old).

Target Market

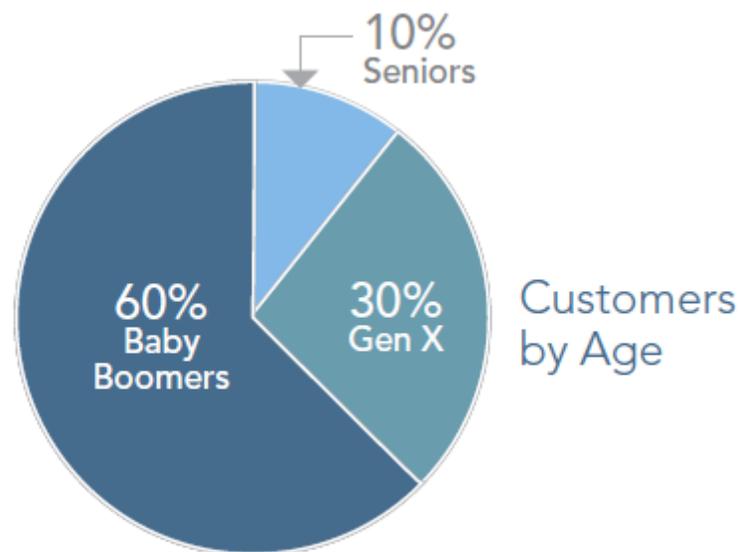
iMemories markets its services primarily to Generation Xers, Baby Boomers, and Seniors. The company’s marketing efforts are implemented through business-to consumer (B2C) marketing strategies which have been continually tested and proven over the last 18 months. These have focused on both traditional and nontraditional media approaches, as well as online viral marketing and PR efforts. They have also included extensive market research of Web 2.0 and online video developments, as well as competitive research of home movie transfer companies.

The service is designed to appeal to experienced and novice online users alike. A recent study conducted by Pew Internet & American Life and the Kaiser Family Foundation revealed that “Young people are creating online identities and maintaining an online presence... but from the last seven years of polling, we’ve found that what older people like best about the Internet is being able to connect to family and friends.” This is the next phase of growth on the Internet: the large and growing demographic Baby Boomers and their social needs, which have not yet been properly addressed.

iMemories enables all generations of a family to convert their legacy media as well as upload their recent digital content to merge in one entire family collection online instead of at separate web locations. This is the family of the future: a digital home connected via broadband Internet,

that accesses one online repository for easy sharing and watching, regardless of where the family member is located.

iMemories is targeting the 35 and older market in the middle income to high income bracket. Baby Boomers are the “sweet spot.” Many of these Baby Boomers are “empty nesters” (their kids are older and have moved out) with high disposable income. The strong potential of this market is validated by one of the industry analysts studying this new market, Michael Inouye. A research analyst at Scottsdale based InStat, he noted that iMemories will serve “a pivotal role in establishing a healthy future for the video market” because of its targeted demographic. (Phoenix Business Journal, March 2, 2007).



Competition

Until now, the focus in the online video sharing space has been on short, already digital video clips. As the market for older home movies is still new and evolving because of their inherent different characteristics and requirements, there is as yet no established “brand” in this category.

Vendors can be generally divided into two categories:

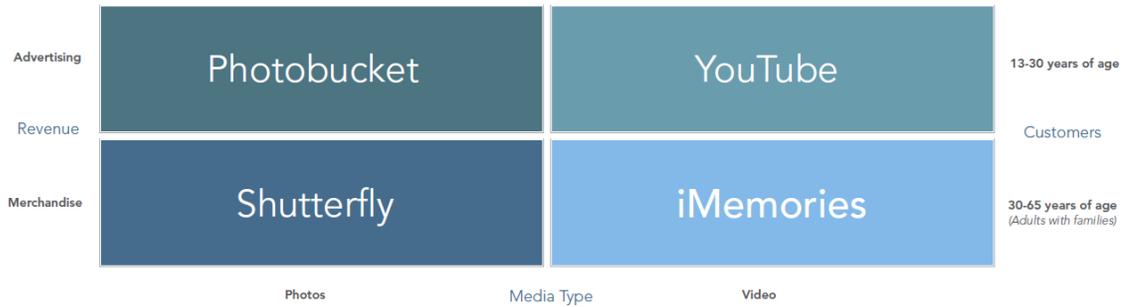
A host of tiny, traditional, geography-dependent audio/visual houses that handle small projects and do not provide Internet-based transfer services, and

Companies that focus only on Internet upload of already-digital home movies, and do not work with legacy home movie film and videotape.

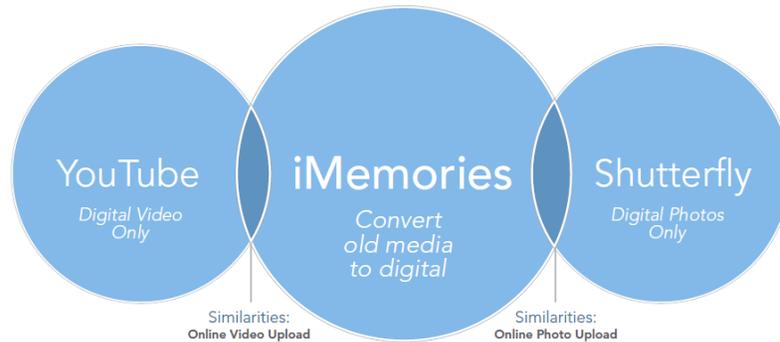
While the field of smaller competitors who operate out of their home or small office is vast, a few larger-sized competitors in the A/V house category are: YesVideo, Home Movie Depot, and Digital Transfer Systems.

iMemories differs from other home movie transfer services because it applies Web 2.0 principles to what has been until now an old school, traditional audio visual format.

Tier 1 Providers | Market Segmentation



Tier 1 Providers | Comparison by Media Focus



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Monetization

iMemories’ business model incorporates aspects of many well-known, highly successful consumer brands on the market in order to achieve high repeat and loyalty rates. Its short term goal is to expand consumer awareness of the brand, and long-term to expand trial of the service through a combination of viral marketing, traditional marketing, and strategic partnerships. By modeling its business after the proven successes of brand name companies such as Nordstrom’s for quality service, Netflix for streamlined DVD fulfillment to consumers, and Shutterfly for innovative marketing and merchandising, iMemories aims to establish a new industry standard in an as yet undefined market niche of online home movie transfer, sharing and hosting/personal publishing service for digital video merchandise.

Conceived as an all-inclusive solution, iMemories has been funded to date by its founder, Mark Rukavina. This funding has helped the company create its premium branded product line, infrastructure, build out its Web 2.0 online user experience, and demonstrate a successful, working business model with recurring revenue at a price point that appeals to customers. The average order size is \$300, which represents multiple assets (film, video, photos, slides), as

compared to the average order of \$20 for typical online photo sharing sites. The annual subscription fees for digital archive storage add another recurring revenue source on top of the video merchandise fulfillment revenue.

Development Plan

iMemories Phase 1 strategy was to design the business model around the most immediate opportunity with the largest potential (physical to digital transfer), with the least competition, and which also has the highest degree of difficulty in execution of brand, operation and technology – thus creating a barrier to entry and a lead in the market. iMemories Phase 2 strategy, is to create easy add on incremental and recurring revenue streams to its core business model, including online video sharing (viral video ad revenue), and in the future, even traditional online photo sharing (photo merchandise, photo prints).

Use of proceeds for outside funding in 2007 and 2008 would be used towards key areas of expansion required to accelerate growth and solidify market leadership position. These investments include:

1. Marketing: advertising and media exposure,
2. Sales: distribution partnerships, B2B corporate sales, online advertising,
3. Expansion of technology staff,
4. Expansion of equipment (for growth capacity), and
5. Expansion of low cost fulfillment/operational staff to support growth in volume.

The company's focus has been and will continue to be on strong, sustained execution.

Management Team

As founder and CEO of iMemories, Mark Rukavina combines his experience in web based technology startups with his personal passion for home movies. He is a proven entrepreneur who over the last 15 years has grown two successful high growth technology startups that helped fine tune his knowledge and understanding of Internet-based operations, sales and branding/marketing strategies in competitive markets, and customer service.