

BUSINESS PLAN

ADREFINE LTD

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Allowing Users to Control Source of Advertising

*****Patent Pending Technology**

EXECUTIVE SUMMARY

1. How Does It Work?

The AdRefine Technology allows browser users to control the source of advertising, and can be packaged as a browser extension or a browser module. Computer and mobile users are empowered to control the source and certain characteristics of the advertising that appears in their browsers.

For example, an AdRefine browser module may be invoked by clicking on a menu item in the browser saying “*Choose Your Ad Provider.*” Once selected, a small dialog window will pop up and allow the user to choose a Commercial Content Network (for example, Google, Yahoo, Bing or a non-search engine provider such Amazon or eBay) as a sole source of the ads served within that browser. There can be other settings to allow users to control the display, format and other characteristics of the delivered ads. Once the user makes his or her selection, AdRefine operates to deliver ad content based on the user’s choices: it identifies ads on every delivered page and replaces them with ads from the chosen Ad Network. Depending on the pages, ads are chosen within the Network’s ad pool based on keywords searches, prior searches, geo locations and other factors. The display of ads will also follow the display format and other preferences that the user may optionally select for the delivered ad content.

2. Why Do We Need It?

Studies show that at least 9% of all Internet users block ads and that the number grows rapidly each year.¹ 80% of the people blocking ads would rather see ads, but only those that would fit their requirements and choices.² Therefore at least 7% (9% of 80%) of the world’s Internet users can be reached by ads only if they are given opportunity to control the type, fashion and **the source** of the incoming ads. That is exactly what AdRefine Technology provides. 7% of the Internet users in the United States alone accounts for about 18 million users. With AdRefine, this market can be tapped into and generate additional US ad revenues of about \$2.2 billion.

One of the immediate benefits of AdRefine to the owner of this technology is a very quick and substantial increase in its ad audience market share, and a further benefit of potentially a very quick acquisition of a significant ad market from competitors. Because the system and the solution offered by AdRefine separates the content and commercial content servicing, the commercial content providers that are preferred by the most users and offer better targeted content and less intrusive content, or the ones that have exclusive access to the technology, can effectively capitalize on the most, if not all, advertising profits! A few simple examples:

Example 1. Company A is a Commercial Content Provider (“CCP”) that has about 1 million users of its search engine, but it has its own browser which is used by 100 million people in the U.S. If Company A incorporates the AdRefine Tehcnology module into its browser, it could have its own Commercial Content Network as a default user choice. Given that a large percentage of users do not typically change defaults and that people who use a particular search engine like its functionality (about 95%)³, it is reasonable to assume that Company A can have about 95 million users who would choose A’s Ad Network by default for their browsers. Therefore, 95 million people will be served A’s ads irrespective of the website that they are browsing, because AdRefine would then substitute ads on those pages for the ads from A’s

Network. **Thus, Company A will make 95 million x \$122⁴ = \$11.6 billion in additional revenue.**

Example 2. Company B does not have its own content or advertising Network, but has a very popular browser with 10 million active users. By including the AdRefine module in its browser, Company B can immediately begin sharing ad revenue with the ad networks. Assuming a conservative 50% in commissions, each user of B's browser will generate \$61 a year, which will amount to **\$610 million in additional revenue** in the aggregate. Moreover, Company B can generate additional revenue by charging ad Networks a fee for the inclusion in the AdRefine list and for positioning within the list.

Example 3. Company C has just formed and has no software assets, except for AdRefine Technology. Company C develops the browser extension which incorporates AdRefine into most major computer and mobile browsers. Company C partners as an affiliate with several advertising networks. In order to convince users to install AdRefine, Company C might offer users to share a portion of the profits they generate as loyalty points or through some other value sharing mechanism. In return, users will be motivated to install AdRefine and use it for their browsers. As a result, **Company C might generate affiliate profits of about \$4 million for every \$100,000 spent on marketing and other costs.**⁵

Example 4. Company D that serves more than 50% of all US search results. It has more than 1 Million users of its search engine, and has a browser, which is used by at least 50 million people in the US alone. If Company D adds the AdRefine technology module into its browser it can set its own Commercial Content Network as the default choice. It's expected that about 95% of people who use D's search engine and who use various browsers would not change set defaults.⁶ Thus, we would extrapolate that Company D might have 47.5 million users as subscribers to its commercial network for that browser. Therefore, 47.5 million people will be served D's ads, regardless of which Web sites they browse because AdRefine would substitute ads on those pages for the ads from D's network. Where current U.S.-based users of D's browser are exposed to ads originating from D's ad network about 50% of the time, with AdRefine installed into D's browser, they will be exposed to D's ad network about 100% of the time (almost double), **earning an addition \$2-3 Billion dollars in ad revenue.**

Conversely, if AdRefine is implemented by Company A in the example above, or by D's direct competitor in the search engine market, it is likely that instead of billions in additional revenue, Company D would suffer catastrophic losses in ad revenues when its users select (including by default) a different commercial content provider as their preferences. The ad revenue for Company D would be reduced significantly based on user choice of selecting a different ad content provider(s).

3. Is It Legal?

Prior to developing the methodology and filing the patent application⁷, the AdRefine team asked the same question. Extensive legal research and analysis of applicable cases and laws yielded a reasonably certain conclusion that the offered solution will not violate any legal norms or contractual obligations. Rather, AdRefine will independently provide the legal framework to protect user interests and preferences. Ad substitution without user's consent is clearly wrong and unethical. There are some disreputable companies that develop and use such malicious

software.⁸ However, they almost always provoke the ire of the users and typically shy away from any visible marketing and other public activities.⁹ In contrast to these operators, **AdRefine allows users to decide who serves their ads.** Thus, it simply empowers users to exercise their freedom of choice and control over their own Internet activities. Consequently, Adrefine is both legal and highly desirable --offering a highly desired feature to the Internet user community.

Moreover, once AdRefine is installed, it offers the tools and all the necessary elements for the legal protection of users' choices. Specifically, any malicious software changing a user's ad choices will automatically become legally responsible for interfering with user choices and user agreement with AdRefine. AdRefine will then be uniquely positioned to address direct violations and interference due to malicious software through legal recourse, and may choose to pursue the culprits through legal recourse, as protector of user's interests and choices in the ad content delivery.

ADREFINE TEAM & COMPANY ORGANIZATION

AdRefine LTD is a New York corporation headquartered in Great Neck, NY. It was founded on September 22, 2014.

The founding team consists of the AdRefine's shareholders and directors, who are proven Internet veterans and legal professionals. AdRefine's team possesses the necessary vision, motivation and competence to execute and reach the set goals, and proven ability to navigate the technical and legal intricacies of the Internet advertising industry and ad serving software.

1. Michael Pesochinsky (40% Shareholder)

Mike is Inventor of the AdRefine™ Ad Swapper and a Director of AdRefine LTD. He is also a Chief Technical Officer & General Counsel at Cyweb Holdings, a successful company he has co-founded and presently owns. It operates several popular and growing Internet brands serving and providing high quality Web-based content and ecommerce services to loyal consumer audiences. Prior to Cyweb, Michael headed Infocraft, a consulting group, where he managed the global enhancement of Sharpbiznet.com, a business-to-business Web site for Sharp USA dealers worldwide. Mike also led the Referral Program Web site development project, a marketing campaign targeting supermarket cashiers, for Priceline.com. Prior to his work at Infocraft, Mike was a Senior Consultant for Citigroup, where, among other key projects, he designed a financial tool to provide analysis to major rating agencies on approximately \$30 billion in commercial paper. Mike also worked for M. Argüeso & Co., Inc., a wholly-owned subsidiary of SPS Technologies, Inc., where he developed a number of unique technologies and products, many of which received U.S. patents and international acclaim, attracted scores of new customers and brought in over \$700,000.00 in revenues. Mike holds a law degree from Rutgers Law School, and is a member of the NY and NJ Bar. He is also registered with the United States Patent and Trademark Office ("PTO").

2. Ilya Aronovich (40% Shareholder)

Ilya is a Director of AdRefine LTD. Ilya is also the President and CEO of Cyweb Holdings Inc., a company he co-founded after having clerked for the late Honorable Milton Pollack in the U.S. District Court for the Southern District of New York. Ilya holds a law degree from Fordham Law School -- where he was Editor-in-Chief of the Fordham Journal of Corporate & Financial Law -- and a bachelor degree from Rutgers University.

Prior to and during law school, Ilya owned and operated a consulting business, which had as its clients various prominent businesses, and where he spearheaded the launch of a highly successful Internet venture that soon became a multi-million dollar company. Prior to that, he was involved in the export and transportation of American, Canadian, & Taiwanese construction materials to Europe and South-central Asia, and in securing a large amount of bank exports financing through the U.S. Government's Export Working Capital Program. Ilya also held a two-year position as a President of a national fraternity, and served as a member of the Law Committee for a prestigious North-American Interfraternity Conference. Ilya has appeared numerous times on CNBC, CNN and many other media and Internet news channels.

3. Daniel Basov (20% Shareholder)

Daniel is a Director and General Counsel of YourChoice LTD. He is also a counsel with the Intellectual Property law firm of Kaplan Breyer Schwartz and Ottesen LLP (formerly with Howrey LLC and Chadbourne & Parke, LLP).

Daniel has extensive expertise in patent prosecution, litigation, negotiating and drafting intellectual property license agreements, and advising on the IP aspects of corporate transactions and e-commerce, including preparing patent infringement/validity opinions and rendering trademark and copyright advice. He prepared and negotiated numerous IP and technology agreements, data protection, privacy and information security agreements and policies, software and hardware vendors agreement, commercial transactions, NDAs, joint ventures, outsourcing, consultant and R&D agreements, open source issues, audits, IT and software license negotiations with Microsoft, Oracle, Sybase, CISCO, Avaya, SAP and others.

Mr. Basov's also renders legal advice and represents technology clients in mergers and acquisitions, technology transfers, licensing and other types of transactions involving various IP and e-commerce issues. Among others, he represented Tata Technologies in joint ventures and acquisitions, Conexent Systems Inc. in a \$2.8 billion merger with another broadband and wireless solution provider, Globespan/Virata Inc., iQor US Inc. in acquisition of several product support and back-end office operation companies, and Rockwell Collins, Inc. in a 128 million dollar acquisition of NLX, LLC. Mr. Basov also provided legal advice to Svenska Cellulosa Aktiebolaget SCA. and its subsidiaries in connection with the purchase of the "away from home" tissue business of Georgia-Pacific Corporation, with a market value of approximately \$700 million, and represented Laerdal Medical in various transactions and disputes involving medical training devices, Federated Department Stores and other on various matters involving assertions of patent infringement of e-commerce patents, trademark disputes and license negotiations.

Mr. Basov Basov also has extensive litigation experience, and has litigated many lawsuits in the recent years, representing companies like General Electric, Phillips, HP, Goss International, J.P. Morgan Chase, Conductus Inc., IFC Metropol, Volkswagen, Matsushita, Minebea Co. and Nippon Miniature Bearing Corp. in various lawsuits involving patented technologies, copyrights, trade secrets and trademarks for financial and billing systems, disk-drive motors, wireless devices, wireless base station filters, video and image compression, Internet telephony, LCD monitors and printing presses. He also advised iQor U.S. Inc., PhoneFree.com and Symbol Technologies Inc. on the issues of infringement in the areas of data analytics, Internet telephony, image scanning and optical recognition. Mr. Basov is an active member of the New York state bar association, New York Intellectual Property Law Association, and a registered attorney with the U.S. PTO. He received his law degree from the Fordham School of Law and bachelor degrees in computer science and mathematics from the New York University.

MARKET AND COMPETITION

1. No Direct Competitors

AdRefine holds unique patent pending technology and has **no direct competitors in the intended marketplace**. Indirect competition consists of ad blockers and ad substitution products. However, as explained below, the AdRefine technology offers a unique solution, far superior to what is offered by any competitors.

2. Indirect Competitors

Ad Blockers

As far back as 2007, ad blocking as a concept was already accepted and ad filtering and substitution were practiced. Since then the industry has grown and is now full of services and programs that allow users to completely block advertisements or limit ad appearance and location the delivered pages. Some companies substitute ads for other ads or overlay ads onto webpages. However, no actor provides a service and/or software that allows Internet user to select the commercial content provider that would provide ads to the user. Instead, the companies engaging in ad substitution do so without any authorization or permission from the users, and typically such actions are not welcomed by the users.

There are quite a few Ad blockers on the market. While Ad blockers often remove ads completely, they also completely take out the ability of the Internet and mobile content providers to monetize the delivered content via advertising. If ad blocking is allowed to prevail in the marketplace and becomes the user norm, it would substantially erode the business model for providing online content for free, and many websites would simply disappear. Survey evidence shows that only about one fifth of an ad blocker's users would opt out of all ads completely.¹⁰

Key Market Participants - the main players are:

- (a) **Simple Adblock** (<http://simple-adblock.com/>) – Allows user to select their country and then use community based ad blocking filters to block obtrusive ads.
- (b) **Adblock Plus** (<https://adblockplus.org/en/internet-explorer>) This is essentially a simple ad blocker for the Internet Explorer, and it blocks banners, pop-ups and video ads -- even on Facebook and YouTube, while allowing users to configure it in such a way that “unobtrusive ads” aren't being blocked in order to support Websites. It offers “unobtrusive ads” enabled by default, but a user can disable them.
- (c) **Quero** – (<http://www.quero.at/>) - an ad blocker Internet Explorer with enhanced navigation bar.
- (d) **AdBlock** (<https://getadblock.com/>) - a browser extension (for Chrome, Safari, and Opera) that prevents ads from being downloaded.
- (e) **AdSweep** – a browser extension user script for Chrome, Safari and Opera browsers, which blocks a large number of ads on some major websites.
- (f) **Privoxy** – (<http://www.privoxy.org/>) - a web proxy software that blocks ads in the Chrome browser, but take some configuration by the user (see <http://lifehacker.com/5046529/how-to-block-ads-in-google-chrome>).

- (g) **FlashBlock** (<https://chrome.google.com/webstore/detail/flashblock/gofhijkjmkpinhpoiabjplobcaignabl?hl=en>) – a Chrome browser extension that automatically blocks Flash content and features a whitelist.
- (h) **Disconnect** (<https://disconnect.me/>) - lets users block ads selectively, after presenting information about the ads and companies behind them.
- (i) **Ghostery** (<http://www.ghostery.com/>) - lets users block ads selectively, after presenting information about the ads and companies behind them.
- (j) **Adblock Edge** (<https://bitbucket.org/adstomper/adblockedge>) - a version of an ad blocker that does not support acceptable ads -- or even offer an option for users to opt into such a program.

Ad Substitution and Overlay

There are also companies that engage in Ad Substitution and Ad Overlay. and are generally viewed as nefarious by the Internet community, reputable companies and authorities, and often provoking their ire.

- (a) **RT66** (<http://www.r66t.com/>) - a publisher of the targeted content, information and advertising to private Wi-Fi and High-Speed Internet Access (HSIA) networks which facilitates the ability of Internet providers to block certain ads and overlay those of their choosing.¹¹
- (b) **Rockettab** (<http://rockettab.com/>) - a browser add-on that promises to make users' Internet browsing experience more productive by enabling multiple site search capabilities, but in reality it is characterized as Adware by most authorities because it overlays ads such as hot links at the top of almost every page.
- (c) **NebuAd** – a now defunct company that had hardware hosted within the ISP that was capable of inserting content into pages, an off-site server complex, to analyze and categorize the contents of users' Internet communications, and relationships with advertising networks willing to present NebuAd's targeted advertising. They dissolved in 2009 after the public concern and Congressional review of their business activities chased away their customers.

Others in the Industry

Adblocking defense gains prominence

Because ad blocking has become such a problem, several companies were recently funded (and one very recently acquired) that engage in some form of Adblock defense.

- (a) **ClarityRay** (www.cralityray.com -- recently acquired by Yahoo) provides a tool that lets publishers monitor blocking activity and software that fools ad blockers into allowing ads through.
- (b) **PageFair** (www.pagefair.com) -- helps sites detect when their ads are being blocked and can display an appeal to users to add the publisher's website to their ad-blocking tool's personal whitelist.

Important occurrences in the industry

The funding and recent acquisition of several companies that defend against ad blocking and last year's delisting of Adblock Plus from the Google Play store attest to the fact that ad blocking is becoming problematic in the industry. It gives us additional confidence and assurance that AdRefine is not only ripe for the market, but constitutes a highly demanded solution to the ad blocking problems in the market.

3. The AdRefine Solution

AdRefine empowers Internet and mobile users and gives them a choice as to what Ad Content Providers they are exposed to when searching the Web and viewing their favorite sites.

As it stands now, when Internet and mobile users view or search the Web, they are exposed to (and sometimes bombarded by ads). These ads may be obtrusive, offensive, distracting or unrelated to the user's interest and may increase computer memory usage and CPU cycles. Moreover, as an increasing amount of Internet users go mobile, they will pay more data charges. Additionally, as mobile carriers are getting rid of unlimited data plans, users will increasingly switch to a pay-per-Megabyte fee for every megabyte over the allotted quota.

Advertisements (including streaming action and video) can rapidly consume gigabytes of transfer bandwidth especially on a faster 4G connection that is being rolled out.

When combined with the fact that many advertisements are obtrusive, offensive, distracting or unrelated to the user's interest, many users would very likely want to choose their ad providers, to better select low-bandwidth, highly-relevant ads if given this option. However, as it stands now, the user – the most critical component of the entire advertising universe – has no ability to consciously influence the choice of the commercial content provider that serves their ads. Rather site owners and their commercial content providers exert all the influence.

AdRefine™ specifically empowers Internet users to accomplish this goal – to choose their ad provider(s). When the AdRefine Technology is adopted by users, it will encourage advertisers and ad providers to create and serve very low-bandwidth, highly-relevant ads to give Internet and mobile users the best possible and least costly experience.

AdRefine allows content providers to retain the ability to monetize their content via ads, and also empowers the Internet and mobile viewers of that content to choose ad providers, thereby giving themselves the ability to choose the ones that serve very low-bandwidth, highly relevant ads.

COST OF DEVELOPING AND MAINTAINING THE SOFTWARE

1. Development Costs

AdRefine estimates that the fully functional products and services can be developed and ready for distribution within one a year.

Cost of Development

Directors and Management	\$300K
System Architect/Network Engineer(s)	\$250-300K
DBA(s)	\$150-175K
Project Manager(s)	\$175-200K
4 Programmers	\$500-600K
2 QA Persons	\$200 K
Hardware and software/licenses	\$50-\$70K
TOTAL	\$1.6-1.8 million

2. Ongoing Technology Costs

The cost of maintenance, support, product enhancements and upgrades will be about \$1 million a year, and it could be accomplished with two developers and one quality assurance person.

ENDNOTES

¹ 9.26% of impressions were found to be ad-blocked See <http://www.quora.com/AdBlock-browser-extension/What-is-the-percentage-of-Internet-users-that-employ-AdBlock-Plus-or-similar-ad-blocking-plugins-in-australia>; Ad blocking Doubling every year http://clarityray.com/Content/ClarityRay_AdBlockReport.pdf

² Up to 80% of adblock users would allow ads if they can control type, fashion and SOURCE of ads See <https://adblockplus.org/blog/adblock-plus-user-survey-results-part-3>

³ Less than 5% people change their default settings. See <http://www.uie.com/brainsparks/2011/09/14/do-users-change-their-settings/>

⁴ Total spend on Advertising in the US in 2010 was \$25,640,000,000. See Graph on Page 23 in http://www.mckinsey.com/~media/mckinsey/dotcom/client_service/high%20tech/pdfs/impact_of_internet_technologies_search_final2.ashx . In 2010 in the USA population was 309,300,000, and 70% of them were internet users. See Interactive Graph at https://www.google.com/search?sourceid=navclient&ie=UTF-8&rlz=1T4MXGA_enUS594US594&q=number+of+internet+users+2014#q=how+many+internet+users+in+us. Consequently, the advertising spend per person was \$122.50.

⁵ Given that resellers ordinary make about 50% as commissions, it is reasonable to expect that each user of the company C will bring in \$60 of revenue per year. We estimate that incremental promotional and other costs for getting each additional user to use AdRefine will not exceed \$20-30 per year. For example, the AdRefine may enter into an agreement with a number of reputable Antivirus software vendors to market and distribute AdRefine software to users. When purchased in bulk, such licenses are typically under \$20 per year. Thus, AdRefine users may be encouraged to receive a free copy of Antivirus software, so long as they install AdRefine software in conjunction with it. The potential market for such approach is millions of users. For each 100,000 users of AdRefine, the Company C in the above example is likely to generate about \$4,000,000 per year in revenue. (60-20=40)

⁶ Less than 5% people change their default settings. See <http://www.uie.com/brainsparks/2011/09/14/do-users-change-their-settings/> less than 5% people change their default settings.

⁷ A patent application covering the system was filed with the US Patent & Trademark Office

⁸ See Section III:Market and Competition, page 8.

⁹ See, e.g., <http://arstechnica.com/tech-policy/2013/04/how-a-banner-ad-for-hs-ok/>; <http://www.wilderssecurity.com/threads/bit-defender-replacing-search-ads-with-its-own-ads.359939/>; and <http://blogs.technet.com/b/mmpc/archive/2013/06/20/ad-injection-and-you-how-adware-gets-on-your-computer.aspx>

¹⁰ 21% of surveyed ADBlock Plus users would not allow any ads See <https://adblockplus.org/blog/adblock-plus-user-survey-results-part-3>

¹¹ See, e.g., <http://arstechnica.com/tech-policy/2013/04/how-a-banner-ad-for-hs-ok/>