



**Learning Hall**  
INTERACTIVE LEARNING ENVIRONMENT

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**by Learning Hall**  
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## EXECUTIVE SUMMARY

We are a startup company that sells distance learning solutions for diverse markets. “Distance learning” or e-learning, as it is often known, is defined as a method of teaching in which students are not required to be physically present at a specific location during class. Instead, teachers and students communicate by exchanging printed or electronic media, or through technology that allows them to communicate in real time. We are currently building three products to deliver distance learning to our customers:

- *EnlightenLive* and *EnlightenOnline* deliver live and prerecorded distance learning to students and company trainees through a browser-based interface.
- *EnlightenRelay* delivers prerecorded distance learning to students and company trainees on CD-ROM and DVD-ROM disks and other forms of removable media.
- *Corridor* is a distance learning gateway that will allow instructors of all kinds to build and offer their own classes and training.

Our combined suite of products enables businesses to create exceptional distance learning classes. Our current customers include The Cooper Institute, the Oklahoma Department of Environmental Quality, and to a lesser degree Verizon and Texas Instruments. Southern Methodist University was an original beta customer and is a potential customer as we introduce the production versions of *EnlightenLive* and *EnlightenOnline*. Although there are a variety of distance learning products on the market, we differentiate ourselves on the basis of our comprehensive feature set, customer-specific personalization and wide array of consulting services. We seek equity financing of \$3.8 million to fund software development, acquire additional equipment and provide working capital.

## CAPITAL INVESTMENT

We seek two rounds of funding from investors in the amounts of \$300,000 USD and \$3.5 million USD. Initial capital of \$300,000 will enable the company to:

- Allow Mike Towery, the company founder, and development staff to work full time on completing the existing *EnlightenRelay* product
- Acquire the latest versions of Cold Fusion, Flash Communication Server and the Oracle Database Server
- Support beta customers
- Continue negotiations with potential industrial partners and customers

Approximately six months later, we will raise an additional \$3.5 million through private equity, corporate partnerships or federal education grants. The investment of \$3.5 million will enable the company to:

- Hire a seasoned CEO and marketing team
- Begin full-scale product development of *EnlightenLive*, *EnlightenOnline* and *Corridor* and continue to enhance *EnlightenRelay*
- Acquire hardware, software and infrastructure to support the hosted solutions
- Establish sales and support teams
- Identify channel partners to assist in product distribution in specialized markets in the United States and abroad
- Develop corporate partnership efforts with content and knowledge management system providers

## OUR FOUNDER

**Mike Towery, CEO and Vice President of Operations.** Mr. Towery, co-founder of KnightWorks Consulting, has more than 20 years data processing experience in all phases of system development on a

wide range of hardware, operating systems and enterprise-wide databases. His management background includes positions as vice president and director of a bank, IT director of an oil refinery and vice president of an IT consulting firm. Additionally, Mr. Towery has many years of classroom experience as an IT instructor. This background formed the genesis of the idea for Learning Hall.

## **INDUSTRY OVERVIEW**

Computer-based interactive distance learning is a rapidly growing industry. Distance learning is used to deliver interactive education over the Internet, primarily to college-level audiences and in the business sector for staff training and development. Whether the target market is educational institutions, organizations or the growing home audience, interest in distance learning is expected to grow. According to Frost & Sullivan, the K-12 and higher education market was estimated to be a \$16.86 billion opportunity for telecommunications services in 2003.<sup>1</sup> Developing technologies and applications in the education market include:

- distance learning and collaboration using video to stream live and prerecorded classes over the Web;
- using robust content tools to produce highly interactive classes that confirm to industry standards;
- employing student tracking and reporting to validate and measure student performance;
- creating distinctive marketing proposals using the same technology to impress potential clients; and
- identifying opportunities to apply the technology in specialized situations.

## **MARKET ANALYSIS**

According to figures from the American Society for Training and Development (ASTD)<sup>2</sup>:

- The average U.S. company spends between two and 10 percent of their total payroll on training.
- Total training expenditures average \$704 per employee annually.
- Companies making a “dedicated commitment” to training spent \$1,574 per employee.
- The distance learning market is expected to reach \$6.6 billion in 2005 and \$23.7 billion in 2006.
- Nearly 3/4 of public school districts in the United States plan to expand distance learning programs, further enlarging the market for our products and services.
- The training industry overall is estimated to amount to \$60 billion worldwide in 2005.<sup>3</sup>

## **MARKET STRATEGY**

We intend to leverage our distance learning products by highlighting the fact that our software was developed for the specific purpose of distance learning. We further intend to focus our clients on the fact that our products are currently used in academia and industry. We will quickly capitalize on the rapidly growing distance learning and business proposal generation markets by providing intuitive, enterprise-compatible software backed by personalized service and wide range of consulting services. Our products are distinguished by the following features:

- Our distance learning interfaces deliver audio to students and trainees without the need for additional

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<sup>1</sup> Frost & Sullivan is a respected provider of market consulting information and intelligence on emerging high-technology and industrial markets. Please refer to <http://www.frost.com>. Statistics drawn from Frost & Sullivan’s *U.S. Education Vertical Communications Market*, published May 30, 2003.

<sup>2</sup> American Society for Training & Development (ASTD) is the world’s largest association dedicated to workplace learning and performance professionals. ASTD’s 70,000 members and associates come from more than 100 countries and thousands of organizations. Please refer to <http://www.astd.org>. Statistics drawn from ASTD’s *2002 State of the Industry Report*, which surveyed 367 American companies.

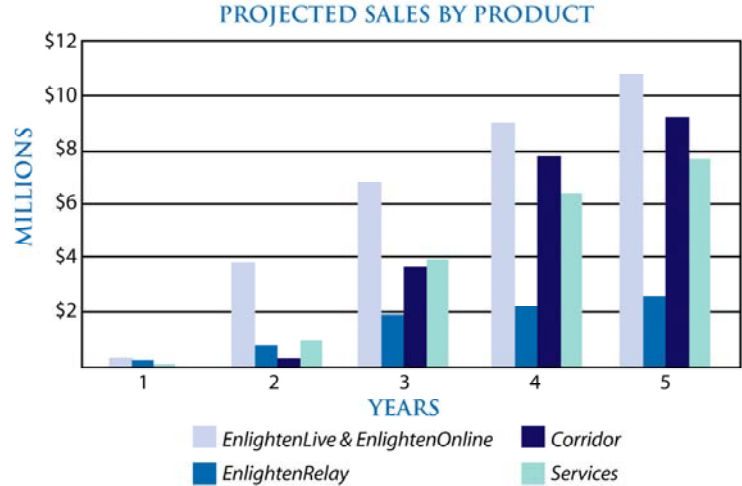
<sup>3</sup> IDC is a global market intelligence and advisory firm in the information technology and telecommunications industries. Please refer to <http://www.idc.com>. Statistics drawn from *Worldwide and U.S. Corporate eLearning 2004-2008 Forecast: Behind the Scenes with eLearning, a Business Enabler*, published November 2004.

telephone-based audio conferencing contracts and long-distance telephone charges.

- Our products provide enterprise-level compatibility with existing customer databases and student management systems.
- In addition to standard PowerPoint presentations, our products can deliver Flash animation and interactive forms and tests.

### FINANCIAL GOALS

We are currently forecasting sales of \$490,000 and a net loss of \$356,520 in year one. Year two expectations are sales of \$5,769,000 and net less loss of \$251,707. For year three we are projecting sales of \$16,086,660 and net income before tax of \$1,483,556. For year four we are projecting sales of \$25,016,016 and net income before tax of \$2,607,720. For year five we are projecting sales of \$30,019,212 and net income before tax of \$4,337,913. During the first five years, we expect to realize total sales of \$77,380,888 and generate \$7,820,962 in net income.



## COMPANY SUMMARY

### MISSION

We are dedicated to transforming traditional classroom and training by developing exceptional distance learning solutions that employ rich media to deliver an immersive learning experience for diverse education and private sector markets.

### COMPANY OWNERSHIP

We are a privately owned S Corporation headquartered in Plano, Texas. We are a Texas corporation and were incorporated on July 9, 2004. We are currently owned by Monica Towery, Mike Towery, and David Washburn and were funded by the Towery's other company, KnightWorks Consulting. KnightWorks Consulting was founded in 2000 and generated revenues of more than \$1 million in both 2003 and 2004. KnightWorks Consulting developed our *EnlightenLive* and *EnlightenOnline* products for distance learning and the intellectual property will be transferred to Learning Hall.

### COMPANY LOCATIONS AND FACILITIES

We currently conduct operations from a private home in Plano, Texas. The funding needs outlined in this plan will allow us to lease office space in the Plano area.

### CURRENT CUSTOMERS

Our current customers include The Cooper Institute, the Oklahoma Department of Environmental Quality, and to a lesser degree Verizon and Texas Instruments. Southern Methodist University was an original beta customer and is a potential customer as we introduce the production versions of *EnlightenLive* and *EnlightenOnline*. We provide the following services to these customers:

- **The Cooper Institute.** We create prerecorded fitness training using *EnlightenOnline*, create personalized, take-away training DVDs using *EnlightenRelay* and provide extensive consulting services for this renowned fitness and wellness institution.
- **Verizon.** We provide training development and consulting services to this global telecommunications company.
- **Texas Instruments.** We provide a variety of consulting services to this global technology company.
- **Oklahoma Department of Environmental Quality.** We provide live educational instruction and consulting services for this state agency.

### CURRENT SITUATION

We seek equity financing of \$3.5 million to facilitate software upgrades and development, acquire equipment, enable marketing, satisfy legal and accounting costs and provide working capital. The current version of our *Enlighten* distance learning product is divided into three applications: *EnlightenLive for live training*, *EnlightenOnline* for prerecorded training and *EnlightenRelay* for prerecorded classes on CD-

ROM and DVD-ROM disks and other forms of removable media. *EnlightenOnline* was tested at Southern Methodist University (SMU), where Mr. Towery was an Oracle instructor and the prerecorded version is being used at The Cooper Institute for their nutrition and physical fitness classes. A beta version of *EnlightenRelay* also is currently in use at The Cooper Institute. The enhanced version of *EnlightenRelay* can be out of beta test and in production within three months. The production versions of *EnlightenLive* and *EnlightenOnline* will be ready in nine months. *Corridor*, as a portal, will follow within three months of the release date for *EnlightenLive* and *EnlightenOnline*.

## INDUSTRY OVERVIEW

### HISTORICAL BACKGROUND

Many historians agree the first educational television program was “Sunrise Semester”, based in Chicago.<sup>4</sup> From 1959 to the early 1960s, “Sunrise Semester” featured a teacher in front of a class with a camera shooting over the heads of students. In 1970, California funded a two-year task force to design the “telecourse”, defined as a complete course of study in a given subject, not adjunct curricula like a single movie, filmstrip, slide show, audiotape or vinyl record. Students were to be separated from the teacher, who taught in front of a camera, and provisions were to be made for answering student questions, giving and grading tests and reporting student progress to the school. By 1976, backed by grants from Kellogg and other corporations, Coastline Community College (Coastline), was serving 18,500 students within a 150 square mile area of southern California. Having no physical campus, Coastline was the first “virtual college.” About the same time Coastline entered the telecourse business, so did Dallas Community College (DCC). The key difference was that DCC produced prepackaged telecourses on videotape for export to other colleges. Observing the success of DCC in getting telecourses to pay their way, Coastline began producing and licensing pre-packaged telecourses for use by other colleges, their customers. The California model spread across the country, repeated during the 1980s by colleges in Arizona, Colorado, Oklahoma and Florida. Each college added a variation on the theme as the demand for college telecourses grew year by year.

Observing this trend, the Public Broadcasting Service (PBS) began producing full telecourses, but in the late 1980s, dismayed by budget shortfalls, PBS settled on being a provider by satellite of adjunct educational content, single programs and series like “Bill Nye: The Science Guy”, which local PBS stations can buy outright or license to air at specified times for use by local schools and colleges. The Discovery Channel launched The Learning Channel, and Ted Turner, creator of superstation TBS and the Cable News Network (CNN), launched a K-12 school service in the United States under the CNN umbrella called Cable in the Classroom (CIC), a coalition of cable companies that provides content teachers can record and replay, royalty free, to educate students from kindergarten through high school. CIC reaches more than 90 percent of the public primary and secondary schools in the United States.

In the early 1990s, the explosive growth of the Internet, in fact, changed the essential character of delivering educational content to remote students. The terms “distance learning” and “telematics” were coined to describe the process, which no longer relies on television. The Internet is becoming the medium of choice for educators because it provides all the elements vital for distance learning:

- On-demand delivery of video, audio, text and graphics

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<sup>4</sup> Much of this section was distilled from *A History of Distance Learning: The Rise of the Telecourse*, by Ken Freed. Please refer to <http://media-visions.com/ed-distlm1.html>. Referenced October 15, 2005.



- Immediate online access to vast libraries of research materials
- Real-time or near-real-time interaction between instructors and students

Educators generally prefer the computer over television because the interactive nature of computers is more dynamic and conducive to learning. Usage of the Internet is predicted to accelerate as schools, businesses and homes adopt broadband Internet connections, which allow for rapid delivery of multimedia.

## EMERGING TRENDS

Next generation digital cable, satellite and wireless interactive television networks will carry video, text, graphics and voice communication even faster. Demonstrating the possibilities are state-of-the-art facilities constructed for teaching the teachers about distance learning. A leading example in Europe is the facility constructed by University College Dublin (UCD) under their Blueprint for Interactive Classrooms.<sup>5</sup> UCD built an interactive classroom for teaching distance learners through the Internet, videoconferencing and interactive television. Computer-based interactive distance learning also is being used in the business sector for staff training and development.<sup>6</sup> Whether the target market is educational institutions, organizations or the growing home audience committed to lifelong learning, interest in distance learning will continue to grow. Numerous media and technology innovations, coupled with public response to these innovations, are advancing distance learning from being a tiny niche educational activity into being the overarching design model now guiding worldwide education agendas. Today, more than 300 consortiums of public and private educational and creative enterprises in the U.S. are producing some type of distance learning, licensed by more than 1,000 colleges and universities using the material as a regular part of their degree programs. A parallel video production and distribution industry has sprung up serving the staff training and development needs of corporations and businesses worldwide.

## MARKET ANALYSIS

Two-way interactive video is one of the most popular means of delivery for distance learning courses. This is exactly the type of communication possible with *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor*. Self-paced, Internet-based courses using some form of computer-based instruction are also in high demand (47 percent). Other forms of delivery currently in use in schools include synchronous computer-based instruction models, where students must logged on at certain times to participate (21 percent), and the use of one-way prerecorded video (16 percent). Motorola calculated that every \$1 it spends on training translates to \$30 in productivity gains within three years. In addition, studies have shown that distance learners can better understand the material, leading to a 60 percent faster learning curve as compared to instructor-led training. Whereas the average content retention rate for an instructor-led class is only 58 percent, the more intensive distance learning experience enhances the retention rate by 25-60 percent. Higher retention of the material puts a higher value on every dollar spent on training. In addition, the students do not have to travel or leave work to take classes which by itself saves up to 50 percent of the costs of traditional training. The application can pay for itself in most environments in less than 1 year.

Virtual classrooms are expected to significantly grow due to their ease of use and increase in awareness about the benefits of learning management systems (LMS) and learning content management systems (LCMS). With this competitive advantage over conventional training institutions, distance learning

<sup>5</sup> Please refer to <http://avc.ucd.ie/> Referenced October 15, 2005.

<sup>6</sup> Ken Freed. <http://media-visions.com/ed-distlm1.html>. Referenced October 15, 2005.

systems are creating more demand for content providers. Attractive offerings such as simulation-based, game-based and mobile learning are also expected to drive the future distance learning demand. While traditional teaching methods are still favored in education, where personal interaction is of primary importance and is considered to provide value for money, the hottest technologies and applications in the education market include collaborative learning and distance learning, Internet-based learning supported by streaming media, video and education content and Internet audio/video conferencing. In corporate sectors such as banking, finance and insurance, distance learning is gradually upstaging conventional training methods, due to realization of the immense benefits in terms of cost savings and productivity.

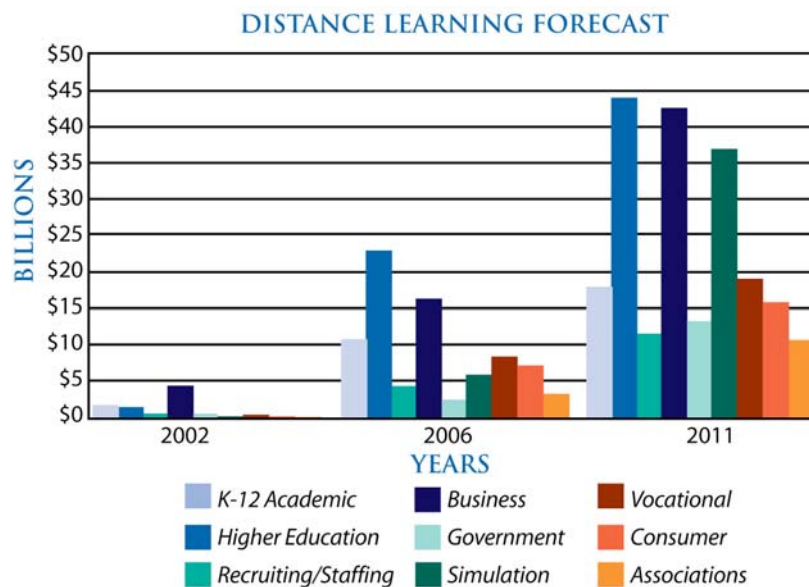
Premises-based distance learning systems and their content are quite high priced with LMS/LCMS and their implementation making up the bulk of the expenditure. Huge capital investments in distance learning content development and system installation often deter enterprises with limited corporate budgets in a slowly recovering economy. This factor indirectly increases the popularity of cost-effective hosted distance learning. Hosted distance learning provides impressive cost savings due to the economies of scale achieved by hosted vendors. In addition, buyers only need to pay for what they buy. Thus, hosted solutions are fast turning into an appealing option to buyers as they can recognize their return on investment.

## MARKET SIZE AND TRENDS

Computer-based interactive distance learning is a rapidly growing industry. According to research firm IDC, the training industry overall is estimated to hit \$60 billion worldwide this year, with \$6.6 billion coming from distance learning. The distance learning market is expected to reach \$23.7 billion by 2006.<sup>7</sup>

### MARKET SIZE

A breakdown of the market segmentation is represented in the chart below:



<sup>7</sup> Entrepreneur Magazine, <http://www.entrepreneur.com/article/0,4621,311833,00.html>. Referenced August 10, 2005.

Distance learning is used to deliver interactive education over the Internet, primarily to college-level audiences and in the business sector for staff training and development. Whether the target market is educational institutions, organizations or the growing home audience, interest in distance learning is expected to grow. According to Frost & Sullivan, the K-12 and higher education market was estimated to be a \$16.86 billion opportunity for telecommunications services in 2003.<sup>8</sup> Developing technologies and applications in the education market include, but are not limited to:

- distance learning and collaboration using video to stream live and prerecorded classes over the web;
- using robust content tools to produce highly interactive classes that confirm to industry standards;
- employing student tracking and reporting to validate and measure student performance;
- identifying opportunities to apply the technology in specialized situations.

According to figures from the American Society for Training and Development (ASTD)<sup>9</sup>:

- The average U.S. company spends between two and 10 percent of their total payroll on training.
- Total training expenditures average \$704 per employee annually.
- Companies making a “dedicated commitment” to training spent \$1,574 per employee.
- Nearly 3/4 of public school districts in the United States plan to expand distance learning programs, further enlarging the market for our products and services.
- The training industry overall is estimated to amount to \$60 billion worldwide in 2005.<sup>10</sup>

## MARKET TRENDS

Distance learning is becoming part of knowledge management. Building upon the concept of uniting informal and formal learning materials within a distance learning infrastructure, distance learning is moving out of its traditional silo and is becoming part of a larger approach to knowledge management. The value of linking a portal to an LMS comes from creating a single location for corporate information, learning and collaboration. In spite of these benefits, research firm IDC states that less than 10 percent of corporations deploying an LMS integrate the software with a corporate portal. IDC expects this percentage to rise during the next few years. The outsourcing of all or portions of important business processes, including distance learning, continues. The same report predicts distance learning vendors will be forced to address this trend in their overall strategy — particularly in terms of partnerships. Outsourced distance learning services will not be offered solely by distance learning vendors, but increasingly as part of larger human resources contracts. Distance learning providers who can successfully partner to offer outsourcing options will expand market reach. Those that fail to address the demand for outsourced distance learning services will find it increasingly difficult to compete. Rapid distance learning is the fastest-growing segment of the distance learning market. Demand for Web-based training programs that can be created in a few weeks and that are authored largely by subject-matter experts grew 80 percent during 2004 and are expected to continue to grow at an annual compound rate of 40 to 50 percent during the 2005 and 2006. Today, it accounts for more than one-third of all current training-related projects and is expected to be employed for nearly half of all distance initiatives during the next three years. Externally hosted LMS customers are significantly more satisfied than those that run LMSs internally. Likely, this is because outsourced LMS systems reduce cost, complexity and resource requirements and are much more likely to

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<sup>8</sup> Frost & Sullivan. Statistics drawn from Frost & Sullivan’s *U.S. Education Vertical Communications Market*. Published May 30, 2003.

<sup>9</sup> Please refer to <http://www.astd.org>. Statistics drawn from ASTD’s *2002 State of the Industry Report*.

<sup>10</sup> IDC. Please refer to <http://www.idc.com>. Statistics drawn from *Worldwide and U.S. Corporate eLearning 2004-2008 Forecast: Behind the Scenes with eLearning, a Business Enabler*.

be completed on schedule and within predicted budgets. High-quality content is the most-important factor used to determine the success of distance learning efforts. According to research firm Gartner, Inc.: The content market will prove more lively because quality is vital and new content and new media for delivering content are expected to be crucial to innovation.<sup>11</sup>

## UNMET MARKET NEEDS

The distance learning market, by even the most conservative estimates, is a multibillion dollar market. There are a number of distinct and lucrative markets segments for our products and services. The \$6 billion-dollar government compliance market<sup>12</sup> — specifically the market for providing distance learning solutions for Health Insurance Portability and Accountability Act (HIPAA) — will be our primary market focus for *EnlightenLive* and *EnlightenOnline*. The second market focus for our company will be working with colleges and universities to create distance learning programs at campuses throughout the United States using *EnlightenLive* and *EnlightenOnline*. The third market focus will be using *EnlightenLive* and *EnlightenOnline* to provide specialized training for network marketing companies. The global direct selling market, which includes sales through network marketing and direct mail, reached \$78 billion US through the activities of more than 43 million independent salespersons in 2001,<sup>13</sup> and the U.S. sports nutrition and weight-loss segment generated sales of more than \$14 billion in the United States in 2003.<sup>14</sup> In year two we will expand our focus to address a fourth unmet market need: *Corridor* will be quickly positioned as a gateway to providing distance learning opportunities for innumerable home school educators, artisans and craftspersons and consultants of all kinds. Our fifth market focus will be selling *EnlightenRelay* to deliver prerecorded distance learning to students and company trainees on CD-ROM and DVD-ROM disks and other forms of removable media. Companies are seeking distance learning providers vendors that can provide expertise in the form of ancillary services to guide them through implementing and using products. That represents a shift from a few years ago, when vendors and customers were focused primarily on technology and tools.<sup>15</sup>

We will quickly capitalize on the growing distance learning market by providing enterprise-compatible distance learning software backed by personalized service that such industry competitors as Microsoft and Macromedia are unable or unwilling to deliver. Whereas Microsoft, Macromedia and our other competitors provide software solutions with varying features, none work with customers to provide integrated customized interfaces that readily identify the product as an offering from the customer. We will customize our interfaces for our customers with customer logos, color schemes and verbiage — whatever the customer feels is necessary to adequately personalize their interface. The singular nature of providing top-quality software with personalized service and support and competitive hosting create numerous opportunities for growth for our company within the distance learning and proposal generation markets.

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<sup>11</sup> *Training Magazine*, “The E-learning Market: Key Trends and Predictions”

[http://www.trainingmag.com/training/search/article\\_display.jsp?vnu\\_content\\_id=1001177884](http://www.trainingmag.com/training/search/article_display.jsp?vnu_content_id=1001177884). Referenced October 15, 2005

<sup>12</sup> As reported January 20, 2005, in *Personal Computer World* magazine.

<sup>13</sup> Please refer to [http://www.wfdsa.org/consumers\\_direct/direct\\_sub1.asp](http://www.wfdsa.org/consumers_direct/direct_sub1.asp). Referenced October 15, 2005.

<sup>14</sup> Please refer to <http://store.yahoo.com/nbj/nbspornutwei3.html>. Referenced October 15, 2005.

<sup>15</sup> *Training Magazine*, “The State of the E-learning Market”

[http://www.trainingmag.com/training/search/article\\_display.jsp?vnu\\_content\\_id=1001177885](http://www.trainingmag.com/training/search/article_display.jsp?vnu_content_id=1001177885). Referenced October 15, 2005

## COMPETITION

### COMPETITIVE SITUATION

The U.S. distance learning market is becoming highly competitive, and recently major IT competitors have entered the market. However, many product offerings are stand-alone products that are either not readily scalable or not easily integrated into existing enterprise systems, including external databases and student management systems. Distance learning products offered by major IT industry competitors, while often high in terms of quality, are not customized for customers prior to delivery, so the products must be used as is, without customer-specific modifications. The majority of distance learning software installations are fragmented and shared among hundreds of smaller vendors. Listed below are the companies we believe will be our chief competitors. By offering first-rate products, customizing them to specific customer requirements and backing them with personalized customer service; we can capture a respectable portion of the market.

### PRIMARY COMPETITORS

#### **Microsoft**

Microsoft acquired the Internet conferencing firm PlaceWare in February 2003 for approximately \$200 million, and now sells the Microsoft-branded Live Meeting Internet conferencing software and PowerPoint presentation software. On January 27, 2005, Microsoft announced record revenue of \$10.82 billion for the quarter ended December 31, 2004, a 7 percent increase over the results in the same period of the prior year. Operating income for the second quarter was \$4.75 billion, an increase of \$3.27 billion over the same period in the prior year. The results of the second quarter of the prior year included \$2.21 billion in compensation expense incurred in connection with the Employee Stock Option Transfer Program. Net income for the second quarter was \$3.46 billion.

#### **Macromedia**

Macromedia, Inc. manufactures software business users, developers, and designers to create and deliver content for the Internet, removable media, wireless and digital devices. Macromedia manufactures Breeze software for delivering online conferencing and distance learning. On January 19, 2005, Macromedia reported financial results for its fiscal third quarter ended December 31, 2004. Net revenues for the quarter were \$108.6 million, a 15 percent increase compared to the \$94.8 million reported for the same period last year. Net income for the quarter ended December 31, 2004 was \$15.3 million, or \$0.20 per diluted share, compared to \$10.3 million, or \$0.15 per diluted share, for the same quarter a year ago. Pro forma net income for the quarter ended December 31, 2004 was \$16.0 million, or \$0.21 per diluted share, compared to \$12.9 million, or \$0.18 per diluted share, for the same quarter a year ago. Current customers include: United Way, City of Austin, NATO, Siemens, Pfizer, National Institute of Health, Howard University and Ohio University, among others. On April 18, 2005, Adobe Systems, Inc., announced it would purchase Macromedia for about \$3.4 billion in stock.

#### **Blackboard**

Blackboard, Inc. is a publicly traded company with a market cap of \$621 million and revenues of \$124 million and 16 percent profit margin in 2004. They are headquartered out of Washington, D.C., and claim to have some 2,225 customers. Blackboard provides enterprise software applications and related services to the education industry. It offers a suite of products, including Blackboard Learning System, Blackboard Community System, and Blackboard Content System. Blackboard Learning System enables education

providers to support distance teaching and learning environment that also can be used to augment a classroom-based program. The Blackboard Community System includes functionality for student organizations, faculty and staff; departmental collaboration; information distribution; and single sign-on access to existing administrative systems. The company's Blackboard Content System provides enterprise content management capabilities, as well as supports teaching, learning, research, archival, extracurricular and departmental activities that require the central management, tagging, sharing and reuse of electronic files. The Blackboard Commerce Suite can be used to provide on- and off-campus commerce, online ecommerce, meal plan administration, vending, laundry services, copy and print management and student and staff identification. The Blackboard Transaction System, an enterprise software application, enables clients to establish an integrated student debit account program for charging such incidental expenses as meals and academic materials. Blackboard One enables students and faculty to use their university identification cards as a form of payment off-campus. Additionally, the company offers such professional services as project management, installation and configuration, integration of its applications with existing campus systems, user interface customization, course and content migration and Blackboard Building Blocks application development. Blackboard offers its products primarily through direct sales force and resellers to colleges, universities, schools, and other education providers, as well as to textbook publishers and student-focused merchants in the United States, Europe and Asia. In October 2005, Blackboard announced plans to merge with WebCT at a cost of \$180 million. The merger is expected to be completed by early 2006, and will give Blackboard a total of approximately 3,700 customers, making them the largest single competitor.

#### **e-College.com**

e-College.com is a publicly traded company with a market cap of \$261M, annual revenues of \$93M and a profit margin of 21 percent. The company was founded by Robert N. Helmick in 1996 and was formerly known as Real Education, Inc. and Real Information Systems, Inc. eCollege.com is headquartered in Chicago and focuses on the education market, providing information services to the post-secondary education industry — primarily in the United States and Canada. The company operates two primary divisions: distance learning and enrollment. The distance learning division operates as an application service provider providing access to its software products, consisting of online campuses, courses, reporting, content management and administration solutions. e-College.com also provides services complementing its software, including design, development and management of online campuses and courses, as well as ongoing administration, faculty and student support. The enrollment division provides outsourced integrated enrollment marketing services to the proprietary post-secondary market.

#### **IBM**

IBM is a publicly traded company headquartered in Armonk, New York, with a market cap of \$133B, revenues of \$96B and a 10 percent profit margin during 2004. Their distance learning products include IBM Lotus Workplace Collaborative Learning, IBM Lotus Learning Management System, IBM Lotus Virtual Classroom and IBM Lotus LearningSpace. IBM specializes in combining sound instructional design theory with IBM technology and digital media to create learning solutions for both IBM and its clients. The company has a worldwide distance learning presence and helps a wide variety of clients with distance learning solutions that include Web-based training, gaming, simulation, collaboration, performance support and instructor-led training, and is based on J2EE technology.

#### **Saba**

Saba is a publicly traded company headquartered in Redwood Shores, California, that recently acquired another distance learning company: ThinQ. Their total revenues were \$42.2 million in 2005, representing a 22 percent increase compared to \$34.5 million in the prior fiscal year. Saba provides human capital development and management solutions. Its solutions include enterprise learning software and enterprise

performance software. Enterprise learning software provides solutions for sales and channel readiness, channel certification, customer education, regulatory compliance and corporate universities. They recently acquired Centra which reported approximately \$30 million in revenue.

## **BARRIERS TO COMPETITION**

Our company's distance learning solutions were developed during the past two and half years and required thousands of hours of development time and infrastructure setup. We have beta tested both live and prerecorded learning using *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* with such discerning customers as Southern Methodist University and The Cooper Institute. Our company provides a unique perspective, because our team has spent many years in the IT, communications and education industries. To develop a distance learning solution requires a critical combination of understanding of Web-based communication, software development methodologies, consulting services, streaming media, knowledge management, database information systems, video production, networking, hosting and educational theory that is not easily assembled. We will provide the best distance learning solutions because we have combined our knowledge and technology to create a proven product that already has been beta tested.

There are a number features that make us highly competitive. Unlike most of our competitors, we have chosen technology that ensures *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* do not require additional audio conferencing hardware and contracts to provide interactive communication. Our products also can be integrated with existing databases, servers and student management systems because we have chosen a robust database system supported by the latest technology, including XHTML and Web services. Many competing companies place PowerPoint slides on the Web and call it distance learning. However, few competitors have the expertise to show graphic animation of numerous concrete and abstract concepts, procedures, simulations and walkthroughs. For example, imagine an online employee orientation where learners can interact with office floorplans to find their way around the company; or envision a class where students can view mathematical equations and see them graphed onscreen.

We also have successfully integrated a robust knowledge management and collaboration system with our distance learning products. Because our company grew out of a hosting and consulting company, we have the exact expertise necessary to support and assist our clients with product implementation. This expertise enables our company to move faster than many other distance learning providers. Major IT providers of distance learning often modify software at a slow pace. At our company, experienced developers can make necessary software modifications to enable new features as soon as a need is discovered. Our databases, servers and hosting servers are administered and modified primarily by our staff, so database and server administration, expansion and other modifications can immediately be made. In house graphic design and communications expertise insures that as new products and features are incorporated into our products, high quality sales, technical and training materials can be created without delay and quickly disseminated to media.

## **MARKET STRATEGY**

### **PRODUCTS AND SERVICES**

We expect to sell a tightly integrated suite of products and services. *EnlightenLive* and *EnlightenOnline* deliver live and prerecorded distance learning to students and company trainees through a browser-based

interface. *EnlightenRelay* delivers prerecorded distance learning to students and company trainees on CD-ROM and DVD-ROM disks and other forms of removable media. *Corridor* is a distance learning gateway that will allow instructors of all kinds to build and offer their own classes and training. Our current customers include The Cooper Institute, the Oklahoma Department of Environmental Quality, and to a lesser degree Verizon and Texas Instruments. Southern Methodist University was an original beta customer and is a potential customer as we introduce the production versions of *EnlightenLive* and *EnlightenOnline*. *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* are software-driven, Internet-facilitated, interactive education interfaces capable of delivering high-quality content and rich media to students and corporate trainees anywhere in the world. Unlike most competing products, *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* do not require additional telephone conferencing lines to support interactive audio communication, and they can be linked to existing enterprise systems, databases and student management systems. The initial versions of *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* are complete, and enhanced versions of *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* can be ready for the market within six months. We will concentrate our initial development efforts on *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay*. We have a firm commitment in January 2006 to deliver two prerecorded classes to The Cooper Institute under a 20 percent revenue share arrangement using *EnlightenOnline*. Additionally, we have secured beta customers for *EnlightenRelay*, including The Cooper Institute, Andrews Kurth and potentially Land Rover and AirSure. *EnlightenRelay* has a much shorter development and sales cycle than *EnlightenLive* and *EnlightenOnline*, so we will concentrate our efforts on finishing this product and meeting our *EnlightenLive* and *EnlightenOnline* commitments to The Cooper Institute. We expect the impressive features of *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* to ensure a respected position in the distance-learning marketplace:

### **Learning and Collaboration**

- Real-time video and audio can stream live and prerecorded classes over the Internet.
- Real-time chat. Students, teaching assistants and instructors can chat in real time with text, voice and video.
- Virtual meeting capabilities. Students can break out in workgroups, and instructors can conduct office hours. Meeting schedule and assignments integrate with Microsoft Outlook.
- E-mail posting. This feature allows you to automatically e-mail messages to mailing list members and allows forum members to automatically receive e-mails sent to mailing list members as forum messages.
- Online readers utilizing mobile phones and other handheld technologies also will be supported.
- Knowledge management functionality allows the mining of important content.
- Built-in blogger will provide in-classroom blogging support.
- Offline reader capabilities allow students, at the end of class, to download to their local computer all class discussion. Students also can work offline.

### **Easily Integrated with Student Management Systems**

- Advanced, highly scalable technology enables two-way interactive video communication.
- Supports student tracking and reporting.
- Upload area for course assignments. Instructors can retrieve assignments from student folders, grade assignments and return graded assignments to student folders.
- Online worksheets, with the ability for instructors to add comments and grades.
- Administer grades. Students are able to view their own grades but not grades for others.
- Multiple-choice exams, computer-assessed quizzes that add grades to the current student management system.
- Certification and required training tracking including upcoming requirements along with historical



reporting.

- Optional online registration. *EnlightenLive*, *EnlightenOnline* and *Corridor* can support registration for classes with credit card processing and e-commerce sales of related products.
- *EnlightenLive*, *EnlightenOnline* and *Corridor* currently can manage as many as 2,500 concurrent users and are expandable to client specifications and requirements.
- Customizable user interface and navigation. *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* can be customized to resemble company websites and marketing plans, using existing logos, verbiage and colors. For example, companies will be able to sell their products during classes. Other distance learning systems are external to the client and do not integrate with client business plans.
- Built-in calendar, integrated with Microsoft Outlook, can be used to post important events for students.
- Built-in video and sound player integration. More than 98 percent of Internet users have the Flash plugin, and those who don't can quickly and easily download this free plugin.
- Small application file size and streaming for fast loading Internet-based training.
- Full animation, sequencing and programming control create engaging interactions.
- Robust collaboration tools include video, chat and forums for all users, with available breakout sessions for individual students and instructors.

### **Robust Content Tools**

- Build Sharable Content Object Reference Model (SCORM) compliant courses according to industry standards.
- Ability to use and manage recorded live video as the basis for course content for future classes.
- Managed instructor content such as reading lists, frequently asked questions and reference material.
- A “workbench” that enables instructors who are subject-matter experts to quickly create courses and upload a variety of formats such as Microsoft Word, Adobe Reader PDF, PowerPoint and HTML.
- Integration with document management systems to enable customers to centralize management, storage, retrieval, approval processes and distribution of distance learning content.

*EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* will be offered as hosted solutions. Analysts from Gartner, Inc. have recently projected that hosted learning solutions will outpace market growth of behind-the-firewall learning solutions through 2006. Given that market trends show increasing acceptance and adoption for ASP-hosted learning solutions, practitioners can make several general observations about the drivers behind this trend:

- Greater market acceptance of technology outsourcing in general, coupled with the lack of in-house IT resources to support enterprise learning solutions, make ASP learning solutions more attractive to organizations.
- Hosted solutions are increasingly more attractive to businesses that require a full range of services and that must rely on a provider with a single point of accountability to adequately support their learning solution platform.
- An increasing demand for rapid deployment of learning platforms and accompanying integrations has driven the acceptance of hosted solutions.
- Pressures on companies are driving reductions in the total cost of IT ownership — applying new technologies and avoiding large, upfront capital investments.<sup>16</sup>

*Relay* will provide a means to encode classes on CDs, DVDs and other removable media. Customers will

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<sup>16</sup> *Best Practices of Hosted Learning Solutions*, Thomas Laubenthal,  
<http://www.learningcircuits.org/2005/sep2005/laubenthal.htm>, Referenced August 10, 2005.

not only be able to train employees and sales staff on company products and services, they also will be able to train customers. *EnlightenRelay* is not a full-featured distance-learning product, but instead emphasizes knowledge transfer. *EnlightenRelay* will be used by our company as an internal sales and marketing tool to educate customers on the benefits of distance learning to their organization, as well as share highly targeted information about our company to potential customers. *EnlightenRelay* features include:

- Drag and drop simplicity of numerous components.
- Incorporation of broadcast-quality video commercials and presentations.
- Simple inclusion of Flash and other types of animation.
- Embedded PowerPoint presentations and documents in a variety of formats.
- Linking to external websites and websites on the same CD-ROM, DVD-ROM or removable media.

### **Professional Consulting Services**

We will provide diverse professional services to support the implementation, customization and maintenance of our applications. We also will offer complementary services and products that provide additional value for course design and development, customized web portals and interfaces, as well as assistance with network security, knowledge transfer and decision support. This essential menu of services we will provide to our customers, distributors and alliance partners includes:

- Distance learning solution enterprise requirements assessments
- Solution design architecture and specifications
- Project planning and management
- Educational interface and website design, development and hosting
- Installation and configuration
- Integration of our applications with existing systems
- Course and content migration
- Product training
- Educational interface design
- Corporate identity design
- Development of training and sales materials
- Print and electronic media advertising
- Marketing and advertisement expertise
- Video training, filming and production of customer classes
- Project management
- Complementary educational services offerings
- Custom application development
- Coursework design and training
- Development of training and sales materials
- Collaboration customization
- Virtual team customization
- Complementary business services and consulting
- Business strategy and planning assessment
- Knowledge sharing and transfer
- Best practices
- Project management
- Application design and development
- Application integration
- Data integration
- Business process management

- Change management
- Ongoing operational support
- Video Streaming over the web

## POSITIONING

We initially will sell our products to two distinct and lucrative market segments: the \$6 billion-dollar government compliance market<sup>17</sup> — specifically the market for providing distance learning solutions for Health Insurance Portability and Accountability Act (HIPAA). Our second market focus will be working with colleges and universities to create distance learning programs at campuses throughout the United States. A third market focus will be the more than 35,000 professional service organizations that provide highly specialized education and training to their members and clients. These markets will be served by *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay*. We will focus our sales efforts on customers that use distance learning primarily for income generation. In this way there will be more immediate returns on their investments. In year two we will expand our focus to address a fourth unmet market need: *Corridor* will be positioned as a distance learning gateway, providing distance learning opportunities for innumerable home school educators, artisans and craftspersons, multilevel marketing strategists and consultants of all types.

We will capitalize on the rapidly growing distance learning market by providing enterprise-compatible distance learning software backed by personalized service and customer assistance. Our products help customers achieve business results by addressing specific business issues and delivering targeted, relevant information simultaneously to a large population of users. Businesses use our products to increase employee productivity, improve the effectiveness of sales channels and enhance customer knowledge and satisfaction. Whereas Microsoft, Macromedia and other competitors provide software solutions with varying features, none work with customers as efficiently as our products to provide customized interfaces that present an integral offering from the customer. We will customize interfaces for our customers with customer logos, color schemes and verbiage — everything customers feel is necessary to personalize their interfaces. The singular nature of providing top-quality software with personalized service and support and competitive hosting create numerous growth opportunities for us within the distance learning market. We believe *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* can serve the following market opportunities:

- Providers of HIPAA and Sarbanes Oxley compliance training can use *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to expand their scope of operations and train compliance officers and personnel in cities around the United States.
- Numerous colleges and universities can use *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to create distance learning curricula to capture students in other cities and other countries.
- Schools and companies that offer language training can use *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to educate students around the world, or offer training in unique or high demand languages, such as Arabic, without having to relocate instructors.
- Software and hardware companies that need to deliver online training to support their products can use *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to replace onsite training.
- Specialty schools that offer music instruction, chef training, cosmetology, etc. can use *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to deliver instruction to larger audiences.
- Numerous companies can use *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to provide orientation training for employees.

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<sup>17</sup> As reported January 20, 2005, in *Personal Computer World* magazine.

- Companies can use *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to deliver highly specialized training to staff working with specific equipment or technologies.
- The apartment industry can use *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to provide Fair Housing and OSHA training to employees in cities around the United States.
- *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* can provide training for military and law enforcement. We are currently developing such classes for The Cooper Institute.
- *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* can be used to create training for Work to Welfare program enrollees that would be state and federally subsidized.
- *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* can supply sales training, orientation and new product training for network marketing companies without the need for trainees to travel to corporate offices. Prerecorded *EnlightenRelay* classes can be viewed at anytime to reinforce product knowledge.
- *Corridor* can deliver distance learning to such underserved markets as home schooling and tutoring.
- Numerous self-employed artisans and consultants who want to deliver on-demand training and instruction can use *Corridor* to create a variety of classes.

The following represents a likely list of customers that will use *EnlightenRelay* to create training on CD-ROM, DVD-ROM and other types of removable media:

- Marketing and communications companies
- Public relations companies
- Fitness and wellness companies
- Advertising agencies
- Law firms
- Architecture firms
- Numerous self-employed consultants

## PRICING

We will price our distance learning products as follows:

### ***EnlightenLive* and *EnlightenOnline* Pricing**

Such large distance learning companies as IBM will push consulting services to drive larger deals that require heavy integration. We will enable customers to focus on the learning experience and we compare our sales approach to other such software providers as Macromedia and Blackboard. Most sales in 2006 and 2007 should be in the 1,000- to 10,000-user range, but we estimate “generic” revenues of \$350 per user for the *EnlightenLive* and *EnlightenOnline* products to keep estimates conservative and simple. Support revenue is estimated up to 30 percent of the cost of the software.

	<b>Learning Hall</b>	<b>Macromedia</b>
<b>Product</b>	<i>EnlightenLive</i> and <i>EnlightenOnline</i>	Breeze
<b>Price per seat (hosted)</b>	\$350	\$500
<b>Renewal fee</b>	\$150	\$500
<b>Maintenance</b>	\$50	\$100
<b>Totals</b>	<b>550</b>	<b>1,100</b>
<b>Price per seat per license (unhosted)</b>	\$500	\$1,000

### ***EnlightenRelay Pricing***

*EnlightenRelay* will have a basic price of \$75,000 per customer. This price includes a wealth of consulting services, including interface design, video shoots, animation creation, assistance in creating and maintaining libraries of images and other components for use in creating training classes on CD-ROM, DVD-ROM and other types of removable media.

### ***Corridor Pricing***

*Corridor* pricing is based on the utilization of a course developed per customer. For example, if a customer, such as a math teacher, creates a course on how to use calculus, our company is paid a set fee of \$500 and one-third of all revenues generated by this customer, depending upon the number of students who take the class. For example, if 120 students take the calculus course and the fee is \$100 per student, then our company keeps one-third of the total \$12,000 revenues, or \$4,000.

## **SALES AND DISTRIBUTION**

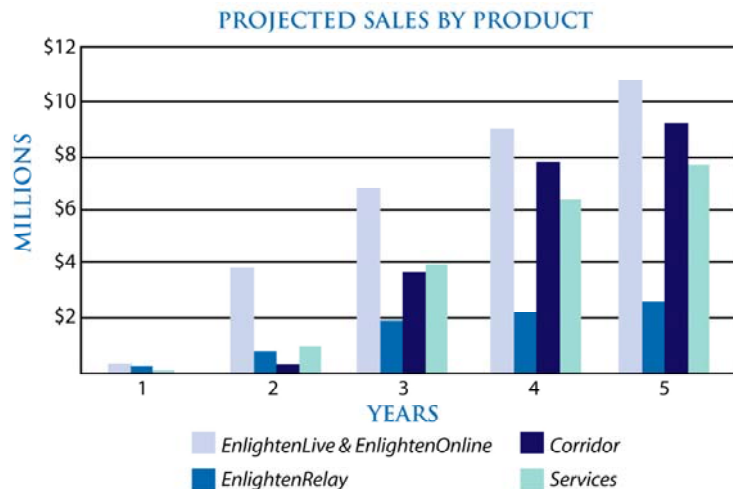
Once our software is fully upgraded, we will launch a sales campaign targeted toward HIPAA compliance providers and colleges and universities. We will start with smaller, local colleges, gradually building a reputation for excellence within the industry and generating word of mouth enthusiasm about our products and services. This will be accomplished through extensive personal contacts by management and strategic partners and supported by direct mail campaigns. Based on the nature of the compliance training and education industries, we expect word of mouth advertising to play a significant role in promoting our company. We will sell our products and services using the following methods:

- **Direct Sales:** Our software and company capabilities information, supported by first-rate printed materials and presentations, will be delivered to potential customers by our sales representatives in person and by telephone.
- **Systems Integrators:** Systems integrators are large consulting companies that cater to very large customers such as government agencies, and very large corporations. Such companies often custom-build solutions for customers, tailoring the solution to the specific customers needs.
- **Enterprise Content Management Vendors:** These companies sell solutions that organize diverse types of information into a meaningful set of documents in a variety of formats. Alliances with such partners could be instrumental in creating more diverse sales channels for our products, as well as streamlining internal company processes.
- **Overseas Partners:** Established companies outside the United States will be contacted to sell our products. We already are assembling a list of select software companies, potential sales partners and advertising agencies in Germany and Austria that could sell our products in those countries.
- **Learning Hall Call Center:** Once sales begin in earnest, we will create a call center with staff to answer questions about our products and services. Call center staff will be trained to answer questions related to pricing, features, implementation, modification and more. More importantly, the call center will also schedule sales appointments and take orders for software and services.
- **Sales by Mail:** We will assemble lists of colleges, universities, compliance training providers and other markets for our products. High quality direct mail materials employing persuasive language and highlighting the advantages of our products and services will be prepared and distributed to carefully targeted potential customers.
- **Custom Solutions for Large Customers:** Some large organizations prefer to build their own in-house solutions and we will sell *EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* to these companies on a special bid process.

## REVENUE FORECAST

- We are currently forecasting sales of \$490,000 and a net loss of \$356,520 in year one, which includes initial sales of the product and revenue sharing arrangements with existing customers.
- In year two the *Corridor* education gateway will be online and we will begin assisting individuals in offering Internet classes, securing 33 percent of the revenues for each class. Projected revenues for year two are sales of \$5,769,000 and net less loss of \$251,707.
- In year three our products continue to mature, and renewal fees and revenue sharing arrangements begin contributing more to the bottom line. Projected revenues for year three are sales of \$16,086,660 and net income before tax of \$1,483,556.
- Projected revenues for year four are sales of sales of \$25,016,016 and net income before tax of \$2,607,720.
- Projected revenues for year five are sales of \$30,019,212 and net income before tax of \$4,337,913.
- During the first five years, we expect to realize total sales of \$77,380,888 and generate \$7,820,962 in net income.

The following chart provides an outline of our projected revenues for the next five years:



## MARKETING

In addition to developing an outstanding direct sales force, we will utilize proven advertising agency design, writing and advertising techniques to maximize success. Using sophisticated advertising techniques, we will distinguish ourselves from our competition by offering personalized service and solutions. Channel partners will allow us to expand our reach into numerous specialized industries.

## ADVERTISING

We will advertise our products throughout the United States. To maximize product visibility within specialized markets, we specifically will target educational, training and corporate media, including national and regional cable access channels, trade papers, newsletters, fact sheets and websites.

## ONLINE ADVERTISING

Banner advertising and display advertising using first-rate design techniques will be purchased on appropriate websites to showcase our product features and drive traffic to our website.

## DIRECT MAIL

We will assemble (purchasing where necessary) mailing lists of HIPAA educators, colleges and universities and network marketing companies, and use such lists for targeted direct mail and e-mail campaigns.

## SALES MATERIALS

Utilizing veteran, advertising agency trained, in-house professional designers and copywriters, we will create expertly designed and written print- and digital-format product flyers in the universally accepted, cross-platform Adobe Reader PDF format that can be sent either by conventional or electronic mail. These materials will be able to be printed professionally and quickly by offset printers, copy shops, by our sales representatives in the field and by customers using inexpensive printers.

## OUR WEBSITE

Enhancing our website to serve our marketing goals will be one of our first priorities. Planned implementations include product features, extensive training tutorials, technical support forums, news about new customers, new product features and general corporate information. Sophisticated Macromedia Flash animation slideshows will reinforce the extensive capabilities of our products. Macromedia Flash presentations and product demonstrations with animated text and graphics and professional audio will reside on our website, thus impressing potential customers. Our website will be housed on our own servers, extending security to those who enter and capturing information from users entering the website.

## NEWS RELEASES

We will initiate a broad campaign of news releases to industry, technology and mainstream media that will highlight the advantages and features of our products.

## INTERVIEWS

We will contact print and broadcast media and offer company executives on an ongoing basis for interviews and to comment on industry trends, generating additional publicity for our company.

## TRADE SHOWS AND EVENTS

We will secure booths and banner advertising to generate visibility at trade shows and education and corporate events. Our sales representatives will be on hand to answer questions about our products and services and to schedule follow up appointments with interested parties.

## **SWOT ANALYSIS**

### **COMPANY STRENGTHS**

It is important to note that we are not strictly a startup company. As a natural outgrowth and transition from KnightWorks Consulting, the operating history and profitability of our products and the executive team are demonstrated and quantifiable. Our software is already in use by two prestigious and demanding customers: Southern Methodist University and The Cooper Institute, the world renowned institute directed by inventor of aerobics Kenneth H. Cooper, M.D., M.P.H. Other customers to a lesser degree include telecommunications provider Verizon and technology giant Texas Instruments. We beat competitor Blackbaud to win the distance learning contract from The Cooper Institute.

Without question, the most important advantage possessed by our company is its software — products that is unique in myriad respects. Our products can deliver knowledge to a broad set of constituencies and provide customers with the ability to monitor, track and measure student participation, performance, and knowledge acquisition. Other distance learning software solutions currently on the market do not possess the versatility and capabilities of our products. We also are able to offer our software at a price point that is competitive with distance learning software offered by competitors. Second only to the innovative and unique nature of its products is the intensity and diversity of the talents of our executive team. All necessary elements of the business — including project management and business development, programming and product design, sales and marketing, finance, business communications and media relations, print and multimedia design, information technology and database administration and legal expertise — are skills already possessed by our executive team. Members of the our executive team have a wealth of experience operating in fast-paced, entrepreneurial environments, as well as experience managing employees with diverse skillsets in large-scale corporate environments.

Before beginning the next phase of operations, we have assembled an extensive list of industry contacts, as well as established strategic relationships with all necessary vendors and product providers. At this time, our executive team possesses enough on-hand skills and has established sufficient relationships with vendors and partners to accelerating the pace of distribution of our products and services without the necessity to immediately hire a large number of employees. By creating first-rate advertising and sales materials, websites and media information and by utilizing advanced media relations techniques, we will quickly distinguish itself from its competitors. The primary business location in Plano, Texas, is a superb choice for company operations. Texas is known as a center for education and corporate training. Many members of the our executive team have extensive contacts throughout Texas that will no doubt be instrumental in acquiring additional resources, speeding product development and distribution and disseminating information about our products and services. Also, Monica Towery is president of our company, and because of her ethnic background and leadership of the company we are entitled to the many competitive advantages enjoyed by a Historically Underutilized Business (HUB), woman-owned and minority-owned business. Armed with a superb product and without the burden of a large-scale corporate structure, our executive team represents a nimble and formidable force that is ably equipped and determined to succeed.

### **COMPANY WEAKNESSES**

We do not have the resources of our two major competitors, Microsoft and Macromedia (now owned by Adobe Systems, Inc.). Both companies, particularly Microsoft, have great financial resources that each can



bring to bear when hiring programmers, sales staff, graphic designers, other staff and when purchasing hardware and software. Microsoft also has great flexibility in setting prices for Live Meeting, due to the profitability of its other divisions. Because we have not yet begun sales operations in earnest, we do not yet possess the brand recognition necessary to ensure sales. However, we are prepared to begin adding new features to its software immediately upon receipt of funding and embark without delay on a concerted program to accelerate sales of our products and services.

## MARKET OPPORTUNITIES

Currently, no other distance learning software can demonstrate the full capabilities planned for *EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor*, and the need for our products on a global scale is predicted increase dramatically in the years to come. Computer-based interactive distance learning is a rapidly growing industry. Distance learning is used to deliver interactive education over the Internet, primarily to college-level audiences and in the business sector for staff training and development. Whether the target market is educational institutions, organizations or the growing home audience committed to lifelong learning, interest in distance learning will continue to grow. According to Frost & Sullivan, the K-12 and higher education market was estimated to be a \$16.86 billion opportunity for telecommunications services in 2003.<sup>18</sup> Developing technologies and applications in the education market include, but are not limited to:

- distance learning and collaboration using video to stream live and prerecorded classes over the web;
- using robust content tools to produce highly interactive classes that conform to industry standards;
- employing student tracking and reporting to validate and measure student performance;
- identifying opportunities to apply the technology in specialized situations.

According to figures from the American Society for Training and Development (ASTD)<sup>19</sup>:

- The average U.S. company spends between two and 10 percent of their total payroll on training.
- Total training expenditures average \$704 per employee annually.
- Companies making a “dedicated commitment” to training spent \$1,574 per employee.
- The training industry overall is estimated to amount to \$60 billion worldwide in 2005.<sup>20</sup>

*EnlightenLive*, *EnlightenOnline* and *EnlightenRelay* will provide specialized training for network marketing companies. The global direct selling market, which includes sales through network marketing and direct mail, reached \$78 billion US through the activities of more than 43 million independent salespersons in 2001,<sup>21</sup> the U.S. nutritional supplements market grew 5.7 percent in 2003 to \$19.8 billion and the U.S. sports nutrition and weight-loss segment generates sales of more than \$14 billion in the United States in 2003.<sup>22</sup> These statistics provide ample evidence of the wealth of opportunities available to our company.

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<sup>18</sup> Frost & Sullivan. Statistics drawn from Frost & Sullivan’s *U.S. Education Vertical Communications Market*, published May 30, 2003.

<sup>19</sup> Please refer to <http://www.astd.org>. Statistics drawn from ASTD’s *2002 State of the Industry Report*.

<sup>20</sup> Please refer to <http://www.idc.com>. Statistics drawn from *Worldwide and U.S. Corporate eLearning 2004-2008 Forecast: Behind the Scenes with eLearning, a Business Enabler*.

<sup>21</sup> Please refer to [http://www.wfdsa.org/consumers\\_direct/direct\\_sub1.asp](http://www.wfdsa.org/consumers_direct/direct_sub1.asp). Referenced October 15, 2005.

<sup>22</sup> Please refer to <http://store.yahoo.com/nbj/nbspornutwei3.html>. Referenced October 15, 2005.

## **MARKET THREATS**

There are established competitors in the marketplace, some of which have extensive financial and personnel resources at their disposal. These competitors have already sold their distance learning software to customers. It is possible that one or more of these competitors would improve their software based on the features and capabilities of our products. However, we are determined to continue to evolve our products to continue to exceed the capabilities of distance learning software that may be developed or improved by competitors.

## **MANAGEMENT AND PERSONNEL**

Our executive team is highly experienced and qualified in a variety of industries and possesses diverse expertise. We will hire qualified individuals who will take pride in their work. Our management philosophy is based upon responsibility and mutual respect. We will maintain an environment and company structure that encourages productivity and respect for customers, industry partners and fellow employees.

### **EXECUTIVE TEAM**

Our executive team includes the following highly qualified individuals:

#### **Mike Towery, CEO and Vice President of Operations**

Mike Towery, co-founder of KnightWorks Consulting, has more than 20 years data processing experience in all phases of system development on a wide range of hardware, operating systems and enterprise-wide databases. His management background includes positions as vice president and director of a bank, IT director of an oil refinery and vice president of an IT consulting firm. Mr. Towery has installed and maintained numerous Oracle databases on various operating systems and performed a wide range of DBA activities for those databases, including parallel server and RAC. He has been responsible for SQL, database tuning, back up and recovery and security for multiple Oracle databases and hardware environments. Mr. Towery has led the performance testing for a number of Oracle's largest and most challenging application implementations.

#### **Monica Towery, President**

Monica Towery has been president of KnightWorks Consulting for more than two years. Ms. Towery received her paralegal degree from Southern Careers Institute in Corpus Christi, Texas, in 1997. Although Ms. Towery's primary focuses are new business development and administration, she is involved in day-to-day operations at all levels. Because of her ethnic background and her leadership position in the company, we are entitled to the many competitive advantages enjoyed by an Historically Underutilized Business (HUB), woman-owned and minority-owned business.

#### **Jeffery P. Humes, Vice President of Information Technology**

Jeffery P. Humes has more than 14 years of diverse information technology experience, including five years directing an eight-person team of UNIX administrators responsible for building, managing and administering various medium to large Unix networks that at times included more than 200 UNIX-based desktops and servers. He has experience with Unix and Windows NT integration. Mr. Humes has demonstrated proven success in project management, architecture, design and development of cross-

development environments. His technical skillset is impressive: Programming languages include Perl, XML, Unix Scripting (Korn, Bourne) and Expect. He can manage web and application servers using Apache, Tomcat, Jboss, BEA WebLogic, VERITAS Cluster, VERITAS Volume Manager, VERITAS Foundation Suite, TeamSite, Jikes, JDK, SunOS, Apache-WebLogic Portal and the Apache-WebLogic Plug-In. Mr. Humes' operating system expertise includes Unix, Linux (Red Hat), Solaris 8.0, 9.0, BSD, NFS, Windows NT, Windows 2000 and Windows XP. He is proficient with Sun, Hewlett-Packard, F5, and JNI HBA hardware. Mr. Humes is familiar with FTP, SSH, SMTP, IMAP, IMAPS, POP, POPS, Telnet, SMB, HTTP protocols. He is proficient with management software, including PATROL, Big Brother, CCC/Harvest, Jumpstart (Solaris), Kickstart (Linux), Kintana. He managed networks using Cisco, NIS/NIS+, NFS, DNS, FTP, Samba, TCP/IP. Mr. Humes was responsible for the architecture, setup and deployment of our existing infrastructure. He is a decorated Gulf War veteran.

#### **John W. Jones, CPA, Accounting and Finance**

John W. Jones, CPA, has more than 30 years of experience as both an independent CPA and CFO. His CFO experience includes large companies in the auto parts, construction and industrial software, as well as with 10 years as CFO of private investment firms doing A&D. His extensive CPA practice includes diverse clients from service/technical to manufacturing to construction. His CPA practice includes corporate, estates, trusts and personal taxation, along with financial projections and management. Mr. Jones will continue to be instrumental in ensuring accurate bookkeeping for daily operations, as well as advising the our executive team to enable them to remain on target with the revenue projections and expenses in this business plan. Mr. Jones will server as the company's outside accountant.

#### **Edward Pittman, Vice President of Communications and Marketing**

Edward Pittman has been a communications and graphics professional for more than 20 years. At Club Corporation of America, as Senior Editor of *Private Clubs* magazine, an international magazine with a circulation of more than 350,000 worldwide, his writing accomplishments included numerous high-profile interviews with Secretary of State Colin Powell, Lance Armstrong, Dr. Kenneth H. Cooper, Norman Swazkopf (U.S. Army, Ret.), famed heart surgeon Dr. Denton Cooley, NASA mission commander Glynn S. Lunney, and such sports legends as Troy Aikman, Jimmy Connors, Evandor Holyfield, among many others. As Editor in Chief of *Private Clubs*, Mr. Pittman managed an editorial and design staff of 10 while also maintaining the magazine's Apple Macintosh computer pre-press network. During a two-month period he reorganized workflow and increased efficiency, eliminating overtime and realizing an annual budget savings of more than \$200,000. While serving as Senior Art Director for the advertising agency Shierholz Saxer (formerly DDB Vienna) in Vienna, Austria, Mr. Pittman supervised two design teams, two copywriting teams and provided multilingual creative direction for such prestigious and demanding clients as Audi AG, Gruppo Generali, Mayr-Melnhof Karton AG, Neutrogena and Roc. As the owner and creative director of Creation Engine, he has produced diverse designs for print and electronic media, as well as provided copywriting and translation services, for such respected multinational clients as American Airlines, Marriott, Coca-Cola GmbH, Johnson & Johnson, Delta Airlines, Allianz, Neusiedler Group AG and Wiener Städtische Versicherung AG. Current advertising agency clients, for whom he is the sole provider of all English-language materials, include 01 EDV-Consulting und Development GmbH, Design for Media and Communication GmbH & Co.Kg., Shierholz Saxer and Scholz & Friends GmbH.

#### **J. David Washburn, Legal Advisor**

J. David Washburn is a partner in the Dallas office of the law firm Andrews Kurth LLP. He was recently selected as one of the "Best Attorneys in Dallas Under 40." Mr. Washburn has been recognized for his straight talk and ability to successfully manage complex corporate/securities transactions. His practice involves functioning as outside general counsel to public and private corporations; structuring, negotiating and implementing mergers and acquisition transactions; SEC reporting and regulatory compliance;

counseling clients on corporate governance and Sarbanes-Oxley issues. Mr. Washburn regularly represents issuers in Initial Public Offerings in the following industries: high technology, telecommunications, banking, manufacturing and service. He regularly represents corporations in significant public and private M&A transactions, including the \$1.0B merger of a leading technology services company, the \$500M merger of publicly traded telecommunications carrier, assisted the nation's largest wireless cable company in the simultaneous merger of five public and quasi-public companies and the concurrent issuance of \$350M of public equity, represented a "top five" domestic interexchange carrier in the acquisition of a multinational telecommunications company in a transaction valued at approximately \$350M and numerous "middle-market" transactions valued between \$5M and \$200M in the medical devices, biotechnology, software, telecommunications, online services, manufacturing and services industries. Mr. Washburn represents issuers in sophisticated financing transactions, including the offering of trust originated preferred securities (commonly referred to as "TOPrS") and serves as special counsel to boards, committees and individuals in merger transactions, reorganizations and potential conflict of interest scenarios. Mr. Washburn possesses an equity stake in our company and will be indispensable in providing legal and regulatory compliance advice on an ongoing basis.

## **STRATEGIC PARTNER**

### **Black Olive Media, Broadcast Media**

Established in 2001, Black Olive Media is a Dallas-based, full-service advertising agency delivering high quality broadcast media to network, cable television and radio, as well as interactive media and broadcast animation. Black Olive Media has created a blend of powerful, persuasive and memorable campaigns for such clients as AT&T Broadband, BMW, Dodge, EDS, Frito Lay, Ford Motor Company, Hyundai USA, Mitsubishi, NASA, Nissan Motor Company, Peter Frampton, The Richards Group, Rodney D. Young Insurance, Sci-Fi Channel, Sports Illustrated, Sports Illustrated for Kids, Toyota USA, Women's United Soccer Association (WUSA), Yale University and others. Black Olive Media will aid us in videotaping and editing content, and developing interactive media and animation.

## **FUTURE STAFF**

We will be devoted to our staff: the men and women who will represent the company throughout the distance learning and marketing industries. At our company everyone will be treated with respect, dignity and be recognized for their contributions. We will afford equal opportunity for employment, development and advancement for all qualified individuals. A "flat" company hierarchy and accessible management will empower and encourage staff to take pride in their work and feel free at any time to make comments that have the potential to improve the company and the ways we conduct business. We have already conducted interviews with prospective staff and compiled lists of qualified candidates so staffing can be increased without delay once we receive the necessary equity capital. The vice presidents of communications, marketing and information technology will join the company full time at the time of the second round of funding.

## **FINANCIAL PLAN**

### **IMPORTANT ASSUMPTIONS**

- The distance learning industry needs the products and services we can provide.
- Our distance learning software has a unique combination of features and capabilities that no other current distance learning products can provide.
- These unique features, coupled with personalized service, represent a competitive advantage.
- We will be successful in capturing a significant share of the distance learning market.

### **KEY FINANCIAL INDICATORS**

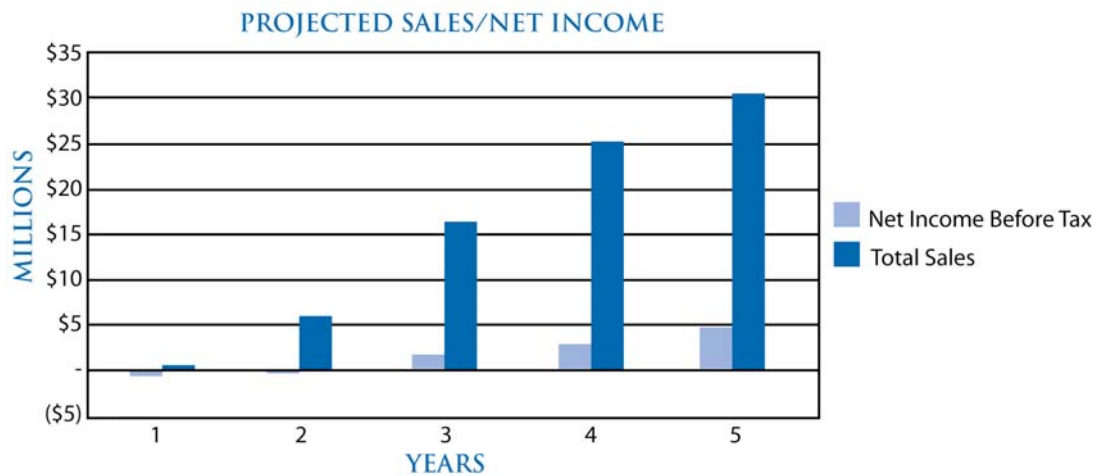
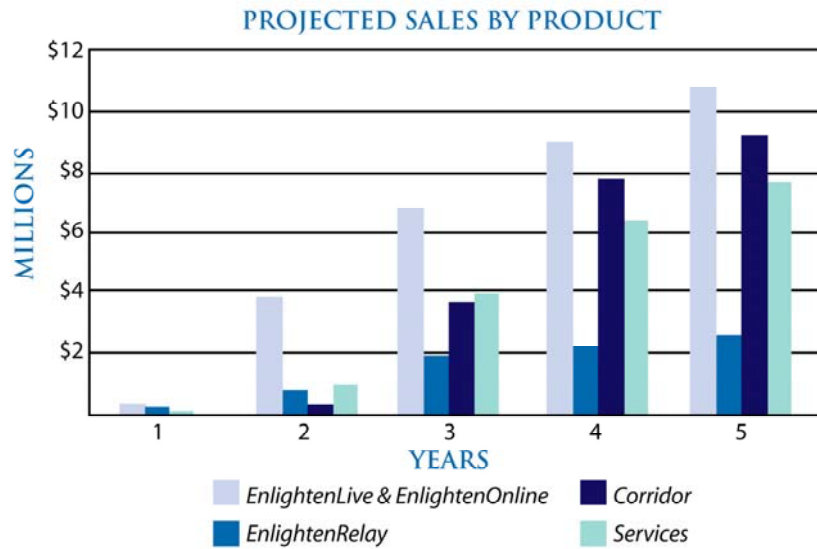
We believe that because of the nature of the distance learning industry, the key financial indicators are few, are specific and are essential for the company to remain on course with revenue projections.

- Because we expect to begin operation in June 2005, our fiscal year begins in June and runs through the end of May of the following year.
- Sales must remain on target as projected.
- Projected expenses for hardware, software and labor are accurate and will remain relatively unchanged and costs will be controlled.

### **PROJECTED REVENUES**

We are currently forecasting sales of \$490,000 and a net loss of \$356,520 in year one. Year two expectations are sales of \$5,769,000 and net less loss of \$251,707. For year three we are projecting sales of \$16,086,660 and net income before tax of \$1,483,556. For year four we are projecting sales of \$25,016,016 and net income before tax of \$2,607,720. For year five we are projecting sales of \$30,019,212 and net income before tax of \$4,337,913. During the first five years, we expect to realize total sales of \$77,380,888 and generate \$7,820,962 in net income. Our projected income statement is outlined on page 32 in the Supporting Documents section. Projected revenues shown in the charts below are based on the following:

- Sales of our products and services are ongoing.
- Following the successful acquisition of equity financing, we will increase the capabilities of our software and begin placing advertising in print and electronic media to support the brand and drive sales.
- There is no significant seasonality in sales patterns and sales efforts will be refocused to account for any existing or future seasonality.
- The distance learning industry is a rapidly growing industry and will continue to present new opportunities for our products and services in the years to come.



## PROJECTED BALANCE SHEET

Our projected balance sheets are presented on pages 33 through 38 in the Supporting Documents section.

## PROJECTED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

The projected statement of source and application of funds for our company is presented on page 39 in the Supporting Documents section.

**SUPPORTING DOCUMENTS**

# PROJECTED INCOME STATEMENT

## Learning Hall, Inc. Projected Income Statement

	Year 1 Calendar 1 to 12 Mts	Year 2 Calendar 13 to 24 Mts	Year 3 Calendar 25 to 36 Mts	Year 4 Months 37 to 48 Mts	Year 5 Months 49 to 60 Mts	5 Year Total
Sales-Product / Support	490,000	5,769,000	16,086,660	25,016,016	30,019,212	77,380,888
Total Sales	490,000	5,769,000	16,086,660	25,016,016	30,019,212	77,380,888
Payroll	283,749	1,709,329	2,547,705	3,611,856	3,919,680	12,072,319
Employee 401K Benefits	-	-	-	-	-	-
Payroll Taxes	54,056	325,623	485,328	688,044	746,696	2,299,747
Sales Commission	-	16,002	43,800	52,800	55,000	167,602
Sales Expense	16,600	230,760	402,166	625,404	750,480	2,025,410
Advertising	11,772	142,465	371,042	550,324	620,514	1,696,118
Channel Partners	67,500	732,000	1,829,771	2,804,136	3,364,956	8,798,363
Service Providers	28,000	622,300	2,721,734	4,425,252	5,310,300	13,107,586
Auto Expense	10,000	21,500	24,000	24,000	24,000	103,500
Amort-Org Costs	7,029	7,668	7,668	7,668	7,668	37,701
Amort-Software	44,200	192,601	401,316	507,528	507,528	1,653,173
Depreciation	22,973	149,958	323,157	452,928	457,214	1,406,230
Dues & Subscriptions	3,025	11,425	13,500	13,800	13,800	55,550
Equipment Rental	72,300	1,108,100	3,957,000	6,256,800	6,919,200	18,313,400
Entertainment	3,000	24,000	42,000	48,000	48,000	165,000
Insurance-Health	30,250	114,250	135,000	138,000	138,000	555,500
Legal & Acct-Acct	3,000	5,000	5,000	6,000	6,000	25,000
Legal & Acct-Legal	50,000	50,000	50,000	6,000	6,000	162,000
Meals	15,125	57,125	67,500	69,000	69,000	277,750
Employee Incentives	15,125	38,083	45,000	46,000	46,000	190,208
Office Security	1,000	3,000	3,000	3,000	3,000	13,000
Office Supplies	6,050	22,850	27,000	27,600	27,600	111,100
Property Taxes	600	1,800	1,800	1,800	1,800	7,800
Rent	18,000	54,000	54,000	54,000	54,000	234,000
Software Maintenance	-	32,000	65,000	145,000	-	242,000
Telephone / DSL	12,100	45,700	54,000	55,200	55,200	222,200
Hosting Expense	17,400	67,170	233,085	334,560	334,560	986,775
Repairs & Maint	2,000	6,000	6,000	6,000	6,000	26,000
Travel	51,666	229,998	304,998	330,000	330,000	1,246,662
Total Expenses	846,520	6,020,707	14,221,570	21,290,700	23,822,196	66,201,694
Net Income Before Tax	(356,520)	(251,707)	1,865,090	3,725,316	6,197,016	11,179,194
FIT	-	-	381,534	1,117,596	1,859,103	3,358,233
Net Income	(356,520)	(251,707)	1,483,556	2,607,720	4,337,913	7,820,961



## PROJECTED BALANCE SHEET

### Learning Hall, Inc. Projected Balance Sheet

	Year 0 Month 0	Year 1 Months 1 to 12 Mts	Year 2 Months 13 to 24 Mts	Year 3 Months 25 to 36 Mts	Year 4 Months 37 to 48 Mts	Year 5 Months 49 to 60 Mts
Cash	300,000	2,091,888	658,010	971,859	1,552,602	1,915,120
A/R	-	81,250	378,375	906,378	1,042,334	1,250,801
Prepaid Exp - Advertising	-	46,528	69,443	70,134	20,130	-
Total Current Assets	300,000	2,219,666	1,105,828	1,948,371	2,615,066	3,165,921
Equipment & Software	-	281,500	665,000	1,417,000	1,435,000	1,453,000
Software Development	-	498,455	1,378,971	2,537,631	2,537,631	2,537,631
Accum Depr & Amort	-	(67,173)	(409,732)	(1,134,205)	(2,094,661)	(3,059,403)
Total Fixed Assets	-	712,782	1,634,239	2,820,426	1,877,970	931,228
Organization Costs	-	31,304	23,636	15,968	8,300	632
Total Assets	300,000	2,963,752	2,763,703	4,784,765	4,501,336	4,097,781
A/P	-	320,272	671,930	1,621,137	1,738,765	1,929,564
A/P - FIT	-	-	-	88,299	79,523	147,256
Total Liab	-	320,272	671,930	1,709,436	1,818,288	2,076,820
Notes Payable	-	-	-	-	-	-
Less Current Portion	-	-	-	-	-	-
Total L/T Liab	-	-	-	-	-	-
Total Liab	-	320,272	671,930	1,709,436	1,818,288	2,076,820
Capital Stock	1,000	1,000	1,000	1,000	1,000	1,000
Paid-In Capital	299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000
R/E	-	-	(656,520)	(1,208,228)	(224,672)	(616,952)
Dividends	-	(300,000)	(300,000)	(500,000)	(3,000,000)	(5,000,000)
Net Income	-	(356,520)	(251,707)	1,483,556	2,607,720	4,337,913
Total Equity	300,000	2,643,480	2,091,772	3,075,328	2,683,048	2,020,961
Total Liab & Equity	300,000	2,963,752	2,763,703	4,784,765	4,501,336	4,097,781

**Learning Hall, Inc.  
Months 0 to 12 Balance Sheet**

	Month 0	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash	300,000	241,667	190,232	156,797	117,945	84,260	78,951	58,975	20,665	2,946,867	2,746,547	2,510,388	2,091,888
A/R	-	-	-	-	-	-	37,500	-	3,750	-	-	122,500	81,250
Prepaid Exp - Advertising	-	-	-	-	-	-	-	-	-	-	24,306	47,917	46,528
Total Current Assets	300,000	241,667	190,232	156,797	117,945	84,260	116,451	58,975	24,415	2,946,867	2,770,853	2,680,805	2,219,666
Equipment	-	18,000	18,000	18,000	18,000	20,000	20,000	20,000	22,000	112,000	193,000	206,500	281,500
Software Development	-	25,310	50,620	75,930	107,940	139,949	171,959	210,665	249,371	311,642	373,913	436,184	498,455
Accum Depr & Amort	-	(922)	(2,266)	(4,032)	(6,331)	(9,219)	(12,641)	(16,708)	(21,475)	(29,542)	(40,182)	(52,117)	(67,173)
Total Fixed Assets	-	42,388	66,354	89,898	119,609	150,730	179,318	213,957	249,896	394,100	526,731	590,567	712,782
Organization Costs	-	36,333	37,694	37,055	36,416	35,777	35,138	34,499	33,860	33,221	32,582	31,943	31,304
Total Assets	300,000	322,388	294,280	283,750	273,970	270,768	330,907	307,431	308,171	3,374,188	3,330,166	3,303,315	2,963,752
A/P	-	31,435	13,435	13,435	8,268	17,393	26,643	11,227	27,131	125,597	284,631	273,222	320,272
A/P - FIT	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liab	-	31,435	13,435	13,435	8,268	17,393	26,643	11,227	27,131	125,597	284,631	273,222	320,272
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Less Current Portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Total L/T Liab	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liab	-	31,435	13,435	13,435	8,268	17,393	26,643	11,227	27,131	125,597	284,631	273,222	320,272
Capital Stock	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Paid-In Capital	299,000	299,000	299,000	299,000	299,000	299,000	299,000	299,000	299,000	3,299,000	3,299,000	3,299,000	3,299,000
R/E	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(300,000)
Net Income	-	(9,047)	(19,155)	(29,685)	(34,298)	(46,625)	4,264	(3,796)	(18,960)	(51,409)	(254,465)	(269,907)	(356,520)
Total Equity	300,000	290,953	280,845	270,315	265,702	253,375	304,264	296,204	281,040	3,248,591	3,045,535	3,030,093	2,643,480
Total Liab & Equity	300,000	322,388	294,280	283,750	273,970	270,768	330,907	307,431	308,171	3,374,188	3,330,166	3,303,315	2,963,752

**Learning Hall, Inc.**  
**Months 13 to 24 Projected Balance Sheet**

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Cash	1,906,317	1,714,331	1,586,614	1,381,960	1,275,456	1,205,408	1,063,669	1,016,764	987,849	990,423	925,513	658,010
A/R	105,000	150,000	123,250	185,750	185,750	232,000	229,500	284,250	282,750	345,500	382,375	378,375
Prepaid Exp - Advertising	45,139	43,750	42,361	40,972	63,889	86,111	83,333	80,555	77,777	74,999	72,221	69,443
Total Current Assets	2,056,456	1,908,081	1,752,225	1,608,682	1,525,095	1,523,519	1,376,502	1,381,569	1,348,376	1,410,922	1,380,109	1,105,828
Equipment	313,000	317,500	426,500	426,500	426,500	526,500	540,000	540,000	540,000	665,000	665,000	665,000
Software Development	563,727	636,020	708,313	780,606	852,899	925,192	997,485	1,069,778	1,142,071	1,214,364	1,286,657	1,378,971
Accum Depr & Amort	(83,913)	(101,944)	(124,128)	(147,517)	(172,111)	(200,688)	(230,725)	(261,967)	(294,414)	(331,537)	(369,865)	(409,732)
Total Fixed Assets	792,814	851,576	1,010,685	1,059,589	1,107,288	1,251,004	1,306,760	1,347,811	1,387,657	1,547,827	1,581,792	1,634,239
Organization Costs	30,665	30,026	29,387	28,748	28,109	27,470	26,831	26,192	25,553	24,914	24,275	23,636
Total Assets	2,879,935	2,789,683	2,792,297	2,697,019	2,660,492	2,801,993	2,710,093	2,755,572	2,761,586	2,983,663	2,986,176	2,763,703
A/P	389,749	343,732	456,417	396,462	406,951	547,391	504,808	540,068	569,828	736,938	656,218	671,930
A/P - FIT	-	-	-	-	-	-	-	-	-	-	-	-
Total Liab	389,749	343,732	456,417	396,462	406,951	547,391	504,808	540,068	569,828	736,938	656,218	671,930
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-
Less Current Portion	-	-	-	-	-	-	-	-	-	-	-	-
Total L/T Liab	-	-	-	-	-	-	-	-	-	-	-	-
Total Liab	389,749	343,732	456,417	396,462	406,951	547,391	504,808	540,068	569,828	736,938	656,218	671,930
Capital Stock	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Paid-In Capital	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000
R/E	(656,520)	(656,520)	(656,520)	(656,520)	(656,520)	(656,520)	(656,520)	(656,520)	(656,520)	(656,520)	(656,520)	(656,520)
Dividends	-	-	-	-	-	-	-	-	-	-	-	(300,000)
Net Income	(153,294)	(197,528)	(307,600)	(342,923)	(389,939)	(388,878)	(438,195)	(427,976)	(451,722)	(396,755)	(313,522)	(251,707)
Total Equity	2,490,185	2,445,952	2,335,879	2,300,557	2,253,541	2,254,601	2,205,285	2,215,504	2,191,757	2,246,725	2,329,958	2,091,772
Total Liab & Equity	2,879,935	2,789,683	2,792,297	2,697,019	2,660,492	2,801,993	2,710,093	2,755,572	2,761,586	2,983,663	2,986,176	2,763,703

**Learning Hall, Inc.**  
**Months 25 to 36 Projected Balance Sheet**

	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Month 32	Month 33	Month 34	Month 35	Month 36
Cash	744,101	599,360	717,738	825,783	806,393	910,159	1,073,931	653,541	952,820	1,188,561	1,256,515	971,859
A/R	479,550	484,300	549,217	561,329	561,329	582,235	579,735	723,002	834,002	871,128	911,128	906,378
Prepaid Exp - Advertising	90,971	111,804	107,637	103,470	99,303	95,136	90,969	86,802	82,635	78,468	74,301	70,134
Total Current Assets	1,314,622	1,195,464	1,374,591	1,490,582	1,467,025	1,587,530	1,744,635	1,463,344	1,869,457	2,138,156	2,241,943	1,948,371
Equipment	808,000	808,000	808,000	933,000	933,000	933,000	1,087,000	1,087,000	1,087,000	1,252,000	1,252,000	1,417,000
Software Development	1,475,526	1,572,081	1,668,636	1,765,191	1,861,746	1,958,301	2,054,856	2,151,411	2,247,966	2,344,521	2,441,076	2,537,631
Accum Depr & Amort	(455,023)	(501,923)	(550,433)	(604,024)	(659,224)	(716,033)	(778,650)	(842,876)	(908,711)	(980,738)	(1,054,375)	(1,134,205)
Total Fixed Assets	1,828,503	1,878,158	1,926,203	2,094,167	2,135,522	2,175,268	2,363,206	2,395,535	2,426,255	2,615,783	2,638,701	2,820,426
Organization Costs	22,997	22,358	21,719	21,080	20,441	19,802	19,163	18,524	17,885	17,246	16,607	15,968
Total Assets	3,166,122	3,095,980	3,322,513	3,605,829	3,622,988	3,782,600	4,127,004	3,877,403	4,313,597	4,771,185	4,897,251	4,784,765
A/P	1,009,384	840,931	928,292	1,067,840	965,590	1,023,990	1,548,919	1,183,515	1,295,180	1,548,946	1,425,864	1,621,137
A/P - FIT	-	-	-	-	-	-	100,000	-	100,000	91,147	102,088	88,299
Total Liab	1,009,384	840,931	928,292	1,067,840	965,590	1,023,990	1,648,919	1,183,515	1,395,180	1,640,093	1,527,952	1,709,436
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-
Less Current Portion	-	-	-	-	-	-	-	-	-	-	-	-
Total L/T Liab	-	-	-	-	-	-	-	-	-	-	-	-
Total Liab	1,009,384	840,931	928,292	1,067,840	965,590	1,023,990	1,648,919	1,183,515	1,395,180	1,640,093	1,527,952	1,709,436
Capital Stock	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Paid-In Capital	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000
R/E	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)	(1,208,228)
Dividends	-	-	-	-	-	-	-	-	-	-	-	(500,000)
Net Income	64,966	163,277	302,448	446,217	565,626	666,838	386,313	602,115	826,644	1,039,320	1,277,526	1,483,556
Total Equity	2,156,739	2,255,049	2,394,221	2,537,989	2,657,398	2,758,610	2,478,085	2,693,888	2,918,416	3,131,092	3,369,299	3,075,328
Total Liab & Equity	3,166,122	3,095,980	3,322,513	3,605,829	3,622,988	3,782,600	4,127,004	3,877,403	4,313,597	4,771,185	4,897,251	4,784,765

**Learning Hall, Inc.  
Months 37 to 48 Projected Balance Sheet**

	Month 37	Month 38	Month 39	Month 40	Month 41	Month 42	Month 43	Month 44	Month 45	Month 46	Month 47	Month 48
Cash	1,215,301	1,522,378	1,848,136	2,166,291	2,468,126	2,779,860	3,092,773	3,377,784	3,684,276	3,983,165	4,260,134	1,552,602
A/R	1,042,334	1,042,334	1,042,334	1,042,334	1,042,334	1,042,334	1,042,334	1,042,334	1,042,334	1,042,334	1,042,334	1,042,334
Prepaid Exp - Advertising	65,967	61,800	57,633	53,466	49,299	45,132	40,965	36,798	32,631	28,464	24,297	20,130
Total Current Assets	2,323,602	2,626,512	2,948,103	3,262,091	3,559,759	3,867,326	4,176,072	4,456,916	4,759,241	5,053,963	5,326,765	2,615,066
Equipment	1,420,000	1,420,000	1,423,000	1,423,000	1,426,000	1,426,000	1,429,000	1,429,000	1,432,000	1,432,000	1,435,000	1,435,000
Software Development	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631
Accum Depr & Amort	(1,214,094)	(1,293,983)	(1,373,932)	(1,453,881)	(1,533,890)	(1,613,899)	(1,693,966)	(1,774,033)	(1,854,160)	(1,934,287)	(2,014,474)	(2,094,661)
Total Fixed Assets	2,743,537	2,663,648	2,586,699	2,506,750	2,429,741	2,349,732	2,272,665	2,192,598	2,115,471	2,035,344	1,958,157	1,877,970
Organization Costs	15,329	14,690	14,051	13,412	12,773	12,134	11,495	10,856	10,217	9,578	8,939	8,300
Total Assets	5,082,468	5,304,850	5,548,853	5,782,253	6,002,273	6,229,192	6,460,232	6,660,370	6,884,929	7,098,885	7,293,861	4,501,336
A/P	1,685,165	1,659,765	1,669,365	1,693,965	1,678,565	1,678,165	1,716,765	1,687,365	1,696,965	1,729,565	1,706,165	1,738,765
A/P - FIT	96,593	103,313	101,315	93,035	98,537	97,757	87,059	94,979	92,981	82,301	90,203	79,523
Total Liab	1,781,758	1,763,078	1,770,680	1,787,000	1,777,102	1,775,922	1,803,824	1,782,344	1,789,946	1,811,866	1,796,368	1,818,288
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-
Less Current Portion	-	-	-	-	-	-	-	-	-	-	-	-
Total L/T Liab	-	-	-	-	-	-	-	-	-	-	-	-
Total Liab	1,781,758	1,763,078	1,770,680	1,787,000	1,777,102	1,775,922	1,803,824	1,782,344	1,789,946	1,811,866	1,796,368	1,818,288
Capital Stock	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Paid-In Capital	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000
R/E	(224,672)	(224,672)	(224,672)	(224,672)	(224,672)	(224,672)	(224,672)	(224,672)	(224,672)	(224,672)	(224,672)	(224,672)
Dividends	-	-	-	-	-	-	-	-	-	-	-	(3,000,000)
Net Income	225,382	466,445	702,845	919,925	1,149,844	1,377,942	1,581,080	1,802,698	2,019,655	2,211,691	2,422,165	2,607,720
Total Equity	3,300,710	3,541,773	3,778,173	3,995,253	4,225,172	4,453,270	4,656,408	4,878,027	5,094,983	5,287,019	5,497,494	2,683,048
Total Liab & Equity	5,082,468	5,304,850	5,548,853	5,782,253	6,002,273	6,229,192	6,460,232	6,660,370	6,884,929	7,098,885	7,293,861	4,501,336

**Learning Hall, Inc.  
Months 49 to 60 Projected Balance Sheet**

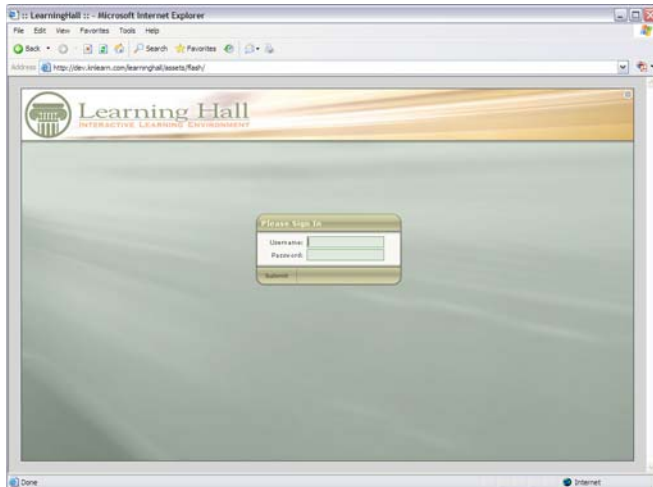
	Month 49	Month 50	Month 51	Month 52	Month 53	Month 54	Month 55	Month 56	Month 57	Month 58	Month 59	Month 60
Cash	2,031,615	2,512,038	2,970,180	3,420,719	3,871,734	4,312,178	4,756,225	5,192,670	5,630,294	6,060,317	6,491,520	1,915,120
A/R	1,250,801	1,250,801	1,250,801	1,250,801	1,250,801	1,250,801	1,250,801	1,250,801	1,250,801	1,250,801	1,250,801	1,250,801
Prepaid Exp - Advertising	15,963	11,796	7,629	3,462	-	-	-	-	-	-	-	-
Total Current Assets	3,298,379	3,774,634	4,228,609	4,674,982	5,122,534	5,562,978	6,007,026	6,443,470	6,881,095	7,311,118	7,742,320	3,165,921
Equipment	1,438,000	1,438,000	1,441,000	1,441,000	1,444,000	1,444,000	1,447,000	1,447,000	1,450,000	1,450,000	1,453,000	1,453,000
Software Development	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631	2,537,631
Accum Depr & Amort	(2,174,907)	(2,255,153)	(2,335,459)	(2,415,765)	(2,496,131)	(2,576,497)	(2,656,922)	(2,737,347)	(2,817,831)	(2,898,315)	(2,978,859)	(3,059,403)
Total Fixed Assets	1,800,724	1,720,478	1,643,172	1,562,866	1,485,500	1,405,134	1,327,709	1,247,284	1,169,800	1,089,316	1,011,772	931,228
Organization Costs	7,661	7,022	6,383	5,744	5,105	4,466	3,827	3,188	2,549	1,910	1,271	632
Total Assets	5,106,764	5,502,134	5,878,164	6,243,592	6,613,139	6,972,578	7,338,562	7,693,942	8,053,444	8,402,344	8,755,363	4,097,781
A/P	1,854,615	1,887,731	1,897,331	1,896,931	1,905,826	1,901,964	1,911,564	1,911,164	1,920,764	1,920,364	1,929,964	1,929,564
A/P - FIT	170,730	159,895	157,897	157,117	155,331	155,589	153,592	152,812	150,814	150,034	148,036	147,256
Total Liab	2,025,345	2,047,626	2,055,228	2,054,048	2,061,157	2,057,553	2,065,156	2,063,976	2,071,578	2,070,398	2,078,000	2,076,820
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-
Less Current Portion	-	-	-	-	-	-	-	-	-	-	-	-
Total L/T Liab	-	-	-	-	-	-	-	-	-	-	-	-
Total Liab	2,025,345	2,047,626	2,055,228	2,054,048	2,061,157	2,057,553	2,065,156	2,063,976	2,071,578	2,070,398	2,078,000	2,076,820
Capital Stock	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Paid-In Capital	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000	3,299,000
R/E	(616,952)	(616,952)	(616,952)	(616,952)	(616,952)	(616,952)	(616,952)	(616,952)	(616,952)	(616,952)	(616,952)	(616,952)
Dividends	-	-	-	-	-	-	-	-	-	-	-	(5,000,000)
Net Income	398,371	771,460	1,139,888	1,506,496	1,868,934	2,231,977	2,590,358	2,946,918	3,298,818	3,648,897	3,994,315	4,337,913
Total Equity	3,081,418	3,454,508	3,822,936	4,189,543	4,551,982	4,915,025	5,273,405	5,629,966	5,981,866	6,331,945	6,677,363	2,020,961
Total Liab & Equity	5,106,764	5,502,134	5,878,164	6,243,592	6,613,139	6,972,578	7,338,562	7,693,942	8,053,444	8,402,344	8,755,363	4,097,781

# PROJECTED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

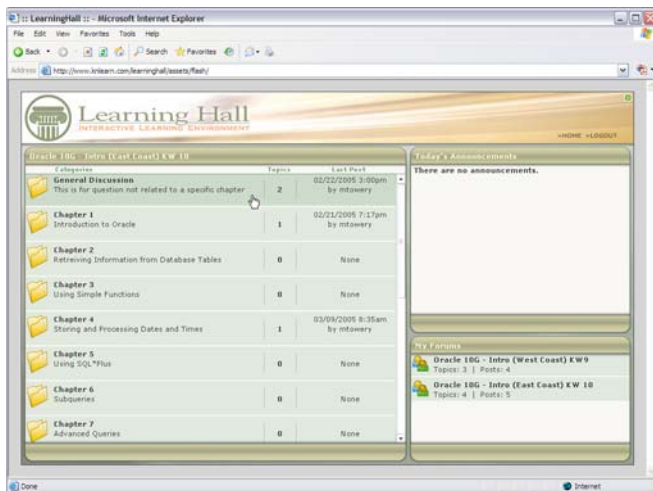
## Learning Hall, Inc. Projected Statement of Source & Application of Funds

	Year 0 Month 0	Year 1 Months 1 to 12 Mts	Year 2 Months 13 to 24 Mts	Year 3 Months 25 to 36 Mts	Year 4 Months 37 to 48 Mts	Year 5 Months 49 to 60 Mts	5 Year Total
<b>Sources of Funds:</b>							
Net Income	-	(356,520)	(251,707)	1,483,556	2,607,720	4,337,913	7,820,961
Plus Depreciation	-	22,973	149,958	323,157	452,928	457,214	1,406,230
Plus Prepaid Adv Amort	-	3,472	27,085	49,309	50,004	20,130	150,000
Plus Product Dev Amort	-	44,200	192,601	401,316	507,528	507,528	1,653,173
Plus Org Cost Amort	-	7,029	7,668	7,668	7,668	7,668	37,701
Sources from Operations	-	(278,846)	125,605	2,265,006	3,625,848	5,330,453	11,068,065
Decrease in AR	-	82,500	34,750	7,250	-	-	124,500
Increase in AP	-	370,264	580,934	1,708,395	211,627	196,262	3,067,482
Increase in A/P - FIT	-	-	-	210,941	36,338	91,465	338,744
Equity - Cash Contribution	300,000	3,000,000	-	-	-	-	3,300,000
<b>Total Sources of Funds</b>	<b>300,000</b>	<b>3,173,917</b>	<b>741,289</b>	<b>4,191,592</b>	<b>3,873,813</b>	<b>5,618,179</b>	<b>17,898,791</b>
<b>Application of Fund:</b>							
Equipment Purchases	-	281,500	383,500	752,000	18,000	18,000	1,453,000
Software Development	-	498,455	880,516	1,158,660	-	-	2,537,631
Dividends	-	300,000	300,000	500,000	3,000,000	5,000,000	9,100,000
Increase in Prepaid Adv.	-	50,000	50,000	50,000	-	-	150,000
Organization Costs	-	38,333	-	-	-	-	38,333
Increase in AR	-	163,750	331,875	535,253	135,957	208,467	1,375,301
Decrease in AP	-	49,992	229,276	759,188	94,000	5,462	1,137,918
Decrease in A/P - FIT	-	-	-	122,642	45,114	23,732	191,488
<b>Total Applications of Funds</b>	<b>-</b>	<b>1,382,030</b>	<b>2,175,167</b>	<b>3,877,743</b>	<b>3,293,071</b>	<b>5,255,661</b>	<b>15,983,670</b>
<b>Net Change in Funds</b>	<b>300,000</b>	<b>1,791,888</b>	<b>(1,433,878)</b>	<b>313,849</b>	<b>580,742</b>	<b>362,519</b>	<b>1,915,120</b>
Beg. Cash Balance	-	300,000	2,091,888	658,010	971,859	1,552,602	-
<b>End Cash Balance</b>	<b>300,000</b>	<b>2,091,888</b>	<b>658,010</b>	<b>971,859</b>	<b>1,552,602</b>	<b>1,915,120</b>	<b>1,915,120</b>

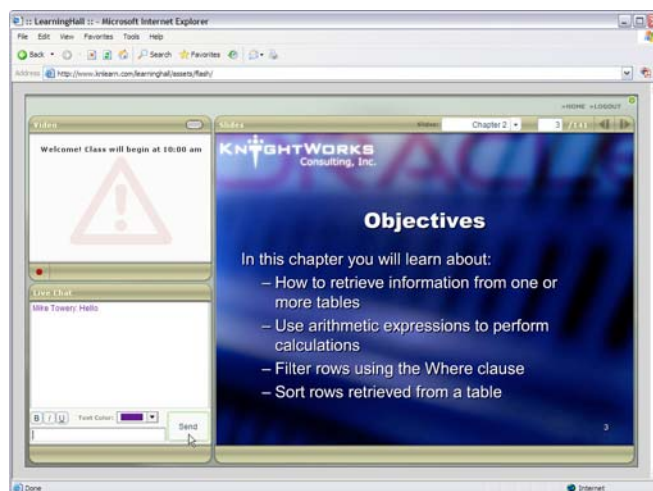
## OUR PRODUCTS



The security and privacy of students and trainees who use our products are protected by secure login using individual user names and passwords.

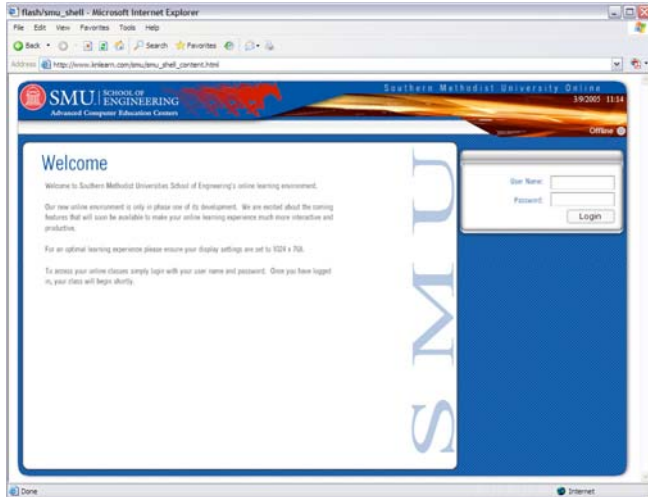


*EnlightenLive*, *EnlightenOnline* and *Corridor* allow students and attendees to view entire course outlines. Instructors and presenters can load content, including tests and quizzes, charts and graphs, presentations, video and animation for multiple classes in advance or as needed.



*EnlightenLive*, *EnlightenOnline*, *EnlightenRelay* and *Corridor* can display a wide variety of course-related content, including PowerPoint slides, animation and live or prerecorded video, in a large content window.

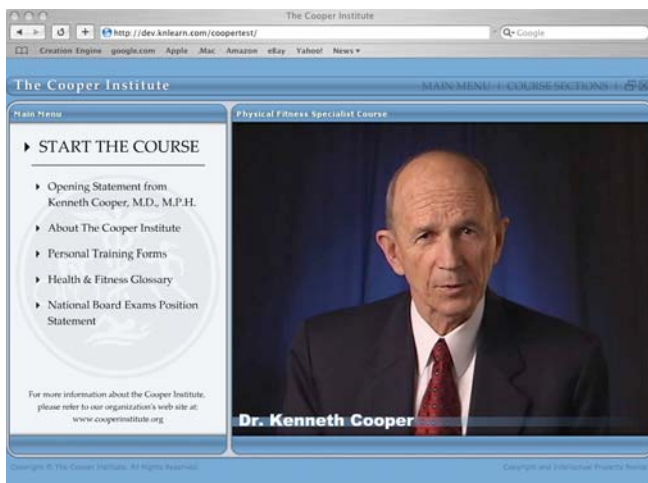




The login screens for *EnlightenOnline*-driven classes at Southern Methodist University were customized with SMU logos, colors and approved text. The interface is immediately recognizable as an extension of the SMU brand.



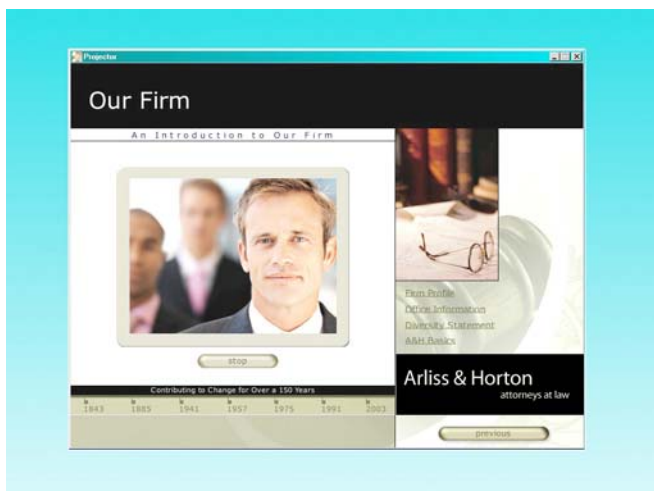
The *EnlightenOnline* welcome screen of a course for The Cooper Institute was customized for the customer with logos, colors and approved text. The interface conveys the friendly, highly respected reputation of The Cooper Institute.



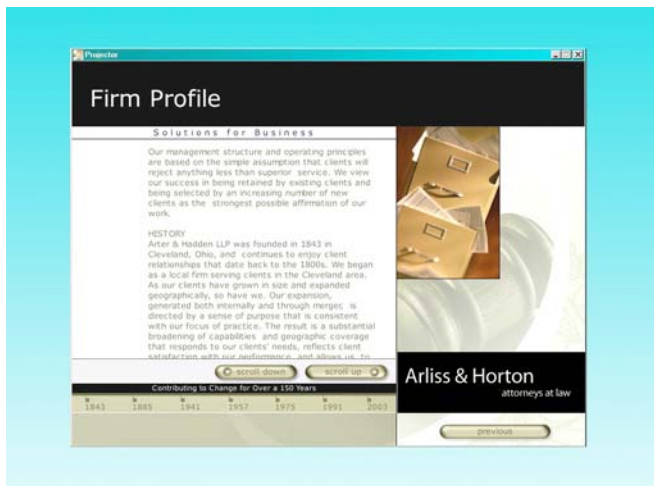
Renowned wellness guru Dr. Kenneth H. Cooper delivers a personal greeting from The Cooper Institute to new students.



In this sample *EnlightenOnline* screen, this network marketing company can present live on video, emphasize specific products and even use the optional e-commerce capabilities of *EnlightenLive* and *EnlightenOnline* to sell products during training.



*EnlightenRelay* delivers prerecorded distance learning to students and company trainees on CD-ROM and DVD-ROM disks and other forms of removable media. This *EnlightenRelay* screen shows a company that has embedded a broadcast-quality commercial into a proposal introduction.



In addition to broadcast-quality video, *EnlightenRelay* proposals can be loaded with a wealth of company information, animated demonstrations with professional-grade audio, photos and biographies of key staff, news releases, PowerPoint presentations and more.