

lobaki™

TRANSFORMING LIVES,
INDUSTRIES AND REALITIES
THROUGH IMMERSIVE
TECHNOLOGIES

\$2MM Capital Raise



CONTACT

Kevin Loud

EMAIL

Kevin.loud@lobaki.com

PHONE

C: 602.380.1400

INTRODUCTION

THE MARKET

The global market for Virtual Reality experiences, Augmented Reality applications and 360 VR Video is valued at \$3.13 billion in 2017 and is expected to reach \$49.7 billion by 2023, or a CAGR of 58.54% over the forecast period (2018-2023), per Reuters. XR is in the early stages of a growth curve revolution in technology that is having a similar impact on Companies and Organizations as the Internet did in the 1990's. No one hardware or software provider has developed dominance.



THE INNOVATION

Lobaki develops Virtual Reality (“VR”) experiences and Augmented Reality (“AR”) applications. The immersive programs it produces are designed to give users greater knowledge in less time, through a process that is easier than conventional methods. As the late and great leader, Julius Caesar once said, “Experience is the best Teacher” and so it is with VR - the teacher is the experience. It’s the first major breakthrough in education since the introduction of the “Book” over 600 years ago. Instead of the dry rhetoric fed to students today with lectures and books, VR/AR imparts knowledge through creating realistic, exciting experiences through which learning takes place. People can try, succeed and fail without actually exposing themselves to dangers of the real world. VR/AR is the true school of “Hard Knocks” without the consequences that bring about negative affects.

“ Virtual reality and augmented reality will change the way we live.
Michio Kaku ”

OVERVIEW

OVERVIEW

- **Lobaki** - is an XR production company,
- **Operating Region** - mostly the South (USA),
- **Organization:**
 - Lobaki, Inc. a Mississippi C Corp organized on November 3, 2016 (“INC”),
 - Lobaki Foundation, a 501(C)3 organized in Mississippi on November 13, 2017 (“Foundation”),
- **Products:**
 - XR Experiences – content production, predominately in Health Care, Industrial Training and Education,
 - XR Academies – sells training facilities to schools to teach XR production,
- **Market** - US \$13 Billion estimated for 2019 growing at 58% CAGR since 2017 to \$49.7 Billion in 2023,
- **Management Team** - Experienced having done multiple start-ups, mostly in technology,
- **Financials** - In 2018 Lobaki did around \$300k Revenue with a \$300k loss and is expecting in 2019 to do around \$2MM in revenue with a \$500k loss. The company currently has a \$3.9MM revenue pipeline,
- **Capital Requirements** - \$2MM: Lobaki has raised over \$800k in Grants and Paid-in-Equity and is looking to raise an additional \$2MM to increase production to meet sales opportunities.

Headquartered - Jackson, MS

Experienced Management:

Collective startups 14

Products:

XR Content:

- VR Experiences	7
- AR Programs	2
- 360 Videos	4

VR Academies:

- 2018:	7 Academies
- 2019:	31 (projected)

Employees: 9

Revenue:

- 2018	\$300k
- 2019 Budgeted	\$1.2MM
- Pipeline	\$4.1MM
- Year 5 projected Rev	\$74MM
Market Penetration	0.14%

Debt \$0.00

Capital:

Equity & Grants \$700k+

Marquee Lobaki Clients:

- University of MS Medical Center
- Entergy
- Jackson State University
- Mississippi State University

ORGANIZATION

ORGANIZATION:

Lobaki Inc - A For profit studio developing XR content for commercial and educational entities.

Lobaki Foundation - A non-for-profit organization supported primarily by grants and paid for engagements deploying and supporting XR Academies.



MISSION - Lobaki INC is on a mission to convert commercial educational and training content into XR Experiences. Vast quantities of content exist in 2D and written form and most, if not all, will be converted in the near future to XR because of the great improvements afforded by the technology. It allows information to be assimilated by human beings, better, faster and easier than the current methods. With such a gargantuan task necessary to convert all 2D content to 3D XR, it is estimated it will take at least the next 20 years and thousands of people working full time to make an impact. This is one of the driving factors behind the industry growth from \$3 Billion in 2017 to \$49.7 Billion in 2023, or a 58% CAGR.

MISSION – Lobaki Foundation: is on a mission to change lives, mostly in the South, by enabling training of XR Skills to the underprivilege to get higher paying jobs in the new and growing XR industries (XR Development, Digital Games, Movie Special Effects). The Foundation contracts directly with Schools and Workforce Development centers and provides them with everything they need to train XR skill sets to their constituents. This includes all the necessary hardware, software, and training and supporting the trainer (an “Academy”).

Management Agreement: Lobaki INC maintains all the workers for both organizations and does all the work for Lobaki Foundation through a Management agreement entered into, by and between the two (the “Management Agreement”). Lobaki Foundation hires Lobaki INC and pays it to do the work. Lobaki INC has also developed and licenses its own proprietary “Lobaki Knowledge World” curriculum to Academies wanting a cloud based curriculum.

Symbiotic Relationship: Lobaki INC and Lobaki Foundation work better together to achieve their sperate goals. The Foundation builds Academies which provide INC with work, a source of trained XR personnel, and a marketplace to sell its XR experiences. In turn, INC provides the Foundation with a critical function: job Placement. XR Graduates can stay right here in (Mississippi) and work for INC instead of relocating to the Coasts or Austin. Additionally, the XR Academies can provide Lobaki INC with off-net overflow production capabilities as well as a source of IP development.

Grants: Over the years the Lobaki Foundation has received several Grants but the largest is from the Mississippi Department of Human Services (“MDHS”) through Families First. It was made during the fourth quarter of 2018 and has paid out \$795K as of this date. In return the Foundation committed to relocate to Jackson, Mississippi, open an XR Lab and an XR Academy, all of which has been satisfied.

MODEL

MODEL – Both Inc and Foundation operate in similar ways. They seek out Subject Matter Experts (“SME”), an educational facility (in the case of the Foundation) and partner with them to develop the product, offset the development costs and share in the revenue.

Products:



LOBAKI INC:

1 - Virtual Reality (VR) Experiences: programs that attempt to make the user believe they are in or part of the scene/program/experience (immersive) they are experiencing, through the use of 3D video and audio. Productions of this type of content follow the process more of special effects in movies than that of software programming. A story board is typically developed with art, sound and programming layered on top to make it work. Revenues generated from the production of VR Experiences

are typically classified as “Non-Recurring” while revenues from re-sale of the VR Experience are coded as “Recurring” revenues.

2 - Augmented Reality (AR) Applications: programs that overlay computer generated material on top of the real view of the world done usually to enhance the scene or provide more information to the user. Production and pricing are very similar to that of VR Experiences mentioned above.

3 - 360 Video: movies filmed with special equipment that captures 360 degrees of the scene. When played back in VR headsets, the viewer feels as if they are actually in the scene. Production is done almost exactly like that of its counterpart in films, requiring, scene sequencing, editing, and sound track overlay. The main difference is that multiple vantage points of the same scene are captured and need to be “Stitched” together so that the viewer can see all aspects of the scene in 3D. Through this process the viewer is “immersed” into the scene making them feel as if they are really there. Revenue generated from the production of a 360 Video is classified as “Non-Recurring” while re-sale of the film is referred to as “Recurring”.

4 – Lobaki Knowledge World: an online digital curriculum and knowledge base used for XR production. Every Academy Lobaki INC sets up is free to choose their own curriculum however to date all have chosen to license the Lobaki Knowledge World. As part of the initial installation Lobaki INC provides it but then charges a fee based on \$/month/seat thereafter which is classified as “Recurring” revenue. Students are also free to buy a subscription from Lobaki INC outside of the Academy.

The Company’s products are platform agnostic and usually built on the 2 major industrial standards, UNREAL and Unity depending on user applications. They are sometimes offered through a DaaS (“Device as a Service”) model which bundles the application with hardware such as the Facebook Oculus Rift/GO, the HTC VIVE, the Microsoft HoloLens and/or, the Magic Leap ONE.

LOBAKI FOUNDATION:

XR Academies & Labs - a facility set up with the proper equipment and software necessary to teach skill sets to individuals required for them to get a job in the XR Industry. Academies can be set up either independently or in public, private schools, charter K-12 schools along with Community Colleges and major Universities. The Foundation designs, provisions, installs the system and interconnects it all so that it works. It charges for the hardware and installation fees which are coded as “Non-Recurring.”

PIPELINE

XR Experiences:

1. Global Training Institute, located in Canton, MS, is developing with INC an entire training series on the heart to be resold to other educational centers as well as used in conjunction with their business. The objective is to develop the definitive VR Heart Experience showing every aspect of the heart thereby becoming the gold standard in training on the subject. It's a multi course series being developed as follows:

a. 12 Lead EKG:

- i. Module 1 – Developed
- ii. Module 2 – Developed
- iii. Module 3 - Nearing Completion
- b. Normal Cardiac Anatomy – *Backlogged*
- c. Congestive Heart Failure – *Backlogged*
- d. Myocardial Infarction – *Backlogged*

- e. Cardiac Myopathy – *Backlogged*
- f. Cardiac Myopathy - Dilated – *Backlogged*
- g. Cardiac Myopathy - Diastolic – *Backlogged*
- h. Cardiac Myopathy - Global – *Backlogged*
- i. Cardiac Myopathy - Idiopathic - *Backlogged*
- j. Cardiac Tamponade – *Backlogged*

2. University of Mississippi Medical Center is developing a series of VR Experiences with INC around brain Concussion issues. To date, not much has been done for diagnosing and/or healing concussions. The University has done considerable research on this subject and now believes with the advent of VR and eye tracking substantial progress can be made to address the problems of concussions. INC has developed one VR experience for the University and is currently working on an expanded VR experience however, there are a litany of modules to be produced to fully cover the main issues. On top of this, they are uncovering many other cross-over applications the VR experiences can address in areas like sports enhancement. Just to mention a few, it appears it can improve a baseball batters' capability to read a pitch better coming over home plate at 100 plus MPH or help a football quarterback identify open receivers. The pace at which INC can address these applications is directly tied to capital.

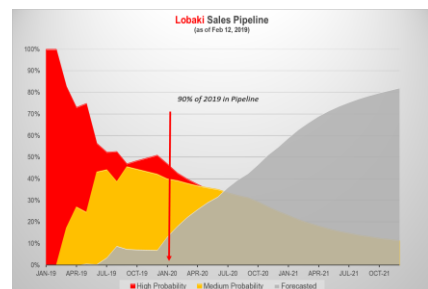
3. Ingalls Industries Pascagoula - wants a Welding & OSHA VR Experience for on the job training. Many new hires resign after short periods of time because they are uncomfortable with the work environment, mostly heights. Ingalls believes it can substantially reduce turn-over by prescreening applicants with VR Experiences saving both time and money. INC and Ingalls are having conversations but INC is waiting on more resources before moving ahead.

360 Video:

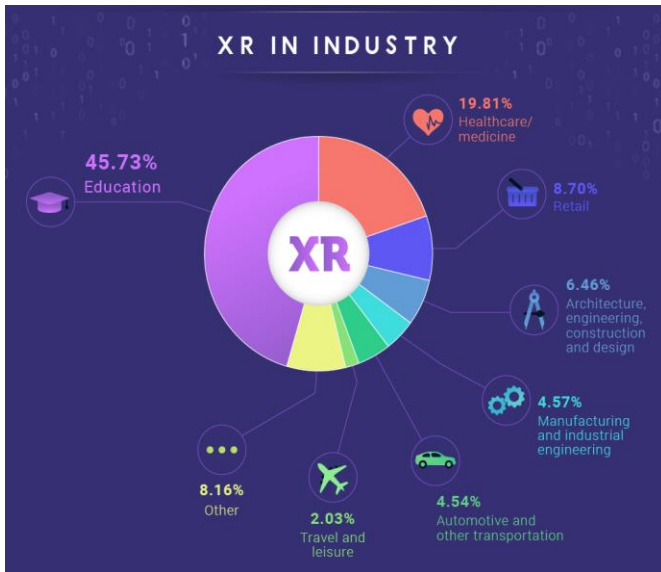
1. Jackson State University – wants to produce the definitive 360 VR Video lessons on the Civil Rights Movement culminating in the 1960s. Many of the people that actively participated in it are still alive and able to give first hand details on pivotal events that shaped our country. The 360 VR Video lessons not only preserves their memories but makes a more lasting impact on the audience by making them feel like they are actually with the person telling the story. JSU will provide all the information and witnesses for the series and in return wants a copy free of charge. INC will retain full rights to the lesson and expects to license it to educational organizations across the country.

Foundation Academies

- 1. Whitehorse High School – *To be Installed*
- 2. Elizabethton High School – *To be Installed*
- 3. Cairo High School and Middle School – *To be Installed*
- 4. Mississippi State University – *To be Installed*
- 5. Jackson Medical Mall – *To be Installed*



MARKET

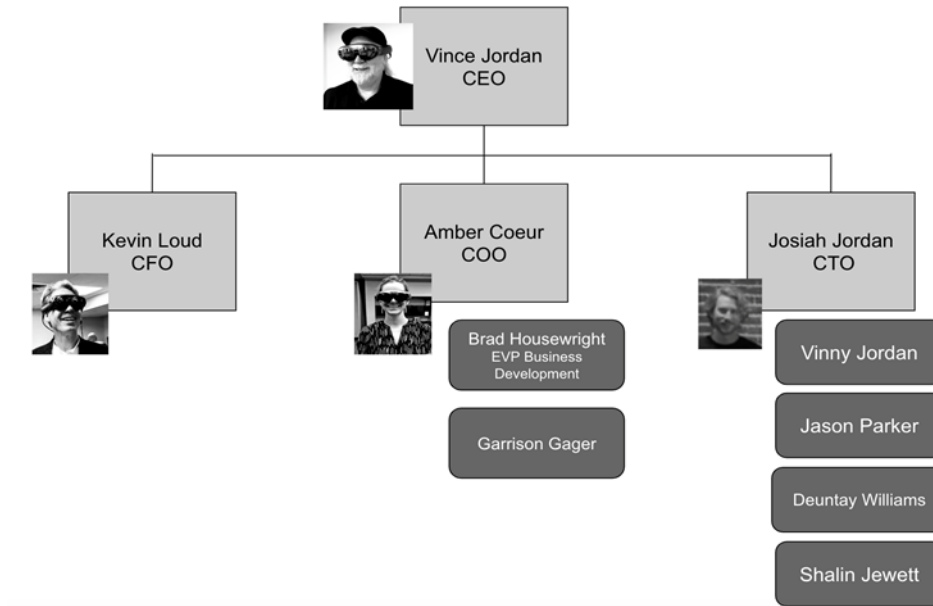


The VR/AR market has largely been focused on the development of hardware the past several years. The most important driver for the industry as a whole has been the development of hardware truly capable of enabling the VR/AR experience. By 2017, Oculus, HTC, Samsung, Apple, Microsoft, Google and Sony all accomplished this, each with their own hardware in production. Now, however, the focus has turned to content creation since the hardware has reached a point of being mass marketable.

The shift is being seen in the amount of funding that is going into content creation companies versus the past with hardware makers. One of the greatest questions in the market, however, is how big is it going to get? Consumers spent about \$3.1 billion on VR/AR tech in 2017 per Reuters and by 2019, the VR/AR Association is projecting \$13 billion. But depending on where you look, estimations vary widely on just how large this industry will grow over the next 5 years. The numbers range from \$50 billion to over \$200 billion by 2023, going to prove that there is great interest and demand while still maintaining a sense of newness. There is a clear difference as to the investment being driven into content, making Lobaki strategically poised to make a great impact.

As to be expected, the greatest sector of content development has been in the gaming and entertainment sectors. This is a positive driver for the technology as a whole as it proves the mass adoption of the hardware and that it is ready for commercial use. Over the past couple of years, other vertices have become clear in the industry and there are new companies starting to focus on content creation for these new verticals. A study by Hire Intelligence showed a breakdown of current vertices along with *how* the technology is being used within each of those verticals. This study showed that the greatest intended use of the technology is in the education sector with over 45% of the users citing interest. Close behind was healthcare and medicine at nearly 20% and construction, engineering, and manufacturing combining to another 11% of interest. Within these industries, the overwhelming intended use polled was for training and simulation at 63%. These statistics align with the strategic mission of Lobaki to focus on Education, Healthcare, and Industrial Training as the main drivers for content creation.

Management



Management Profiles

VINCE JORDAN – CEO & Founder, heads up the entire company as a hands-on executive involved in all aspects of the business from client presentations, VR Experience development, and customer delivery. Over the 41 years of his professional experience he has pushed technology to the limits to improve lives. From Oct 2014 to co-founding Lobaki in Jan 2017, Mr. Jordan was COO of Fathym, Inc. a provider of Internet of things and related services intended to transform data into actionable insight. Prior to this he has held executive positions with Longmont Power and Communications Companies – Broadband division, Ridgeview Tel, a wireless voice over IP carrier, Novazen an online payment company that predated PayPal, and ran the Wiltel Technology Center for Innovation developing new technologies such as the first commercially viable ATM network in the world. Mr. Jordan finished his technology training in 1982 from the Oregon Institute of Technology.

JOSIAH JORDAN – Chief Technology Officer & Founder, is responsible for the technical R&D and commercial product development of the company. He has 17 years of software development and engineering experience, and was most recently CTO of the IoT company Fathym in Boulder, CO. Prior to that he successfully developed cloud computing technologies at GreenButton (acquired by Microsoft to become Azure Batch), aircraft configuration software for the Boeing 787 Dreamliner, and advanced systems engineering processes for QSST (Quiet SuperSonic Transport) at Lockheed Martin Skunk Works. He has contributed to multiple patents in the aerospace and software industries and has a BS in Aerospace Engineering from University of Colorado, Boulder, 2002.

Management



AMBER COEUR– *Chief Operating Officer*, is responsible for the coordination and deployment of assets and human capital to reach performance goals and deliverable milestones for Lobaki. She has 10 years’ experience working in a high-growth startup environment, having previously led teams to achieve successful scaling of operations for Movement Mortgage based in Charlotte, North Carolina. Her skills in management of time, employees, and assets led to a series of promotions that eventually resulted in a leadership position that oversaw support for sales, recruiting, and growth for the National Sales Division. Her educational pedigree includes an MBA from the University of South Carolina, a Master’s in Education and BA from Johnson University.

KEVIN LOUD – *Chief Financial Officer*, is responsible for the accounting and financial function of the company. For the past 16 years he has been a senior partner at Clear Growth Capital, an investment bank in Scottsdale, AZ. Prior to that he successfully co-founded 4 start-up firms (3 in telecommunications, and an investment bank) and has extensive experience in management, capital formation, M&A, and public markets having helped IPO’d in 1996. He has held senior positions at Vanion, Internet Commerce & Communications, Qwest, WorldCom and Vyvx Telecom, and has a BA from UCLA’77 and an MBA from William & Mary 1979.

Executive Compensation – will be controlled by a Compensation Committee chaired by an outside board member.

Offering - CONVERTIBLE NOTE

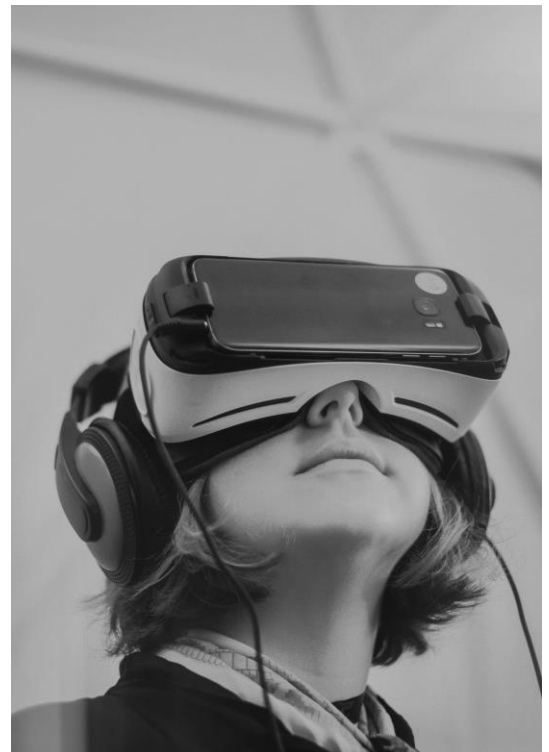
OFFERING:

- Amount: Up to 2,000,000
- Minimum Investment: \$100,000 (preferred)
- Investment Vehicle: Convertible Note
- Equity Conversion: 14.2% of the post outstanding number of common shares of Lobaki Inc. as of the time of this offering, or 75% of next offering,
- Term: 3 Years
- Rate: 8%
- Interest Payment: Monthly Beginning after the first year
- Principal Repayment: 100% at note at Maturity
- Offering Period: The Offering will Terminate on July 31, 2019 unless the Offering is sold out prior to that Date,
- Over Subscription: Company Reserves the right to oversubscribe the Offering
- Voting: Each Share of Common is entitled to 1 vote,
- Dividends: Pro Rata - as declared by the Board of Directors,
- TAX Incentive: Jackson is an Opportunity Zone, deferring and possibly offsetting Capital Gains Tax

USE OF FUNDS

The funds from this raise will be mostly used as follows:

1. **Expand VR Production:** The current team will be increased from 4 to 16 by year-end to keep up with demand. A back log currently exists in the developing all 10 of the GTI modules not to mention development of the OSHA experience and others.
2. **Gain Critical Mass:** become large enough to address all the large projects in our region,
 - a. Creates a Brand which promotes sales,
 - b. Minimize opportunities for competitors to enter,
 - c. Increase valuation for Series A raise.
3. **Cash Flows Company until Series A (Year End),**
 - a. Additional capital needed in 8 to 10 months for the company to maximizes trajectory to breakeven,
 - b. Increased growth needs to be demonstrated to secure Series A under acceptable terms,
 - c. Growth can be ratcheted back if Series A impractical at year End.



INCOME STATEMENT*

	Actual <u>2018</u>	Budgeted <u>2019</u>	Budgeted <u>2020</u>	Budgeted <u>2021</u>	Projected <u>2022</u>	Projected <u>2023</u>
Revenue						
Non-Recurring	259,328	953,521	1,260,000	1,937,951	4,737,214	11,102,845
Recurring	72,730	288,825	4,123,198	8,828,444	24,870,373	62,916,122
Sub-Total	332,058	1,242,346	5,383,198	10,766,395	29,607,587	74,018,967
COGS	234,214	679,174	2,118,959	3,983,566.20	10,658,731	25,906,638
Net Income	97,844	563,172	3,264,238	6,782,829	18,948,855	48,112,328
Overhead						
Payroll Expenses	352,134	941,089	3,341,516	5,547,446	8,882,276	22,205,690
SG&A	58,953	254,871	673,630	853,035	2,960,759	7,401,897
Sub-Total	411,088	1,195,959	4,015,146	6,400,481	11,843,035	29,607,587
EBITDA	(313,244)	(632,787)	(750,908)	382,348	7,105,821	18,504,742
Depreciation & Amortization	-	38,645	108,371	179,787	265,348	666,171
Interest Expense / (Income)	-	80,000	160,000	26,667		
Taxes	-	-	-	(341,793)	1,778,523	4,638,028
Sub-Total	-	118,645	268,371	(135,339)	2,043,871	5,304,199
Net Income	(313,244)	(751,432)	(1,019,278)	517,687	5,061,950	13,200,543

* Unaudited

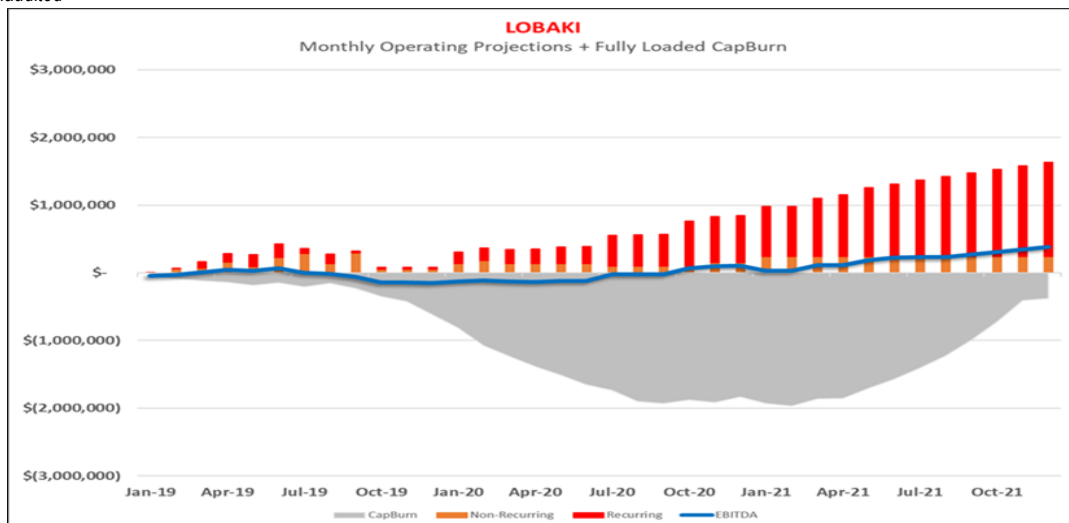
Revenue

Revenue % Change	-	274%	333%	200%	175%	150%
Non-Recurring % of Rev	78%	77%	23%	18%	16%	15%
Recurring % of Rev	22%	23%	77%	82%	84%	85%
COGS % Change	71%	55%	39%	37%	36%	35%
Gross Margin	29%	45%	61%	63%	64%	65%

Overhead

Payroll Expenses % Overhead	86%	79%	83%	87%	75%	75%
SG&A % Overhead	14%	21%	17%	13%	25%	25%
Sub-Total % Rev	124%	96%	75%	59%	40%	40%
EBITDA % of Rev	-94%	-51%	-14%	4%	24%	25%

* Unaudited



BALANCE SHEET and CASHFLOW

BALANCE SHEET*	<i>Actual</i> 2018	<i>Budgeted</i> 2019	<i>Budgeted</i> 2020	<i>Projected</i> 2021	<i>Projected</i> 2022	<i>Projected</i> 2023
ASSETS						
Current Assets						
Cash	277,204	1,382,493	(308,297)	345,761	4,283,271	14,823,325
Inventories	1,899	232	14,355	8,075	22,206	37,009
Prepays & Deposits	-	232	14,355	-	-	-
Accounts Receivable	671	66,077	978,213	897,200	2,467,299	6,168,247
Total	279,774	1,449,034	698,625	1,251,036	6,772,775	21,028,582
Fixed Assets						
Automobiles	19,881	19,881	59,881	99,881	155,238	293,629
Furniture & Fixtures	599	80,599	126,599	188,599	316,725	637,040
Technology Systems	46,999	107,299	184,899	292,599	553,230	1,204,809
Accumulated Depreciation	-	(38,646)	(147,017)	(326,804)	(592,152)	(1,258,322)
Total Net Fixed Assets	67,479	169,133	224,362	254,275	433,041	877,155
TOTAL ASSETS	347,253	1,618,167	922,987	1,505,311	7,205,816	21,905,737
LIABILITIES & EQUITY						
Current Liabilities						
Accounts Payable	-	20,650	335,464	331,964	888,228	2,158,887
Accruals	-	168	9,453	77,589	159,881	388,600
Total Liabilities	-	20,818	344,917	409,553	1,048,109	2,547,486
Long Term Debt	-	-	-	-	-	-
Total Liabilities	-	20,818	344,917	409,553	1,048,109	2,547,486
Equity						
Capital Stock/Grants	677,634	2,677,634	2,677,634	2,677,634	2,677,634	2,677,634
Retained Earnings	(17,138)	(330,382)	(1,080,285)	(2,099,563)	(1,581,876)	3,480,074
Net Income	(313,244)	(749,903)	(1,019,278)	517,687	5,061,950	13,200,543
Total Equity	347,252	1,597,349	578,071	1,095,758	6,157,708	19,358,250
TOTAL LIABILITIES & EQUITY	347,252	1,618,167	922,987	1,505,311	7,205,817	21,905,737

* Unaudited

CASH FLOW STATEMENT*	<i>Actual</i> 2018	<i>Budgeted</i> 2019	<i>Budgeted</i> 2020	<i>Budgeted</i> 2021	<i>Projected</i> 2022	<i>Projected</i> 2023
Operational						
Net Income		(749,903)	(1,019,278)	517,687	5,061,950	13,200,543
Depreciation and Amortization		38,645	108,371	179,787	265,348	666,171
Inventories		1,667	(14,123)	6,280	(14,131)	(14,804)
Prepayments		(232)	(14,123)	14,355	-	-
Accounts Receivable		(65,406)	(912,135)	81,013	(1,570,099)	(3,700,948)
Accounts Payable		20,650	314,814	(3,500)	556,264	1,270,659
Accruals		168	9,285	68,136	82,292	228,719
Net Cash from operating activities		(754,410)	(1,527,191)	863,759	4,381,623	11,650,339
Investing						
Capex		(140,300)	(163,600)	(209,700)	(444,114)	(1,110,284)
Acquisitions		-	-	-	-	-
Other		-	-	-	-	-
Net cash from investing activities		(140,300)	(163,600)	(209,700)	(444,114)	(1,110,284)
Financing						
Revolver		-	-	-	-	-
Grants/Shareholder Contribution		-	-	-	-	-
Pre-Series A		2,000,000	-	-	-	-
Series A		-	-	-	-	-
Dividends		-	-	-	-	-
Loans to Shareholders		-	-	-	-	-
Repayment of Debt		-	-	-	-	-
Others - Please Specify		-	-	-	-	-
Net cash from Financing activities		2,000,000	-	-	-	-
Total Net Change in Cash Flow		1,105,290	(1,690,791)	654,059	3,937,510	10,540,054
Cash and Equivalents, beginning of period	277,204	1,382,493	(308,297)	345,761	4,283,271	14,823,325
Cash at end of period	1,382,493	(308,297)	345,761	4,283,271	14,823,325	

* Unaudited

SUMMARY - \$2MM Offering

Business Advantages:

- Low Capex Business
- Experienced Management Team
- Currently Riding Biggest Tech Evolution since the Internet
- XR Market Pivoting from Hardware to Software (at this Moment)
- Big Market \$13B for 2019 growing at fast 58% CAGR to \$49.7B in 2023



Summary:

1. Very Controllable Capital Burn – adjustable through production levels
2. No need for speculative growth capital – capital needed to increase production recourses to meet existing demand,
3. Underlying Need for additional Capital - timing difference between production costs and revenue receipt
4. Market Opportunity wide open for those with a vision, management and capital. This year no Leaders, next year all Followers,
5. Need only small portion of the Market to make a big success:
 - a. Projected 2023 Rev for Lobaki @ \$71MM divided by \$50B market size = less than 2 tenths of 1 %.
6. New Capital goes directly into Existing Backlog:
 - a. Global Training Institute heart VR Experience
 - b. University of Mississippi Medical Center Concussion VR Experience
 - c. Jackson State University Civil Rights 360 Video Series



Disclaimer:

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FROM MAGIC" – ARTHUR C. CLARKE**