

BRIEFING MEMORANDUM

TO: Fundamental Funding
FM: R. Kasbarian, CEO
ZYPLINE SERVICES, Inc.
RE: Outline of opportunity to acquire
Yahoo search and display ad business
DT: 30 May 2016 (Internal Review Draft)



Overview

Due to major market losses and missteps, Yahoo is seeking to sell its core assets of internet search and online advertising. Valuation is difficult for potential buyers as they need to determine how they can improve the acquired business that competes in a very mature and defined market, if at all.

Their online advertising business has been in decline, so bids are predicted to be lower than what Yahoo wants. Over 40 firms have expressed interest, but most have dropped out, including Google and Time. The key bidders left are Verizon, AT&T, and several private equity firms, including Berkshire Hathaway.

The key challenge is to find a strategy to grow its search and display ad revenue; if it were simple, Yahoo would have done it. Obviously something besides a conventional approach is required.

Adding Zypline to Yahoo Can Open Large New Market

Zypline believes that a strategy of adding its proprietary and patented connection technology to the Yahoo platform can expand its reach and add over a billion new users. These new users would primarily be from the developing markets who have no internet access (56% of world) and from small businesses who are avoiding the expense and effort of conventional web sites.

Independent proprietors and contractors around the world are estimated to be more than 2 billion of the 3.5 billion total global workforce. Most of these are not "searchable" and therefore are not part of the current online ad market. In the US alone about 50% of sole proprietors do not have any online presence.

Zypline gives this market an instant and valuable online presence; it uploads any business information (flyer, profile, etc.) in any format and sets the user's mobile number as the locator. It works with anyone who has a mobile phone number which is presently over 6 billion and growing to 9 billion subscriptions by 2020. The new content would be searchable on Yahoo.

Impact Of The Combined Platform Would Be Significant

Zypline believes that the combination platform will produce major market leverage and increase users and ad revenue by at least 50%. New revenue would be generated users posting content and then advertising their business or service which they are unable to do today.

Once business content is posted via the Zypline technology, then its retrieval would be via Yahoo.com which due to its worldwide brand would easily attract a huge volume of visitors. It would have the opportunity to become a leader in the huge underserved markets of small, home, individual and informal businesses, particularly in the developing markets. This is a unique opportunity and the synergy would be extraordinary.

Additional information on key subjects can be found on following pages. This is only an outline and once interest is finalized, detailed due diligence and business planning would be completed.

Yahoo Situation Analysis

Over past four years, Yahoo has spent a great deal of time and money on acquisitions that have not succeeded while its core business dwindled. At the start of the bidding process, Yahoo anticipated a bidding range of \$5-8 billion, but so far news stories have indicated \$3-4 billion range is being offered, which reflects current problems.

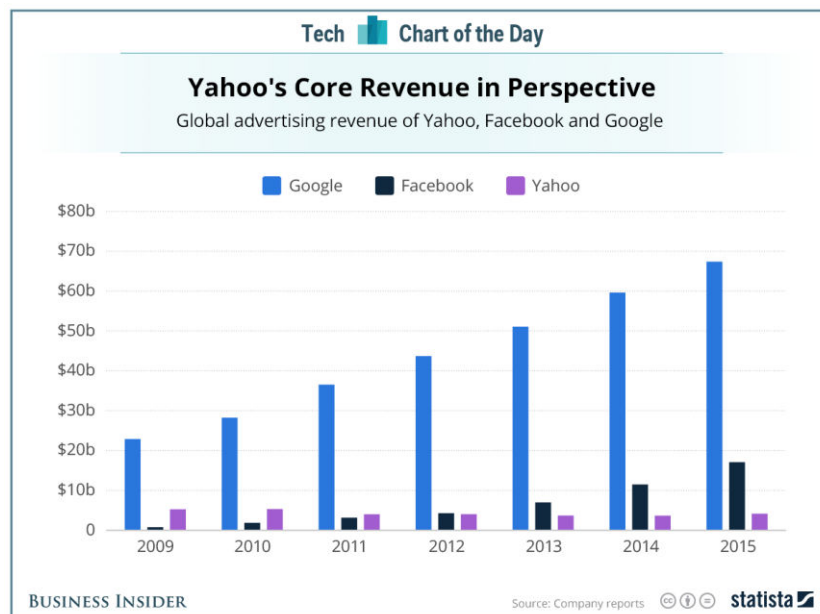
Yahoo has a current market cap \$36 billion with most of value reflective of:

- A 15.7% stake in Alibaba which is worth about \$31 billion
- Ownership in Yahoo Japan estimated at \$9 billion

Yahoo has not been able to maintain its existing sales and profits, let alone grow; its main source of revenue, advertising, has been flat or shrinking for six consecutive years.

And even with about \$5 billion in annual revenue and 1 billion monthly users, Yahoo's core internet business is valued at less than zero by the public market. Recently, Yahoo's stock was down 4% after Alibaba disclosed that it's being investigated by the SEC.

This chart from Statist shows the problem with that core business.



Another issue is the CPM price that Yahoo can demand which is 4 to 11 times cheaper than Google depending on vertical. The combined platform would increase both users and visitors which would increase the CPM and therefore the increase revenue of existing search and display ads.

Some positive Yahoo notes:

- Is the world's most read news source, serving seven billion users a month.
- Owns Flickr that has 51 million members and about 80 million worldwide visitors.
- It has social network Tumblr with more than 550 million users.

A good summary of the Yahoo situation can be found at:

<http://variety.com/2016/digital/news/marissa-mayer-yahoo-ceo-1201781310/>

Zypline Connection Platform

Zypline addresses the global digital divide with world's simplest webpage posting solution. Anyone with a phone number is a potential Zypline user. No tech support or internet subscription required.

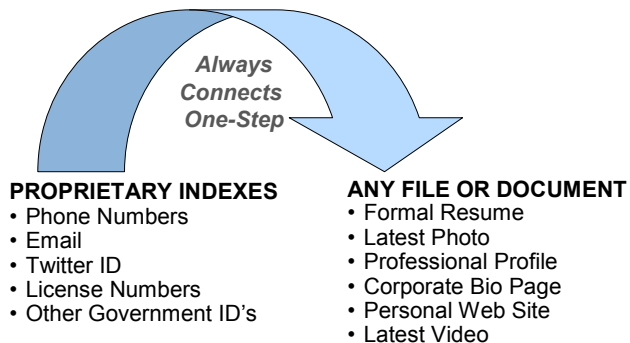
Zypline takes advantage of the portability laws that allow phone numbers to be 'proprietary' and uses them as a personal, persistent digital indexes. This enables individuals, micro-businesses, small contractors, freelancers and sole proprietorships to create an online page without building a web site or relying on anyone else, which is important in developing markets.

Content can includes the latest business or professional profile, latest photo, community poster, resume (CV), videos, coupons or any content that business uses for their marketing.

Here are some examples of single user posting on Zypline:



Posting are not full web sites, they are more like flyers or business profiles which is totally sufficient and effective for this market.



Zypline is not a search engine -- it is a connection engine. This connection method delivers only one result from an inquiry does not present any intermediate steps or choices and does not contain navigation steps whatsoever. So it does not display the competition.

The Zypline connection platform is not a competitor to standard search engines like Yahoo and does not provide the same service. It is complimentary and the two services, search and connect can be integrated.

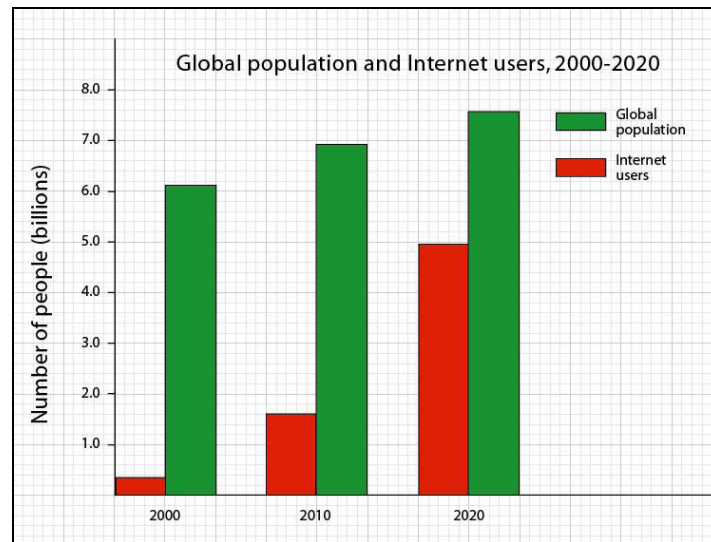
This is a proprietary process for which Zypline has received U.S. Patent No. 9,262,606, issued February 2016. This gives Zypline total rights to any connection of any user index assigned by a Real World Entity – such as a mobile number -- to specific digital content.

Zypline provides a simple and permanent answer to the questions: "Do you have a web site?" Or "Where can I find you or your business online?" Where is your latest video? With the combined platform anyone can say **"Just use my number on Yahoo"**

NOTE- Zypline has a mobile version that displays content on a callers screen during regular phone calls. <http://bit.ly/1OoHFCC>

Available “White Space” Market

There is no limit to markets that can be supported by the unique capabilities of the new combined Connect/Search platform. Focus, however, will be on the expanding, and under-served, market of billions of sole proprietors, contractors, home businesses, street vendors, and service providers. The majority of these businesses are “not-searchable” and Zypline will provide these individuals a simple and instant method to establish a valuable online presence.



As of November 2015, the population of the World was 7.3 billion, with 3.3 billion (46%) having access to the internet. All efforts in the developing markets are targeted to install classic internet; building an infrastructure and then building web sites, etc. This will take years and not ever attract everyone. Zypline is ready now and can provide an online presence to any mobile number without any of the classical overhead.

A recent Ericsson report indicated that by 2020 there will be:

- 6.1 billion Smartphone users led by huge growth in less mature markets.
- 9.2 billion Subscriptions each representing a unique number or index that can be used on the new combined search/connect platform.
- Asia Pacific, the Middle East and Africa will account for 80 percent of all new subscriptions.

GoDaddy reports that well over half of small businesses have no websites or Facebook pages.

- 60% of very small businesses, (VSB), made up of one to five people, don't have websites (Of those, about 12 percent have Facebook pages)
- 39% global and 46% of VSB's in the U.S. consisted of only one person.

Forbes reported that about 40% of workers in America are 'contingency' workers, and Freelancer Union reported that nearly 1 in 3 working Americans is an independent; that's 42 million. This includes lawyers, nannies, graphic designers and temps.

Globally this is about 2.0 billion workers. These markets are looking for simple solutions to use the internet in their business and they shy away from complex processes with consultants and technical support requirements.

Zypline can give a valuable online presence in minutes and Yahoo.com can retrieve the specific content in one predictable step.

New Home Page

The combined strategy would add the new and very notable **CONNECT** button to the Yahoo home page, clearly signaling a new approach.

If a value is entered and visitor hits **SEARCH**, he gets a standard Yahoo search result. Hit **CONNECT** and the system will deliver only one result, flyer, CV, poster, or any content, if there is no "1-step" content associated with that number then it defaults to the standard Yahoo search function. This process is fully operational on <http://zypline.com> and totally illustrates the layout and functionality of the new Yahoo.com combined platform.

The image shows a web interface for Zypline. At the top, the word "Zypline" is displayed in a large, stylized font. Below it, a tagline reads: "An API to create simple account-less verifications and immediate internet presence and secure file uploads." In the center, there is a search bar containing the phone number "650-561-6030". To the left of the search bar is a red button labeled "connect", and to the right is a blue button labeled "search".

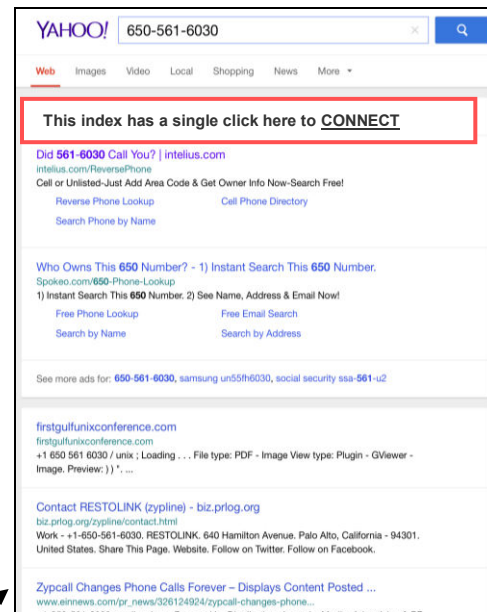
COMBINED ENHANCED PROCESS

1. Enter a personal digital index, for example a mobile number.
2. Hit **CONNECT** and if the owner of number has posted content then it would display.



CONVENTIONAL SEARCH

1. Enter any term, index or other variable string to be searched.
2. Hit **SEARCH** to trigger standard Yahoo search process.



3. **BUT IF NO CONTENT** via **CONNECT** then system automatically switches to **SEARCH** and the standard Yahoo results will display.

If process started with **SEARCH**, the system would add a link to the **CONNECT** result on the top of search results. Reminder that user has a latest ad, photo, video etc.

New Revenue Potential

The global digital advertising market in 2015 was \$170 billion. Google captured \$75 billion, Facebook \$17 billion and Yahoo \$5 billion.

Obviously, it will be very difficult to grow and find new revenue in with a “business-as-usual” approach in the current markets. But the new combined platform would open several very large new business channels which would generate new users and new revenue.

There are several categories for new revenue streams but the most important are:

- Posting Content
- New Advertisers

Here are some rough estimates of the potential usage once the combined platform is operational. A more detailed model and analysis will be available in near future.

New Revenue From Posting Content

- Free for one self-managed replaceable page this opens user and visitor volumes
- Premium monthly subscription for special editor to manage and post content
- Premium monthly subscription to simultaneously support multiple profiles

REVENUE POTENTIAL & REACH ONCE FULLY OPERATIONAL

New Users On Combined Platform	50M	100M	250M	500M
Annual charges for premium postings	\$250	\$250	\$250	\$250
Conversions	3.0%	3.0%	3.0%	3.0%
Potential New Revenue	\$375 million	\$750 million	\$1.87 billion	\$3.75 billion

New Ad Revenue From New Users With Searchable Content

- Contractors, service providers key word ads for various categories
- Increased CPM revenues due to visitor volumes

There would be an increase in users as small businesses add pages and an increase in visitors as potential customers search for details on them. All would add to the advertising value increasing the base of these new monthly visitors. These small businesses currently pay \$50 to \$200 for a weekly classified ad in a local newspaper.

REVENUE POTENTIAL & REACH ONCE FULLY OPERATIONAL

New Users On Combined Platform	50M	100M	250M	500M
Average purchase of annual advertising	\$400	\$400	\$400	\$400
Participating Users	5.0%	5.0%	5.0%	5.0%
Potential New Revenue	\$1.0 billion	\$2.0 billion	\$5.0 billion	\$10.0 billion

Other Revenue Potential

Once the platform is established there are many other revenue opportunities, such as:

- Fees and fulfillment for e-commerce derived from flyer postings
- Confidential content distributed via messages opened by index and special private code

Next Steps

Agree on components and organize a team to evaluate opportunity, conduct due diligence and develop a proposal to acquire the Yahoo assets. There is an abundance of data that can be used to create a model and evaluate and project the potential new business.

There is no formal bidding process; the process it seems it is being managed directly by the Company. So nothing is final or binding and if we submit an offer we should find a way to meet with one of the Board Members.

Contact

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