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The Zad



The Zad is a one-to-one direct marketing channel.

Zadspace analyzes each B2C package and produces a Zad (4"x6" color label) that is targeted to the consumer receiving the package.

The Zad is more effective than direct mail and package inserts, a \$60B per year market.

Retailers ship ~7B packages per year (4B addressable), representing \$2B worth of Zadspace inventory.

Zad: reaching a consumer that just received a relevant purchase.

Current Targeting Features

Zads are targeted using a blend of extremely recent “hot” transactional data and historical behavioral data.

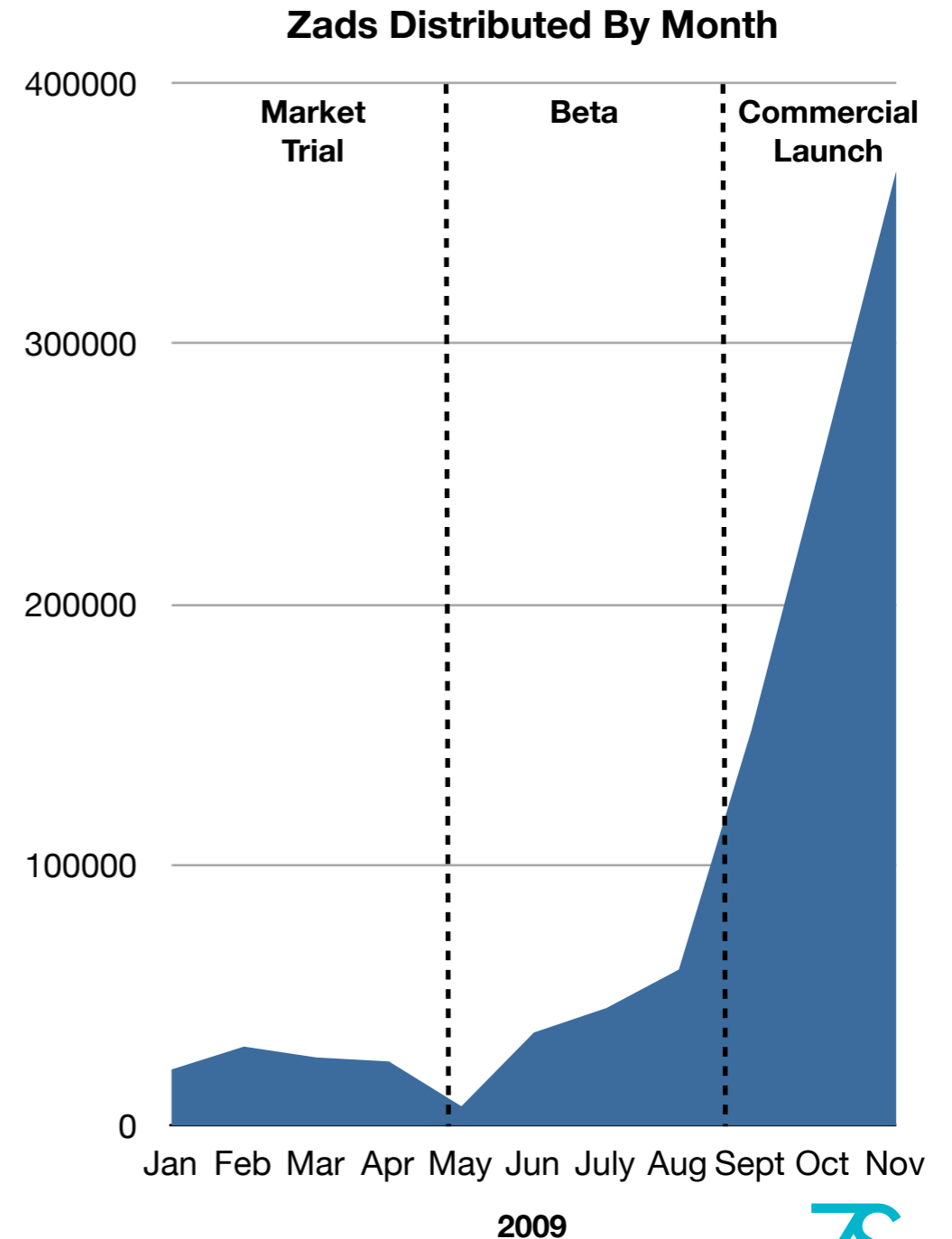
| Targeting | Level of Targeting |
|------------------|--|
| Age of Recipient | under 18 19-25 26-35 36-45 46-55 56-65 Over 65 |
| Children | None Yes, Ages 0-3 Yes, Ages 4-7 Yes, Ages 8-12 Yes, Ages 13-17 |
| Household Income | Under \$40K \$40K to \$50K \$50K to \$60K \$60K to \$75K \$75K to \$125K \$125K to \$200K Above \$200K |

| Targeting | Level of Targeting |
|--------------------------|--|
| Gender | Male Female |
| Marital Status | Single Married |
| Residence | Own Rent |
| Pet Ownership | Dog Cat None |
| Geography | Zip code DMA Region/State Country |
| Source of Customer Order | Internet Phone Mail Order |
| Product Purchased | Product Product Category |



Operations – 2009

- Advertising (sales)
 - Executed 100+ CPA and CPM campaigns
 - Booking revenue with month-over-month growth
- Distribution (inventory)
 - Distributed over 2 million Zads
 - Operating on 3rd generation platform in three facilities with five distributors
- Corporate
 - Raised \$1.9M in Series A financing (DFJ Frontier, Crosscut Ventures, Gideon-Hixon Fund)
 - Attracted Lester Wunderman to the Board
 - Inventor of modern-day Direct Marketing (e.g. Columbia Record Club, magazine subscription card)
 - Founder of a multi-billion dollar direct marketing agency
 - Raising \$3M Series B to expand distribution and sales



Sales Pipeline: Q1-Q2, 2011

| Zadspace Sales Pipeline (Q1-Q2 2011) | Deal Size | eCPM | Impressions | Jan-11 | Feb-11 | Mar-11 | Apr-11 |
|---|------------|--------|-------------|------------------|------------------|------------------|------------------|
| Monthly Total | | | | \$ 87,288 | \$ 49,884 | \$ 45,850 | \$ 39,430 |
| Sears Home Improvement Products | \$ 20,536 | \$ 302 | 68,000 | \$ 10,906 | \$ 9,630 | \$ 0 | \$ 0 |
| AARP | \$ 19,980 | \$ 333 | 60,000 | \$ 19,980 | \$ 0 | \$ 0 | \$ 0 |
| Syndero | \$ 15,000 | \$ 400 | 37,500 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Travelers Insurance | \$ 60,000 | \$ 300 | 200,000 | \$ 10,833 | \$ 13,542 | \$ 16,927 | \$ 18,698 |
| Service Master (Seasonal) | \$ 22,800 | \$ 380 | 60,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| State Farm | \$ 18,000 | \$ 360 | 50,000 | \$ 8,667 | \$ 9,333 | \$ 0 | \$ 0 |
| NY Life/AARP | \$ 39,000 | \$ 390 | 100,000 | \$ 9,389 | \$ 11,736 | \$ 14,670 | \$ 3,205 |
| Highlights for Children | \$ 18,750 | \$ 375 | 50,000 | \$ 4,514 | \$ 5,642 | \$ 7,053 | \$ 1,541 |
| Clearwire | \$ 170,000 | \$ 340 | 500,000 | \$ 0 | \$ 0 | \$ 0 | \$ 15,987 |
| Broadview Security/Brinks (ID Media) #2 | \$ 8,000 | \$ 360 | 22,222 | \$ 8,000 | \$ 0 | \$ 0 | \$ 0 |
| Kaiser Permanente (ID Media) | \$ 5,000 | \$ 250 | 20,000 | \$ 5,000 | \$ 0 | \$ 0 | \$ 0 |
| Time Warner Cable (ID Media) | \$ 5,000 | \$ 250 | 20,000 | \$ 5,000 | \$ 0 | \$ 0 | \$ 0 |
| Your Baby Can Read | \$ 5,000 | \$ 390 | 12,821 | \$ 5,000 | \$ 0 | \$ 0 | \$ 0 |
| GE Money | \$ 7,600 | \$ 380 | 20,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Cablevision #2 | \$ 9,500 | \$ 380 | 25,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Charter Communications | \$ 7,200 | \$ 360 | 20,000 | \$ 0 | \$ 0 | \$ 7,200 | \$ 0 |
| Gaiam | \$ 10,800 | \$ 360 | 30000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Westwood Colleges | \$ 7,500 | \$ 250 | 30,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Universal Studios (Theme Park) (Seasonal) | \$ 90,000 | \$ 360 | 250,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| State Farm | \$ 0 | \$ 0 | 100,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Country Financial | \$ 0 | \$ 0 | 100,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Honda Motor Sports | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Legal Zoom | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Bed, Bath & Beyond | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| H&R Block | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Liberty Mutual | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| MasterCard | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| VISA | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Public Storage | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Toyota | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Allstate | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Nissan | \$ 0 | \$ 0 | - | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

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ZADSPACE

Team

Todd Outten, Co-founder and President

16 years technology development and operations experience
Industrial Light & Magic, Sony Pictures Entertainment, Silicon Graphics, NTC
BS Engineering, Rutgers University

James Ho, Co-founder and VP of Products

5 years experience in technology development and implementation
Disney/ABC Cable Networks, NTC
BA Communications and Media Arts, Emerson College

Ivan Ivankovich, CFO

Hubert Huang, Sr. Systems Architect

Joshua Horwitz, Sr. Sales Rep

Board of Advisors

Will Gardenschwartz, Former VP Catalina Marketing

Steve Markowitz, Founder and Former CEO MyPoints.com

Bob Schwartz, Founder and Former CEO Nordstrom.com

Geoff Stevens, Former GM Yahoo! Local

Lynn Wunderman, Founder and Former CEO I-Behavior and aCerno

Zad Performance

Initial Zads exhibit ...

20x better than package inserts

50% better than direct mail at comparable cost

5x better than web conversion rate

Thank You For Your Order
Below is a valuable promotional offer from one of our partners.

MAGIQUE GOLF
Magique will build you a hybrid utility club, custom-fitted to your game, absolutely **FREE!**

...the long-term benefits of custom fitting are very real and, in fact, you are leaving shots on the course if you haven't been custom-fit."
—GOLF MAGAZINE, JANUARY 2007

Call now for a 24-point custom-fitting, that takes into account your height, wrist pattern, ball preference, and more. Call us now that we can improve your game, immediately.

TO REDEM CALL
800-247-2452
PROMOTION
LL0701

20x response of package inserts

WE APPRECIATE YOUR ORDER!
As Our Special "Thank You,"
Don't Miss This Exciting FREE TRIAL Offer
From Our Partners At IdealClearse!

WANT TO LOSE 10-30 LBS?

Lose the **waste.**
Lose the **weight.**
detox...cleanse...reduce bloating
optimize your digestive health

IdealClearse is the IDEAL Way to Clean your body from the Inside Out!

Call Now for your **FREE TRIAL!**
888-702-5187
www.idealclearse.com

11.51% response

WE APPRECIATE YOUR ORDER!
As Our Special "Thank You,"
Don't Miss This Exciting Offer
From Our Promotional Partners.

Vonage **UNLIMITED** Local & Long Distance Calling

\$9.95
Per Month
For Three Months

Call **UNLIMITED** Local & Long Distance Calling for only \$9.95* for three months!

LIMITED TIME OFFER
SPECIAL PRICE
FOR YOUR FIRST THREE MONTHS

1.877.683.8209

1.2% response

WE APPRECIATE YOUR ORDER!
As Our Special "Thank You,"
Don't Miss This Exciting FREE GIFT Offer
From Our Friends At Almost Golf!

FREE Golf Balls!

Amazing **POINT-GOLF BALLS**
Turn Your Backyard Into A Practice Range!

GET 10 BALLS FREE!

Call Toll-Free: 1-888-457-4276
or order online: www.almostgolf.com/point

7.5% response

Why get stressed?
Worry less about medical bills.

Call today to learn more about **Essential Health**, 1-800-730-5745
Mention special code: 00001004

- Benefits increase every 3 months for the first 10 years
- Cash benefits paid directly to you
- No Deductibles, co-payments, referrals or pre-approvals needed.
- Get 30 day accident and illness coverage*
- Guaranteed acceptance between ages of 18-65
- Save money on Prescription, Doctor Visits, and Vision care**
- Save up to 50% on doctor visits - 50% on vision care
- 50% on Prescription Benefits

AIG Accident & Health

1.5x direct mail

WE APPRECIATE YOUR ORDER!
As Our Special "Thank You,"
Don't Miss This Exciting FREE TRIAL Offer
From Our Friends At FRS Healthy Energy!

FREE Trial
FRS Healthy Energy

contains 7 week supply of FRS Healthy Energy

Here's What You Get

- Soft Chewable (100 mg) or 100 mg
- Ready To Drink (100 mg)
- Concentrate (100 mg)
- Powder (100 mg)

Try It Free!

Get Yours Now, FREE!
Order online: www.frsenergy.com
or call toll-free: 1-800-255-0004

5x web conversion rate



Zadspace Advertisers



Zadspace Distributors



NEWPORT NEWS



Direct to Consumer Commerce (US)

Zadspace leverages the 4 Billion addressable B2C packages delivered annually by the retail industry.

Package volume is increasing by approximately 10% per year in the US as consumers shift their spending to online channels.

| Channel | Informercials (DRTV) | Informercials (DR Radio) | Catalog | Internet | Total |
|--|----------------------|--------------------------|--------------|--------------|--------------|
| B2C Sales (millions) | \$200,000 | \$40,000 | \$150,000 | \$127,000 | \$517,000 |
| Avg. Order Size (dollars) | \$100 | \$100 | \$68 | \$82 | |
| Orders (millions) | 2,000 | 400 | 2,206 | 1,549 | 6,155 |
| Shipments Per Order | 1 | 1 | 1.2 | 1.2 | |
| Total Yearly Shipments (millions) | 2,000 | 400 | 2,647 | 1,859 | 6,906 |
| % Available to Zadspace (*) | 82% | 82% | 82% | 82% | 82% |
| Total Available Shipments for Zads (millions) | 1,640 | 328 | 2,171 | 1,524 | 5,663 |
| % Addressable to Zadspace (**) | 75% | 33% | 66% | 75% | |
| Addressable Yearly Shipments (millions) | 1,230 | 108 | 1,433 | 1,143 | 3,914 |

* Packages being distributed from XL and L retailers

** Packages on which the distributor would agree to allow Zads

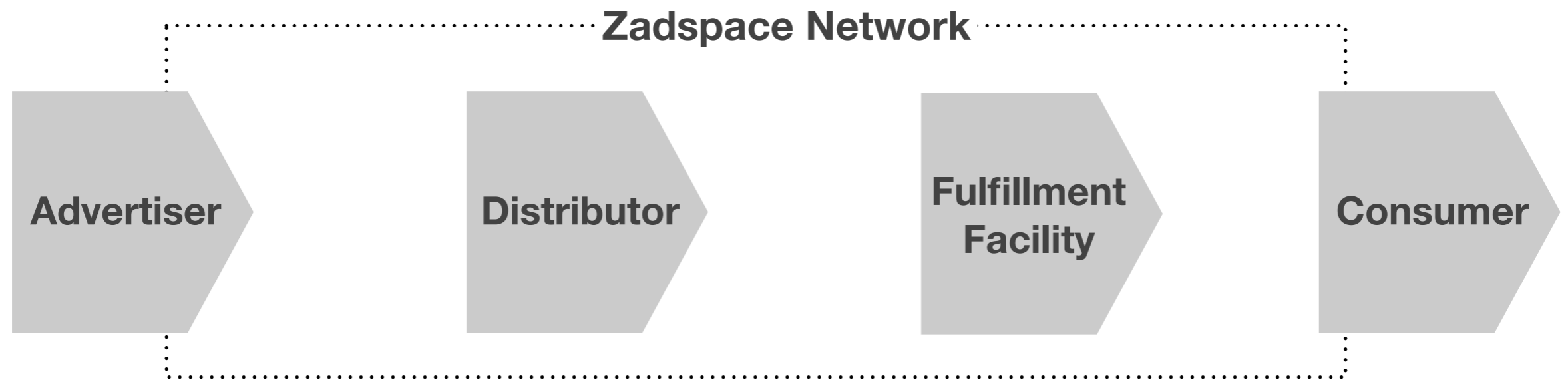
Source: 2006 DMA Fact Book, 2006 Internet Retailer Top 500 Fact Book, Electronic Retailer Association

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Zadspace Value Chain



Description

Creates an offer for a targeted set of consumers

Zadspace locates relevant consumer in distributor network for the offer

Zadspace prints a Zad on-demand that is applied by fulfillment facility

Consumer receives the targeted Zad

Benefits

Reaches a proven consumer in target market

New Revenue Stream from Zadspace

New Revenue Stream from Zadspace

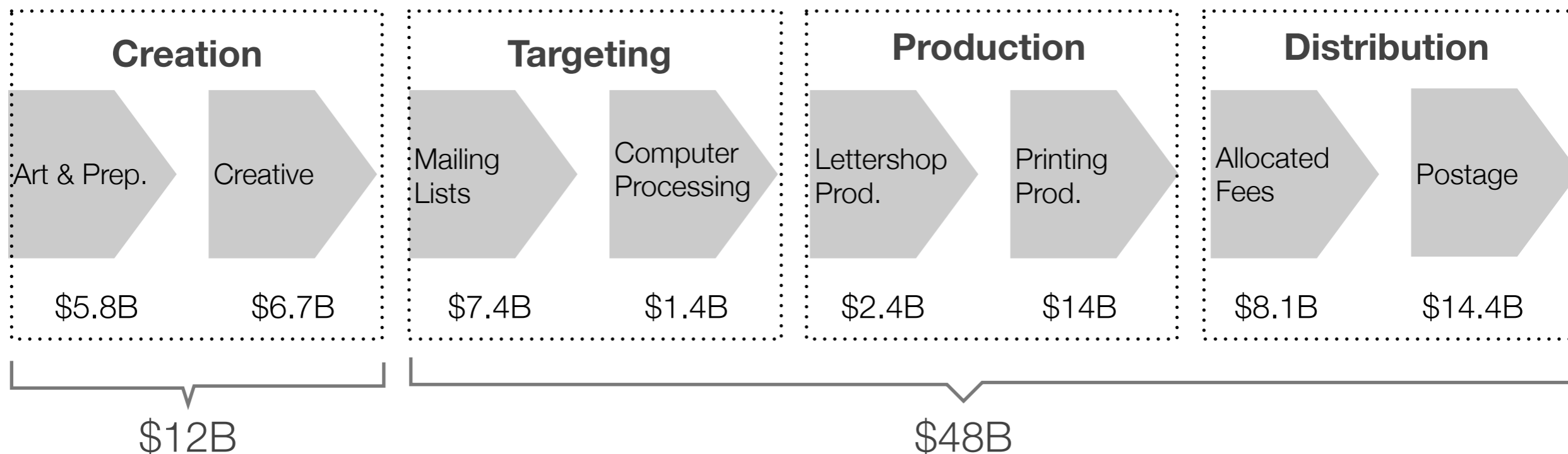
Receives relevant and valuable offers

Valuable offers for their customers

New value added service for their clients

Market Opportunity (US)

\$60B Direct Mail Value Chain:



Zadspace is competing for the \$48B spent on direct mail targeting, production, and distribution.

Zadspace utilizes the 4B B2C addressable shipments per year, representing \$2B worth of Zad inventory.



Competitive Analysis

| | Zadspace | Direct Mail | Package Inserts |
|------------------|-------------|--------------|-----------------|
| Size of Industry | \$2B | \$60B | \$100M |
| Response rate | 1.5% – 5% | 0.5% – 1.5% | 0.1% – 0.2% |
| Cost Per Action | \$10 – \$35 | \$33 – \$100 | \$25 – \$50 |

| | | | |
|------------------------------------|------------|-----|-----|
| Open Rate / Read Rate | Guaranteed | Low | Low |
| Ability to personalize | Yes | Yes | No |
| Ability to track each impression | Yes | Yes | No |
| Ability to quickly change campaign | Yes | No | No |

| Targeting | | | |
|-------------------------------------|-----|-------|-----|
| Geographic | Yes | Yes | No |
| By Product | Yes | Yes | No |
| History of past transactions | Yes | No | No |
| Consumer is Qualified for the offer | Yes | Maybe | No |
| Recency of transaction | Yes | No | Yes |



Business Model

Zadspace leverages the 4 Billion B2C packages (US) delivered annually by the retail industry.

Distributor: Retailer that receives an order from a consumer
 Advertiser: Entity seeking access to an active and targeted consumer

| Business Model | Actual (2009)* | Projected (2014) | Benefits |
|--|-------------------|---------------------|--------------------------------------|
| Revenue: | | | |
| Advertiser pays Zadspace for placement (Avg. Revenue Per Zad) | \$0.42 | \$0.41 | Advertiser reaches target audience |
| Costs: | | | |
| Zadspace pays Distributor a revenue share | \$0.20 | \$0.10 | New revenue stream & customer reward |
| Zadspace Printing Cost | \$0.08 | \$0.04 | |
| Total Cost/Placement | \$0.28 | \$0.14 | |
| Avg. Net Revenue per Zad | \$0.14 | \$0.27 | |

* Zad campaign with cable service provider

Defensibility

1. Exclusive agreements with distributors

Zadspace seeks multi-year exclusive agreements with distribution partners

2. Economies of scale

Zadspace is an advertising sales network that can more efficiently sell an individual distributor's inventory

Zadspace has a closed network of advertisers and distributors

3. Operations

Zadspace has a physical presence in the warehouse that creates a technological and operational barrier to entry

4. Intellectual property

Zadspace has two patents on file for its core methods



Financial Summary

| Zadspace, Inc. | | | 2011 | 2012 | 2013 | 2014 |
|--|--|--|--------------|--------------|---------------|---------------|
| Starting Month | | | | | | |
| Revenues | | | \$2,458,766 | \$7,097,248 | \$24,041,671 | \$84,575,624 |
| COGS | | | \$1,249,035 | \$3,254,232 | \$9,019,464 | \$27,829,226 |
| Gross Profit | | | \$1,209,732 | \$3,843,016 | \$15,022,207 | \$56,746,398 |
| % | | | 49.2% | 54.1% | 62.5% | 67.1% |
| Opex | | | \$2,267,719 | \$3,346,858 | \$5,405,345 | \$11,095,001 |
| Total Zad Cost (Production, Distribution, etc) | | | \$1,249,035 | \$3,254,232 | \$9,019,464 | \$27,829,226 |
| Net Profit | | | -\$1,057,987 | \$496,157 | \$9,616,862 | \$45,651,397 |
| | | | | | | |
| Zads Distributed | | | 8,112,634 | 20,949,537 | 63,985,659 | 204,450,819 |
| Total Revenue | | | \$2,458,766 | \$7,097,248 | \$24,041,671 | \$84,575,624 |
| Total Zad Cost (Production, Distribution, etc) | | | \$1,249,035 | \$3,254,232 | \$9,019,464 | \$27,829,226 |
| Net | | | \$ 1,209,732 | \$ 3,843,016 | \$ 15,022,207 | \$ 56,746,398 |
| Average Revenue Per Zad | | | \$0.30 | \$0.34 | \$0.38 | \$0.41 |
| Average Cost Per Zad | | | \$0.15 | \$0.16 | \$0.14 | \$0.14 |
| Fully Burdened Zad - (OPEX/# Zads) | | | \$0.28 | \$0.16 | \$0.08 | \$0.05 |

Use of Funds

- Series B: \$3M
- Expand advertising network
 - Add two (2) ad sales reps in 2010
 - Enhance key partnerships
 - Expand analytics team
- Expand distribution network
 - Grow into existing opportunities
 - At present, Zadspace has access to over 10M packages per year
 - Add new distribution partners

In four years, grow from 8M to 204M Zad placements per year

Summary

- Greenfield opportunity to own a new advertising medium and channel
 - True first mover opportunity with an exclusive lock on distribution
- Large market with rapid adoption for better performing mediums
 - Shift \$2B from the \$60B direct mail market to Zadspace
- “Win–Win” integration with shipping infrastructure creates significant barrier to entry
 - Distributors receive incremental revenue for each package shipped with a Zad
- Cash efficient business that scales quickly by leveraging fulfillment partners and direct marketing agencies
 - \$25K setup fee provides access to \$5M per year of inventory



ZADSPACE

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