

Jewel Software

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A Case Study

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...from the President

Sine we began Jewel Software 5 short years ago we have been blessed with outstanding employees, great clients, a strong business environment, and profitable growth. So far we have been very successful running the company in a non-standard informal manner. The past 20 months has born witness to a number of dramatic changes in our market niche with more looming on the horizon.

Based on these changes I feel it is time for us to take a look inward and evaluate the strength of our organization and our business model. I want to make certain that we stave off complacency and aggressively accelerate into this new world we are facing before we fall prey to our competitors who are well funded and racing to catch up with us.

In the report that follows, there is a lot of good news. However there is also some bad, and more importantly, some signs that we may be loosing the competitive advantages that have made us successful over the last few years. I present this internal assessment to you, the Jewel Thought Leaders, and task you with identifying ways we can become a more professional organization. How can we leverage our current strengths? What new markets should we target? What else can we sell to our current clients? How can we make our business better?

Before we can answer those questions, I believe we all need to review our Vision and Values, and from there produce a strategic plan that will be the foundation upon which we will begin our journey into the future.

Joan G. Gaetly, President

Identified Opportunities

I believe Jewel Software needs to increase product sales and leverage our strengths by attacking new and traditional markets through partnerships and adding to our products and services. These ideas have not been analyzed, nor have any plans been made to accomplish them.

One approach involves tailoring our flagship product, SalesGrow, and our services to specific industry segments. Due to recent licensing changes, we now have access to a substantial untapped market in the small business sector, where tools like ours have been too expensive. There is the possibility that this market could open a whole new world of opportunities for us to grow and develop new products and services.

Jewel Software at a Glance

Jewel Software, founded in 2002, provides a software solution called SalesGrow to mid-size businesses that analyze the buying habits of their customer base and the gives them the tools to measure success and fine tune their marketing and sales efforts. We are positioned in between CRM and accounting systems, and integrate the nuances of marketing efforts to

provide a unique and clear picture of what works for our clients as they try to grow their businesses. We reach our customers by telephone, the Internet, and small local sales force.

Financial Data

Jewel Software had revenues of \$18 million in 2006.

Employees

34 employees in the Sacramento region.

Headquarters

Sacramento, California

Training Facility Locations

All training is done at our offices in Sacramento or on site at our clients

Interesting Corporate Facts

- Jewel Software has been profitable in all but one year of its 5-year history. The exception was year one when Jewel Software launched SalesGrow and recorded a \$265,000 loss.
- On average, SalesGrow has increased current client sales 17.3% and their client retention by 36.5%.
- Jewel Software pioneered the concept of directly linking marketing efforts to existing clients with technology based support tools and human interaction.
- In 2006, Jewel Software had 180 clients with over 540,000 consumers being tracked.

Jewel Software Vision and Values

In 2002, Jewel Software began with a vow to "help our clients increase the value of each of their customers and be more effective at keeping them by linking their sales and marketing efforts to their customers buying habits." This vision is still alive at Jewel Software— it's present in our continual pursuit of quality and service.

Jewel Software Vision Statement

Grow Jewel Software by leveraging our personalization, direct marketing, and e-commerce competencies.

Jewel Software Way Shared Values

Jewel Software is an developing company, dedicated to quality, success and the growth of its clients. Working together, the people of Jewel Software are carrying the company's message to the marketplace through their customer service and product support.

Openness, Trust and Integrity

Ours is a friendly, open door environment, where you are encouraged to express your ideas and opinions.

Innovation

At Jewel Software our culture is one that encourages breakthrough thinking and continuous improvement through employees' ideas.

Partnering for the Common Goal

We are passionate about winning as part of one team, while executing the high standards we set for our work.

Recognition and Celebration

We always look for ways to recognize achievement and celebrate the efforts and accomplishments of our employees.

Respect and Dignity for All

An equal opportunity employer, we respect and promote diversity by valuing our colleagues for their unique abilities.

Quality

People create quality. At Jewel Software we strive to give employees ownership for their activities, freedom to make important decisions and responsibility for their actions in meeting or exceeding our customers' expectations.

Competitive Advantage

Why We're Different, Why We're Better

At Jewel Software, we believe in helping our customers grow their sales through existing clients by understanding and catering to those client needs on a client by client basis. We recognize how time consuming this can be, and that is what our software allows them to do. To track large amounts of seemingly unrelated data, link that data in a meaningful way to sales, marketing, and new product and service development in a meaningful, objectively measurable way.

Quality and Service

We pride ourselves in having dependable bullet-proof software and industry- leading customer service to it up. If our customers are not completely satisfied, we will do what it takes to make it right whether it was our mistake or theirs.

Security/Fraud Prevention

Security and fraud prevention are top priorities at Jewel Software. We work to keep both you and your customers safe from forms fraud, identity theft, and other related crimes. We protect customer data through call screening, secure packaging, return mail, order screening, and more.

Value Added Services

Jewel Software works with you to develop or refine sales and marketing solutions that meet your customers' specific wants and needs and drive revenues to you.

Market Leader

Jewel Software pioneered this automated service

Jewel Software has built a business that provides a unique service that is in high demand and has little competition. We established the industry standards for quality, data gathering and analysis. Since our inception, Jewel Software has been a trusted custodian of our clients business strategies and customer information.

Quality Is Engrained in Our Traditions

Jewel Software quality standards are the highest in the industry. Every module we develop goes through rigorous quality assurance testing. We're so sure of our quality, we offer a 100 percent satisfaction guarantee. If, for any reason, you or your customers aren't completely satisfied with our data analysis, we'll process it again manually. Free. Whether it was our mistake or not. It's the only guarantee in this industry.

People You Know and Trust

Our greatest advantage is our people. They are the developers, programmers, marketing experts and engineers that continue our innovation. They are the service associates who answer calls quickly and personally to put customers at ease. And they are the Web specialists and programmers who harness e-commerce to deliver access—anytime, anywhere.

Jewel Software Enhances Revenue, Profitability, Convenience, and Flexibility

Jewel Software's value-added software and support services have helped build strong relationships with businesses and non-profits nationwide. We listen to our clients and their customers and help them tailor their products and services to meet their clients needs.

Diversity

Jewel Software's Diversity Statement

Jewel Software is committed to fostering an environment that acknowledges and values the uniqueness of all people who contribute to our performance. We consider this commitment to be a significant advantage in achieving our mission and corporate goals, and we strive to demonstrate it to our customers, suppliers, employees, investors, and the communities in which we do business.

Our Diversity Commitment:

Customers

We seek to adapt quickly to the evolution of our clients markets. Valuing diversity allows us to communicate more effectively with our clients and their customers and leads to greater success and revenues for our clients and ourselves.

Suppliers

At Jewel Software, we are committed to the development and economic growth of minority- and women-owned business enterprises and will provide them an opportunity to compete on an equal basis with all other suppliers. We recognize that these businesses are vitally important to the overall health, prosperity, and stability of society and, therefore, of our business. We are a member of the National Minority Supplier Development Council and support regional minority development councils and business exchanges.

Employees

We recognize that our success depends upon the performance and commitment of all Jewel Software employees. We seek to select and retain qualified employees who represent the diversity of our marketplace. Fostering diversity makes our company a more productive and attractive place of employment, enables our employees to expand their experiences, and helps our employees develop their skills and overall knowledge base. We provide opportunities for our employees to participate in diversity training, and our managers are held accountable for their efforts to increase our employment diversity at Jewel Software.

Investors

We are committed to increasing shareholder value. Diversity in our workforce increases our ability to solve problems more creatively and make decisions more effectively. It lets us improve our ability to adjust to a changing marketplace, thus having a positive impact on shareholder value. Companies that are successful in encouraging diversity also are more likely to see higher sales and profits resulting in greater equity.

Appendix A - Management Team Comments

The following question was asked to each of the key executives within Jewel as part of the groundwork for this assessment. Their comments are included below.

“Excluding increased profits and revenues, what specific goals, objectives, and/or concerns do you have with regard to Jewel and its future?”

Tom Kelley - COO

I see all the good intentions and positive words - what I don't see is execution. We need to do a better job of practicing what we preach. It's one thing to say we value diversity, it is another to make that really happen. I think there are too many people around here that think and act like we are a start-up and free-wheel far too often. That kind of behavior cannot continue if we are going to grow and thrive.

Mike Adams - CFO

In anticipation of this assessment, we just completed a study on the acquisition costs for each new client last year. We looked at four steps – Creating product understanding and sense of value; locating a prospect; converting to a client; and developing the skills to put their data to use and measure the outcomes. What we found was pretty much a shock to the sales group, but it met with my expectations. Last year it costs us \$836.31 to create product understanding and sense of value for each new client we acquired. Locating them was pegged at \$400. Turning them into a client was estimated to cost an average of \$2343.47, and the cost of getting them to the point where they could use their new data and measure the outcomes actually cost the company money, more than the profit we made on the installation, at an averaging rate of (\$1186.67). What this boils down to are some sobering numbers. The 32 new clients that were created last year came at a cost to Jewel of \$37,973.

David Schurgad - CIO

With the explosion of marketing venues and ways for our clients to reach their customers, our data gathering tools are aging rapidly and losing their luster. We need to find a new way to keep those systems current as the world around us evolves and changes. My programmers and I believe this will require a completely new approach to data gathering and a complete re-write of our system. Certainly a major undertaking with great cost and risk.

Bob Bently - SVP – Sales & Marketing

Most of our contracts are cyclical and renewed at various times during the year. As a matter of course, Jewel traditionally approaches each client 3 months before their contract expires to evaluate performance, discuss new client needs, and renew contracts well in advance. We recently had one of our largest clients choose to not renew their contract. This is the first time that has happened in the 2 years I have been with the company. When I asked the owner why, he had two comments. “When we changed account managers a couple of years ago, something just didn't click, I really can't say what. Ever since, it seems as though my people are grumbling about what a hassle it is to do business with Jewel. Frankly, even with

the wonderful service you folks have provided for us over the years, this has become a problem I don't need to deal with, and one I have chosen not to deal with.”

Sharon Strausse - SVP – Professional Services

Customers have been cutting back on their sales & marketing departments recently. As a result of this downsizing, we are beginning to notice a decrease in the knowledge and skill of our clients in these areas. This has made it much more difficult and time consuming for us to communicate with them, which has resulted in an increase in assumptions and miss-communications on our part, which eventually leads to delays and cost overruns.