

lopoco

A Business Plan

Elevator

Low power servers - that use less power than your average CFL

Data centers of all types are looking to reduce power consumption without sacrificing throughput. From large cloud computing companies like Amazon and Google, to SMBs with a rack in a closet and a window air conditioner.

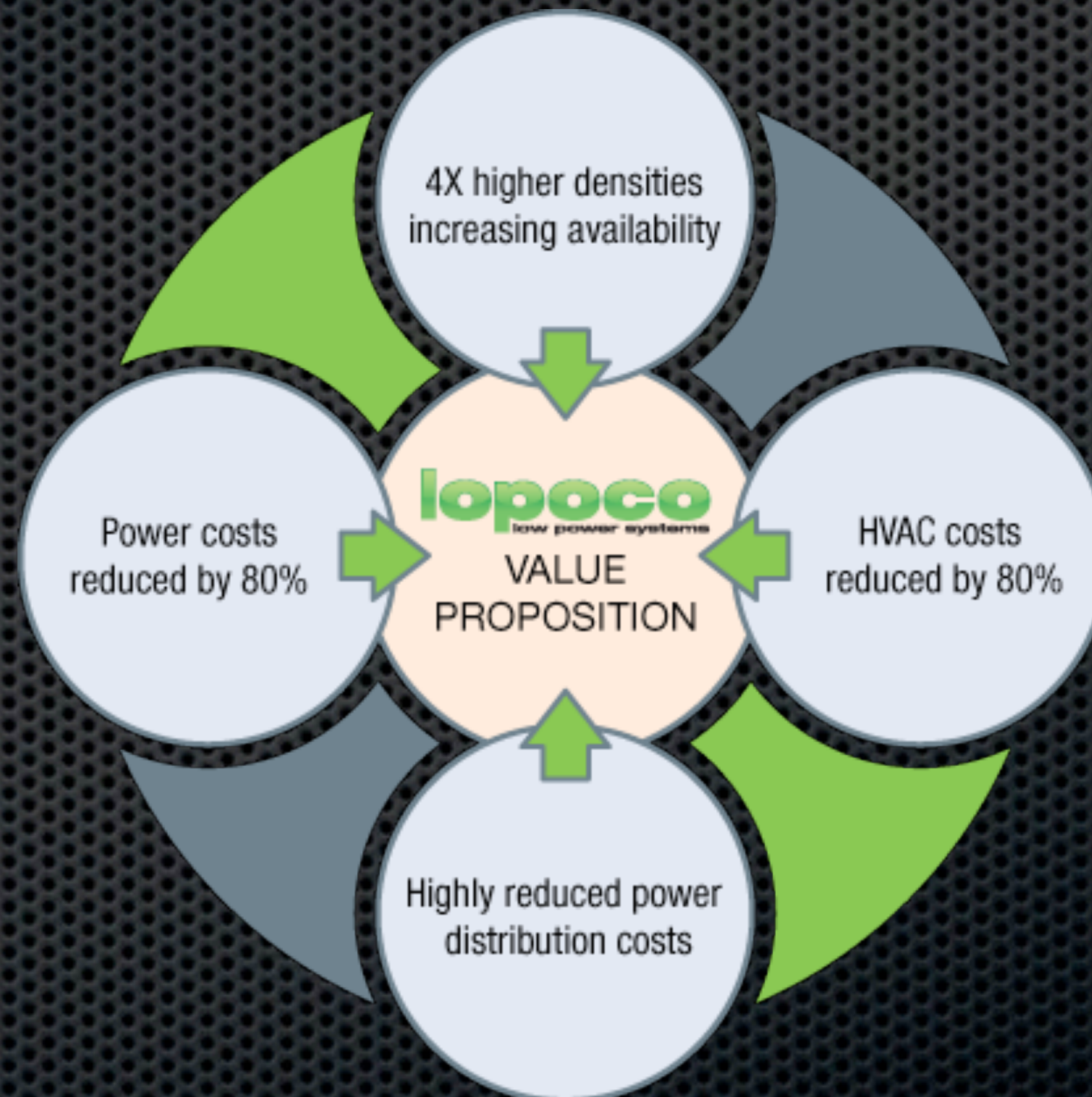
Taxi

- ✦ Servers with low power footprint, but high I/O throughput
- ✦ Business continuity and compliance
 - Standard form factor, 1U and 2U servers and storage appliances
 - Rapid deployment
 - Familiar and similar technology with no learning curve
- ✦ Higher margins for Web Hosting Datacenters by lowering power costs
- ✦ Target Customers/Markets:
 - ✦ Web hosting datacenters
 - ✦ Dense data centers
 - ✦ Cloud computing and cloud storage data centers
 - ✦ Internet 2.0 type companies; companies with large internet server farms
 - ✦ Tight power constraints: mobile data centers; remote data centers (cell towers)
 - ✦ Former and current Cobalt customers
 - ✦ CIOs and CEOs who like to strengthen their margins
- ✦ Non-customers:
 - ✦ CPU intensive applications or HPC

Value Proposition

Compelling value proposition

- Intense cost savings are impossible for CIOs to ignore. Cost savings are the number one priority of IT departments in 2010¹



¹Radicati Group Inc.

Compelling value proposition

Conventional 2 x quad-core server: **700 watts**
(8 Gigabit ethernet ports; 8 cores)

Lopoco 4 x quad-core server: **200 watts**
(16 Gigabit ethernet ports; 16 cores)

- 4:1 real estate savings -- data center buildings can be less than half the size
- Every watt saved is one less watt of cooling required: cost savings can approach 90% when real estate and HVAC savings factored in
- Larger densities means better uptime and serviceability: if you have 20 lopoco servers, v. 8 conventional servers, and two servers go down, and you are at 90% capacity rather than 75%.

Compelling value proposition

- Density/realestate opportunity cost. Co-lo customers can see:

Desired http kops/s	Conventional x86	Lopoco	Typical cost savings
500	1 x 40amp rack @ \$800/mo/rack	1 x 15amp rack @ \$500/mo/rack	\$300/mo
1,000	2 x 40amp rack @ \$800/mo/rack	1 x 20 amp rack @ \$600/mo/rack	\$1,000/mo
2,000	4 x 40amp rack @ \$800/mo/rack	1 x 40amp rack @ \$800/mo/rack	\$2,400/mo

- Electricity and HVAC costs per 100 servers, USA (yearly):

		Electricity	HVAC	Totals	Savings
90% avg. load	Conventional X86	\$26,280.00	\$26,280.00	\$52,560	\$42,048
	Lopoco	\$5,256.00	\$5,256.00	\$10,512	
idle	Conventional X86	\$17,520.00	\$17,520.00	\$35,040	\$30,660
	Lopoco	\$2,190.00	\$2,190.00	\$4,380	

Proven Business Model

- This business model has already been successfully prosecuted in the past by the startup Cobalt, which was sold to Sun for \$2B
- Lopoco currently shipping small configuration servers to a market hungry for power efficient servers and software
- No viable competitors
- Established companies will move slowly and most likely acquire technology

Barriers to entry

- Extreme departure from conventional wisdom
- Semi-custom hardware development
- Large amount of software technical expertise required, which is in very short supply industry wide
- Highly experienced understanding of customer needs
- Precise and clear vision is required to make this business successful -- extremely high growth rates along with deep customer understanding required
- Profiting from open source in the enterprise is very difficult-- knowledge of the successful strategy is exceedingly rare
- Complete execution of all aspects of the business plan, especially the Marketing plan, is required to be successful in this space

Barriers for others are not for us

- Founding team comes with the most extensive server software and hardware, as well as server infrastructure experience available, including recruiting and training
- CEO has been an industry expert in servers, LAMP, and customer requirements for over 25 years, and has been thinking this model through for over 10 years
- Start up team of superstars with a great desire to be a part of and succeed in this industry

Competition

- ✦ Can't touch our price points or ability to replace conventional servers.
- ✦ Focusing just on the CPU but failing to deliver the complete low power solution including disk, power supplies, and memory, network.
- ✦ Chasing expensive, time consuming custom silicon, rather than engineering complete solutions with existing, proven technology.
 - Smooth Stone: custom chipsets; custom processors; years away from viable hardware and software combination; no Windows
 - SeaMicro: custom chipsets; custom mainframe hardware; very poor efficiency (throughput per watt)

Marketing and Sales Plan

- Full 3 year marketing plan will include aggressive advertising and promotions programs
- Phase 1: Small direct sales force pushing eval sales to large datacenter target customers: Amazon, Yahoo, Ebay, Facebook, GoDaddy, Twitter
- Phase 1.5: Europe and Asia: establish reseller/assembler partner in Europe - already started
 - Will be a major focus for us from the start - electricity prices are double US prices
- Development of reseller channel, for small sales opportunities and OEMizable product, will be started immediately - targetting to hit at end of first year
- Marketing department: three times the size of Engineering
- OEM and channel sales
 - Will span the range of hardware/motherboard and software suppliers to consumer product developers

Marketing and Sales 3 year targets

- **Conservative** Revenue targets: Y1 - \$10M; Y2 - \$50M; Y3 - \$500M
 - Already engaging customers interested in \$1M purchases
- Direct sales account for 70% of revenue; 5% of customers:
 - Amazon
 - Facebook
 - MSN
 - Ebay
 - Yahoo
 - Apple
 - Twitter
 - Google
 - GoDaddy
- European sales account for 20% of revenue; 50% of customers
- VAR/OEM/channel: 10%/45%

Hardware

Initial Server Line

X86 based models

LP-200 Family - Entry Level

Dual core, hyper threaded, 6 SATA, 2 GigE, 25-30 Watts

LP-300 Family - SMB/Network Appliance/Light Data Center

2-4 cores, 4 SATA, 2 GigE, 17-60 Watts

LP-400 Family - High-End SMB/ Enterprise Data Center

Quad core, 2.26GHz, 4 SATA, 2 GigE, 25-70 Watts

MIPS based models

LP-1200 Family - Enterprise Firewall-Router-Web-Email

4 cores, 4 GigE, 16GiB RAM, 50-60 Watts

LP-1600 Family

8-16 cores, 8-16 GigE, 16-64GiB RAM, 100-200 Watts

LP-400S Family

Storage appliance: 24 1TB 2.5" drives, 4 GigE, 100-125 Watts

Financial Summary

	Year 1	Year 2	Year 3
Billings			
Total Billings	14,767,075	120,828,722	432,443,045
COGS	9,812,133	75,067,641	265,280,738
Gross Margin	4,954,942	45,761,081	167,162,307
	33.6%	37.9%	38.7%
Operating Expenses			
R & D, Sales, Marketing Wages	2,740,699	6,260,345	10,470,194
Sales, Marketing, G & A	3,259,771	9,779,313	16,233,660
Total Operating Expenses	6,000,470	16,039,658	26,703,854
Operating Profit (Loss)			
	(1,045,528)	29,721,423	140,458,453

Team

- ✦ **Andrew Sharp, CEO**

- More than 25 years of industry experience in the server and server software field, including stints at Convergent Technologies, Sun, HP, SGI, Solbourne and HAL.

- ✦ **Peter Theunis, CTO and VP of Software**

- Mr. Theunis has many years of competence and experience both with green, low power computing as well as high end cluster and cloud computing. Yahoo, BitLocker, Continuous Computing.

- ✦ **Sherry Smith, VP of Marketing**

- A veteran of Silicon Valley, Sherry has distinguished herself in marketing and business, including founding and running her own web design and consulting business, Tridig.com, Convergent Technologies

- ✦ **Redacted, VP of Business Operations**

- Redacted brings to the team business smarts, with a healthy combination of experience and education in the business arena.

- ✦ **Redacted, VP of Engineering & Technical Operations**

- Redacted brings more than 20 years of industry experience including two successful startups (RSA and phone.com).

Investment Opportunity

Investment

- ✦ We are looking to close an initial investment round, ideally from a single, highly committed investor or group
- ✦ Offering two options:
 1. Offering initial series A (seed round) of \$1.5 million
 - X86 products shipping in quantity and PoC and beta quantity shipments of MIPS based products
 2. Offering full equity funding, single round or \$7.5 million
 - Full self-sustaining operations