



**SavedPlus.com**

Automatic savings platform

## RESPONSE TO REQUEST FOR INFORMATION (RFI)

STO RFI #13-01 – SB 1234/ California Secure Choice  
Retirement Savings Program



1. Our Company - "Save little, Save Often, Save Automatically!"

SavedPlus is a Silicon Valley-based financial startup that pioneered a patent-pending, bank platform-agnostic micropayment capability that allows consumers to automatically save money as they spend.

It works like a sales tax by adding an extra percentage on each transaction and transferring it from a source account to a savings destination account.

The cornerstone of its concept is the realization that consumers fail to prioritize saving, yet could afford to save more if they shifted finance behaviors.

Because spending is the priority, not savings, only 59% of Americans report currently saving any money for retirement, and only 55% of Americans have more in emergency savings than in credit card debt. Americans want to save more but do not. 89% of workers that are not currently saving for retirement would contribute 3% of their salary to savings and 62% of all workers think it reasonably possible to save another \$25 per week.

Nearly half of consumers - 46%, were considering financial resolutions for 2013. The top three specific resolutions were to save more (52%), spend less (19%), and pay off debt (19%).

SavedPlus solution helps Americans automatically re-prioritize savings and retirement contributions equally to their spending, making them increase their contributions.

Our unique and innovative mobile and online solution addresses consumer inertia towards saving more.

2. Paul Sorokin,
3. Co-Founder and President
4. I am willing to participate in a follow-up call or interview to help clarify any questions.
5. [psorokin@savedplus.com](mailto:psorokin@savedplus.com), 650-996-5829

## Answers to RFI Questions in Section II

### Plan Structure

1. Our recommendation would be to implement SavedPlus automatic savings platform that would work the following way:
  - a. Each participating employee is setup with SavedPlus automatic savings application. Each participating Employer has online access to SavedPlus savings platform, where they can enter all relevant information about participating Employees such as name, age, salary etc.
  - b. The application is configured with Employer business checking account (online), optionally with Employee personal checking account (mobile or online), destination FDIC insured Cash IRA account (mobile or online) that will be automatically setup for each enrolled employee at our partner – Entrust Group LLC (Entrust) ([www.theentrustgroup.com](http://www.theentrustgroup.com)) (country’s largest provider of self-directed IRA accounts, with ability to invest in over 25,000 mutual funds and alternative assets), and destination personal “liquid” savings account of Employee’s choice (mobile or online).

Signed up employees will have a choice of:

- c. Mandatory saving of 3% from their paycheck that will be automatically deducted from Employer’s business checking account and deposited to Employee’s destination Cash IRA account at Entrust, and
- d. Optional additional savings contribution of 5%-20% from their personal checking account to either Cash IRA account at Entrust, or their personal “liquid” savings account.

Once employee had fulfilled maximum allowed yearly contribution to their Cash IRA account, the SavedPlus automatic savings platform will automatically switch savings to “liquid” savings account.



### Investment Options

2. Our recommendation would be Money Market accounts, Certificates of Deposit (CDs) and precious metals. We would recommend passive management style to minimize costs.
3. We recommend to setup a “default” saving option to FDIC insured Money Market account at Entrust group.

4. We would not recommend to include any insured interest or insured income products, because any such interest or product would significantly increase administrative plan costs.
5. Our recommendation would be to have the Program provide a lifelong stream of guaranteed income for those who participate 10 years or longer, which would make this stream of guaranteed income feasible. The way it would work is this – after 10 years of participation in the Program, a participant would have a choice to convert the entire or a portion of their IRA savings to Certificates of Deposits (CDs) or Annuities, that will distribute monthly dividends on the invested \$ amount.
6. As far as we can see, our recommendations would not require any changes to SB 1234.
7. All risks are mitigated by products being offered i.e. FDIC insured.

### **Plan Design and Features**

8. We recommend 3% to be the “default”, automatic level of contribution, with additional option to choose between 5%-20% to be additionally contributed from the individual’s personal checking account using SavedPlus automatic savings mechanism.
9. SavedPlus automatic savings mechanism allows various levels of contributions to selected IRA and savings accounts. Those various levels can be set depending on different factors such as age of contributor, salary and contribution frequency. Built-in savings and retirement forecasts can visually demonstrate appropriate strategy that would yield the best result, thus providing constant incentive to save more towards retirement.
10. No additional design features should be included or eliminated.
11. SavedPlus automatic savings platform by design provides maximum protection against pre-retirement “leakage”. Most often, pre-retirement “leakage” occurs due to absence of adequate \$\$ in “liquid” savings. SavedPlus, not only provides an effective vehicle to move mandatory funds in to individual’s IRA account, but also an incredibly easy way to start building up “liquid” savings by “Saving little, Saving often and Saving automatically” every time subscriber spends money. This assures that at any given time there are other “liquid” money available for emergencies and other unplanned needs.

### **Costs and Fees**

12. We estimate administrative costs to be approximately \$20,000/mo for every 5,000 subscribers or about \$4/mo per user. There will be no cost for setting up IRA, Money Market and CD accounts at Entrust. There will be \$150/yr/user

charge for administering precious metals accounts, and \$30-\$100/yr/user for administering mutual funds accounts.

13. We propose to include the fees in the automatic savings deductions. \$4/mo/user administrative fee to be paid by Employer. Administrative fees for precious metals and mutual funds accounts would be deducted by Entrust from participating subscribers' IRA accounts.
14. To assure transparency of charged fees we recommend the Board to require Employers to provide the following data quarterly:
  - a. Total number of employees
  - b. Number of participating employees
  - c. Their age
  - d. Their salary

That data will then be automatically matched to the quarterly data provided by SavedPlus with any discrepancies flagged and investigated.

To avoid any potential conflict of interest among service providers, we recommend that any changes to fees or expenses to be approved by the designated third party such as the Board or other similar independent from service provider's entity.

### **Administrative Issues**

15. The proposed implementation of SavedPlus automatic retirement savings platform bears a significantly lesser cost to the Employer than existing 401K offerings. For instance, a business with 10 employees on average pays \$685 one-time setup fee plus \$1,866 per year or \$186/mo per employee in administration fees compare to only \$4 per user per month if they are to use SavedPlus automatic retirement savings platform. On top of this, SavedPlus effectively help employees to build up their "liquid" savings and prioritize savings alongside with spending – a unique industry feature.
16. Our practice show that managing enrollment in and out of the program is extremely easy and transparent. If an Employee is laid off or otherwise leave Employer, the Employer would notify SavedPlus via SavedPlus web portal and SavedPlus will disconnect Employer's business checking account from Employee's SavedPlus account. Other accounts such as Employee's personal checking and personal savings accounts can remain active, so that the subscriber can continue to contribute to their IRA or "liquid" savings accounts every time they make a purchase or buy something. Alternatively, with one click they can opt to be put on temporary hold, until a new Employer is identified. Once they find another job, their new Employer would login to SavedPlus portal and add new employee. If employee was previously enrolled in SavedPlus then with one click their IRA contributions will restart. Any other IRA provider can be entered in SavedPlus and SavedPlus can automatically contribute subscriber's funds to newly selected IRA account.

To rollover funds from one IRA account to another, they would simply need to follow industry established procedures.

17. We do not have any concerns administering the Program.

### **Legal Issues**

18. All recommended accounts are traditional IRA accounts and by definition would qualify for favorable income tax treatment.

19. Our recommendation would be to mandate every person over 21 years old to open SavedPlus retirement account, and use SavedPlus platform to automatically contribute 1% of all purchases to that retirement account, in a similar to Sales Tax manner.

### **Establishing a Retirement Investments Clearinghouse (RIC)**

20. Our assessment is that establishing (at least initially) an online RIC would be beneficial from several points of view:

- a. It would provide Employers with a choice to select program that would work best for them.
- b. It would help identify popular Employer and Employee choices and concentrate on making improvements to those programs that work best.

21. SavedPlus can provide all necessary information in regards to the process of registering participants. As for RIC operation, our recommendation would be to outsource this functionality to a third party provider via separate RFP.

### **Developing the RFP for the market research, plan design and feasibility study**

22. Our recommendation would be to do a separate RFP.

23. SavedPlus and Entrust can provide all necessary components to a successful implementation of the Program. The only other components that we can think of that would be required for any such implementation are a third party Auditor firm and RIC operation provider.

24. We do not have any additional recommendations.

### **Strategies for seeking and securing funding for the market research, plan design and feasibility study**

25. Given that potential implementation of proposed SavedPlus automatic retirement savings platform is up to 46.5 times less expensive than current venues, we recommend to solicit donations from for-profit entities, who could save millions of dollars by implementing such solution.

26. We recommend to create a separate escrow account that will hold the funds until the feasibility study is completed.

**Timeline for the market research, plan design and feasibility study**

27. We do not.

## **Addendum to a response to STO RFI #13-01**

### **How SavedPlus Works**

The SavedPlus service helps facilitate the transfer to savings by providing the customer with a flexible tool to calculate the amount to be saved and the timing of the savings.

This service allows the customer to:

1. Choose a percentage to be applied to the customer's spend amount. For example, anything from 5% to 20%
2. Choose a source, monitored, and destination saving accounts. Essentially, the customer is asked to identify the funding checking account, then any monitored spending accounts that could be credit or debit card accounts, and destination account that can be Secure Choice Program Fund, Savings, IRA, or other long term retirement savings accounts. Monitored accounts are those accounts that have transactions that will participate in calculating the \$ amount that is to be saved and transferred from their checking to their destination savings account. All accounts must belong to the same person.
3. Establish parameters. The customer is asked to specify a maximum qualified transaction ("MQT") dollar amount. The MQT sets the upper limit of qualified transactions used to calculate money transferred to the designated destination account. For example, if the customer selects an MQT of \$600, only transactions that are \$600 or less will be used to calculate the dollar amount to be transferred to the customer's designated savings account. The customer is also asked to specify the minimum checking account balance dollar amount in order for the money transfer to be initiated. Setting a minimum checking account balance ensures that the checking account is not overdrawn as a result of the transfer facilitated by SavedPlus.
4. SavedPlus calculates the customer's "spend amount" by aggregating transaction data from the participating monitored accounts of the customer. The customer supplies the needed account numbers and access codes, which are used by a third party company (such as Yodlee Inc.) to track spending by the customer. The third party also checks the customer's checking account to ensure that minimum balance requirements as specified by the customer will remain. SavedPlus's software thus computes the amount to be transferred to the user's destination account by applying the user specified percentage to the "spend amount" as soon as this transaction is posted on their monitored account, and assists the customer by automatically initiating a transfer between the customer's checking and destination savings account. The actual transfer of funds is

accomplished through paired ACH debit and credit entries (debit checking; credit destination). This ACH service is not performed by SavedPlus as an originator or other party to the transfer. Rather, SavedPlus's program provides data to another third party company (such as CheckGateway) to transfer the computed \$ amount from the customer's checking account to the customer's destination savings account via ACH entries initiated by CheckGateway.

Our patent-pending solution was implemented via online, iOS and Android mobile platforms in May of 2013, and since then, as of October 2013, we had over \$5M in monitored transactions!

The simplicity, automation and affordability is what making SavedPlus platform a very attractive alternative to common savings programs.

Our APIs can be easily integrated with existing financial and banking software, and our backend technology infrastructure is flexible and easily scalable, allowing us to continuously enhance service offerings and always meet varying needs of marketplace.

Our total volume of monitored transactions grew to \$5,000,000 within 5 months of operations – a monthly average growth rate of 400%.

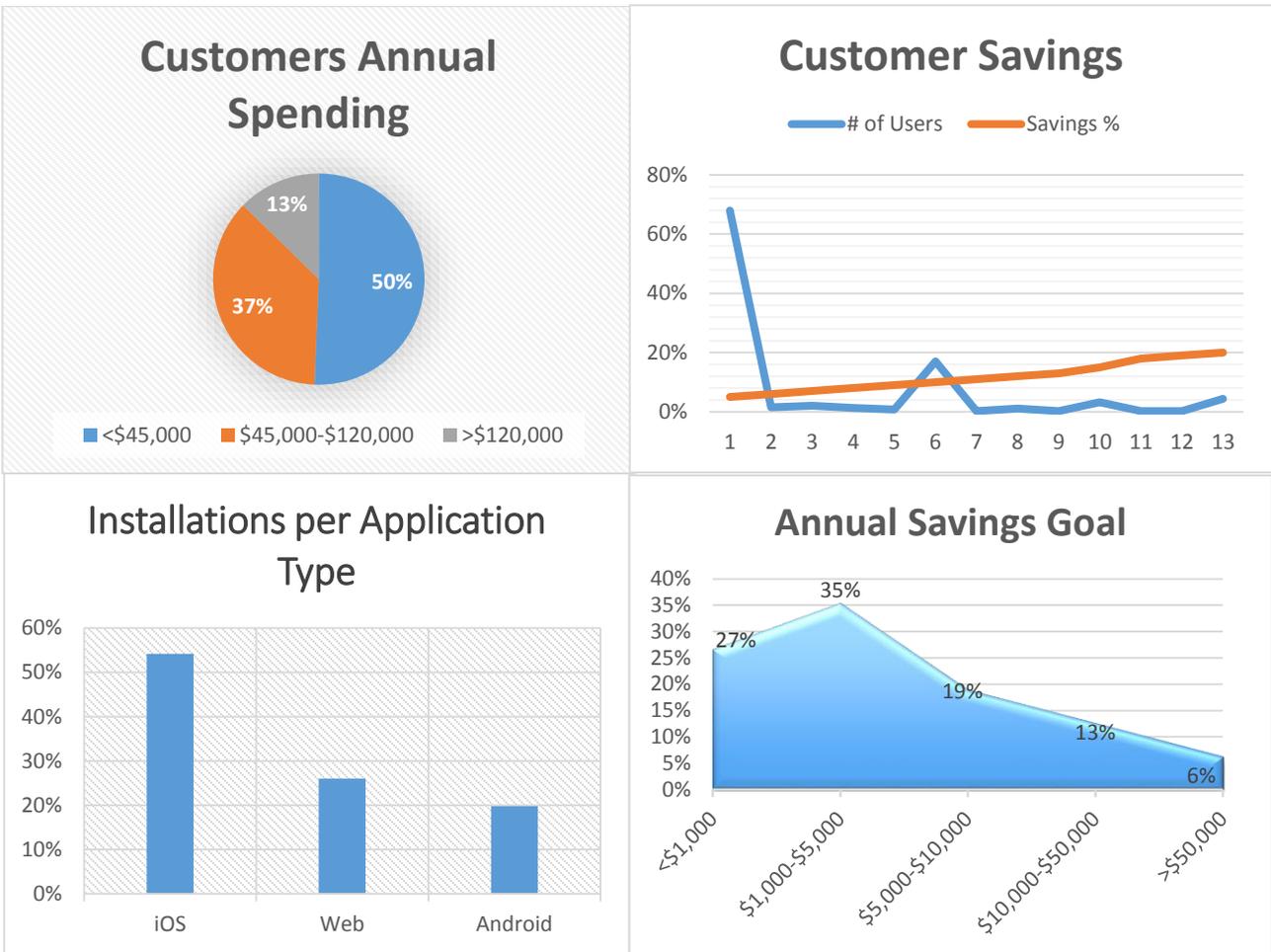
## **Our Customers**

Our target market is about 15 million working Americans who use mobile and internet banking, and seek to increase their short and long term savings. Just 5% of their daily spending budgets can together generate up to \$50 billion in annual contributions to savings, investment and retirement accounts.

Our current version of the software works with over 5,500 US Banks and US financial institutions.

Since launching mobile and online application in May of 2012, we have over 1000 registered users.

Most of our clients come to know about SavedPlus through social media, financial blogs, portals and internet media.



35% of our customers plan to save \$5,000/year and 50% save \$208/mo or \$2,500/year.

In September of 2013, we had presented at Finovate in New York, and received an extremely positive feedback with pronounced interest from banks, asset gatherers and media.

We see a great opportunity in leveraging various financial savings destinations by offering an open market type recommendations for a high-yielding savings account products, 529 plans, diversified and self-directed IRA portfolios, pre-paid debit cards, online retail programs, charities and many more to fuel consumer interest in automatic savings.

Since starting up company in February of 2012, we gathered a very significant customer experience that we collected via randomly generated on-site and online meetings, psychologists, and market analysis.

One of the important findings was a so-called “Endowment Effect”, where people tend to value “liquid” money - for instance in their wallets or checking accounts, considerably higher than money in savings or retirement accounts.

SavedPlus effectively and constructively deals with this dilemma by utilizing our motto – “Save Little, Save Often, and Save Automatically”. People who had problem transferring \$100/mo from their checking to their savings account, do not have such problem when they transfer the same \$100 in much less noticeable small increments that often total \$2-\$5/day.

## **Our Market Opportunity**

Historically, there are several ways of how people can save money for retirement or other saving goals:

1. By manually transferring a certain \$ amount on a monthly basis
2. By scheduling an automatic transfer from checking to savings
3. By participating in employer sponsored 401K plans, or via personal finance advisors.

Lately, new “round-up” programs from Bank of America and Wells Fargo that round-up any transaction to a nearest even dollar, and automatically depositing it to client’s Bank of America or Wells Fargo savings account, became available. They were met with initial excitement from the user community, and attracted millions of users to those financial institutions, but then quickly lost popularity due to realization that lifetime may not be long enough to accumulate any significant savings using this method.

All that demonstrated the market readiness for a more attractive and sizable automatic savings that SavedPlus can deliver. We have heard this numerous times from bank executives who expressed interest in implementing SavedPlus white label solution.

In today’s spend-centric society, retirement savings continue to be at all-time low with millions of Americans not having enough money saved. Forbes called it “The Greatest Retirement Crisis in American History and the World” with millions of Americans slipping into poverty:

Retirement Statistics	Data
Average retirement age	62
Average length of retirement	18 years
<b>Average savings of a 50 year old</b>	<b>\$43,797</b>
Total cost for a couple over 65 to pay for medical treatment over a 20 year span	\$215,000

<b>Percentage of people ages 30-54 who believe they will not have enough money put away for retirement</b>	<b>80%</b>
Percentage of Americans over 65 who rely completely on Social Security	35%
Percentage of Americans who don't save anything for retirement	36%
Total Number of Americans who turn 65 per day	6,000
Percentage of population that is 65 years of age or older	13%

<b>Out of 100 people who starts working at the age of 25, by the age 65:</b>	<b>Data</b>
Will be considered wealthy	1%
Have adequate capital stowed away for retirement	4%
Will still be working	3%
<b>Are dependent on Social Security, friends, relatives or charity</b>	<b>63%</b>
Are dead	29%



<b>American Family Financial Statistics</b>	<b>Data</b>
<b>Average American family savings account balance</b>	<b>\$3,800</b>
<b>Percent of working Americans who are not saving for retirement</b>	<b>40 %</b>
<b>Percent of American families who have no savings at all</b>	<b>25 %</b>
Average amount saved for retirement	\$35,000
Average American household debt	\$117,951

Average American family home value	\$160,000
Average amount owed on home mortgage	\$95,000
Average American household annual income	\$43,000
Average credit card debt	\$2,200
Percent of American adults who do not have a bank account	7.7 %
Percent of American adults who have an emergency fund to fall back on	38 %

We estimate conservatively that currently in United States more than 15 million people are looking for a solution that would allow them to automatically contribute small \$ amounts to their savings and retirement programs. With the potential end of Social Security program looming in 2025-2040, millions more Americans will turn to automatic personal savings such as offered by SavedPlus.

### **Automatic Savings Market Size**

With approximately 128 million working Americans, about 51 million Americans are not currently saving for retirement and 32 million do not have any savings at all.

In other countries like Canada, Australia and UK, where SavedPlus platform can be implemented in the near future, the situation is similarly grim if not worse:

**Canada:** only 25% of eligible Canadians had contributed to retirement savings in 2011, with average contributions of only 4% of disposable income.

**Australia:** 86% of Australia's 5.5 million baby boomers are financially under-prepared for retirement.

**UK:** "Britons – worst in world at saving for retirement" – The Telegraph

#### **Other countries fare just as bad:**

Rank		Length of retirement expected (median, years)	Time when savings are expected to run out (median, years)	Retirement savings shortfall (years)	Retirement savings shortfall (% of retirement covered by savings)
	Global	18	10	8	56%
1	UK	19	7	12	37%
2	Egypt	11	5	6	45%

3	France	19	9	10	47%
4	China	20	10	10	50%
5	Taiwan	18	9	9	50%
6	Brazil	23	12	11	52%
7	Australia	21	11	10	52%
8	Mexico	17	9	8	53%
9	Singapore	17	9	8	53%
10	Canada	19	11	8	58%
11	UAE	15	9	6	60%
12	Hong Kong	17	11	6	65%
13	USA	21	14	7	67%
14	India	15	10	5	67%
15	Malaysia	17	12	5	71%

We believe that automatic savings in general, and SavedPlus platform in particular are poised for eminent and rapid growth over the next 10 years. This is demonstrated by the following trends we observe today:

- Increasing awareness and recognition of a problem with adequacy of current retirement savings programs and mechanisms around the world.
- Improving readiness and wiliness of government, banking and other financial institutions to accommodate and implement new emerging technologies aimed at addressing complex savings behaviors, and automating and simplifying contributions to retirement savings.
- Increasing investor responsiveness and participation in funding companies with innovative mobile and online financial tools.
- Rapidly growing media coverage of the deficiency in retirement contributions, and need of automatic savings programs that address endowment effect associated with savings contributions.
- Continuous advances in domestic and global financial data aggregation technologies and
- Rising global and domestic acceptance of mobile financial tools.

As a result, SavedPlus automatic savings platform, if implemented globally, can help hundreds of millions of people around the globe to automatically build up their retirement savings.

## **Our Competitive Strengths**

We have pioneered, maintained and will continue to enhance our position in the US mobile financial market and other countries by leveraging the following competitive strengths:

1. SavedPlus.com is the only bank-agnostic platform in the world that allows to automatically save for retirement at the time of payment.
2. Our patented software algorithms allow implementation of several advanced automatic saving programs, while providing valuable blind data mining capability. This would allow SavedPlus and its partners to gather and monetize insights associated with user spending and saving data. Our APIs are developed using most advanced and modern technologies, making it ideal and long living for adaptation at other financial institutions around the world.

We believe that we are making great strides in developing SavedPlus.com brand for various automatic savings, and value-added retirement savings marketplace. For the six months ended September, SavedPlus.com averaged over 6 thousand unique visitors per month.

Our current sales and marketing strategy concentrates on 3 distinctive venues:

1. Consumer
2. Bank Partnerships
3. Retail Partnerships

In “Consumer” marketing venue, we target individual Americans that actively look to enhance or initiate their savings contributions with small but frequent automatic savings. We primarily and actively target various financial blogs, online social and mass media. The new version of the software will also have a built-in paid referral program. We consider this to be an important strategic venue that will leverage SavedPlus platform against potential bank specific implementations by utilizing our bank-agnostic software platform.

In “Bank Partnerships” marketing venue, we target banks, CUs, and various asset aggregators that look to enhance their product portfolio, attract new clients and offer a tool that will help entice existing customers to contribute more money to their existing savings and retirement accounts. We do this by actively participating in industry relevant conferences, sponsorships, demos, and volunteer work.

In “Retail Partnerships” marketing venue, we target online merchants that have an established online presence, and that are looking to increase inflow of customers by offering them a more meaningful reward programs such as automatic contribution of 5% of purchase to the savings destination account of client’s choice. We also do this by actively participating in industry relevant conferences, sponsorships, demos, and direct communication methods with management and executive personnel.

## **Superior customer experience and service focus**

At SavedPlus, we offer current and prospective customers a high level of service and a wide range of customizable tools both mobile and online, along with resources to assist them in determining the right savings amount and destination for their savings. We have a professional customer service staff located in US that is available 7 days a week to handle customer inquiries via telephone, email and online chat. We also working on offering comprehensive online tutorials and financial education training programs, the majority of which will be prepared and utilized by leading market specialists, and which will be designed to accommodate a variety of experience levels and learning preferences, from self-study to fully instructional programs.

Our emphasis on providing a superior customer experience is evidenced by our high customer satisfaction. We constantly get emails from our customers positively mentioning our easy registration, pleasant interface and responsive customer service.

## **Consistent user experience quality**

Our current success would not be possible without the consistent quality of our mobile and online application that created a unique and valuable user experience. This user experience is comprised of four main aspects:

1. Simple and straight forward registration,
2. Pleasant graphic interface,
3. Certainty of background instructions execution
4. And pricing - free.

We utilize a third party data aggregator – Yodlee that provides timely and reliable data for all user accounts, and ACH gateway – CheckGateway that handles all ACH transfers between the accounts and has been one of the industry leading ACH Processors.

## **Highly scalable 3rd party cloud technology and APIs design**

Our backend servers and operation support is provided by #1 European provider – OVH. OVH owns global fiber optic network and unique infrastructure on the web hosting market with 2 Tbps of bandwidth, 33 peering points on 3 different continents, and 24/7/365 operational maintenance.

This superior backend configuration, allows us to monitor over \$3M transactions with ability to scale it to over \$100B transactions without any major configuration changes.

One quality that our customers like the most about SavedPlus automatic savings platform is that it runs and works continuously on the background requiring minimum user interaction, while occupying less than 6MB of mobile phone memory. This resource conscious approach significantly minimizes possibility of application removal due to it taking too much resources or occupying too much memory.

### **Strategic partnership with The Entrust Group in Oakland, California**

The Entrust Group (TEG) is a US leading provider of self-directed IRA products. Our partnership exemplifies important benefits that SavedPlus automatic savings platform can bring to asset aggregators, banks and CUs. By integrating SavedPlus automatic savings platform, TEG will attract younger generation Americans that currently lack ability of making large consistent contributions to their retirement savings. They will do this by creating a Cash IRA account that will be integrated with SavedPlus automatic savings platform and that will allow a continuous in-flow of small \$ amounts to each individual user's account. Once a specific \$ amount is accumulated on that account, TEG will proceed with placing the money in user specified self-directed IRA product. One of the nice features is that user would not need to worry about over-contributing to their IRA account as SavedPlus will automatically stop and re-direct funds to the specified user's "liquid" savings or other long term savings account.

### **Extensive risk management experience**

Right upon our initial roll-out back in May of 2013, we partnered with 2 leading legal firms to help us navigate financial and legal matters. One is Wilson Sonsini Goodrich & Rosati (WSGR), and the other is Aldrich Bonnefin & Moore (ABM).

### **Experienced management and technical team**

Our senior management team is comprised of experienced executives with significant business and marketing expertise as well as application development and technology infrastructure. We believe the experience of our team has been integral to our success to date and will be critical to our successful expansion into new markets and products in the future.

We are looking to enhance our board of directors with investor's representatives that would offer practical and strategic insight to grow the company.

## **Revenue Model**

We see three sources of revenue:

1. Selling aggregated blind marketing data
2. Affiliate marketing commissions
3. Partnership commissions

### **1. Selling aggregated blind data**

We have the ability to aggregate and analyze customers' expenses in a variety of different ways. For instance, our comprehensive analysis of the data may include historic spending trends and projections for a particular merchant or a brand, or saving estimates for a particular financial institution, or consumer savings goals. We sell the data directly to the merchants, financial institutions and through consumer analytics partners like 1010data.com.

This opportunity provides us with sustainable source of income of about **\$0.2/mo** per customer. The value of the marketing data for the merchants is growing substantially with volume increases. We target to **double** the revenue per customer when total aggregated \$ amount for specific merchant-related data exceeds \$1M/qtr.

### **2. Affiliate marketing commissions**

SavedPlus customers have an option to set savings goals. Currently about 40% of our customers saving money towards a specific financial goal or a purchase. We have developed an algorithm that automatically tracks saving goals accomplishment and promotes relevant purchase propositions.

In particular we have affiliate partnership agreement with Amazon.com. Our customers may choose any item from the Amazon on-line store, set it as a saving goal and start saving up money towards it. This way, we help customers to transform their wish-list into scheduled and achievable purchases. Currently about 5% of our customers choose to set the savings goals from Amazon on-line store. SavedPlus receives 2%-4% affiliate marketing commission on their purchases made through SavedPlus. On average it brings about **\$0.4/mo** per customer.

Another affiliate marketing model is associated with promoting a variety of financial products such as high yield savings accounts, IRA accounts, CD accounts and etc. We regularly inform customers about best available savings destinations and options. Banks like Capital One, GE Capital and Ally pay up to \$150 commission for each new account. We estimate that every month, 0.1% of our customers will respond to this promotion. With this, on average, we will earn about **\$0.15/mo** per customer.

### 3. Partnership commissions.

For our partners we serve as an asset-gathering channel that provides a sustainable source of liquid funds. For compensation, we propose transparent and efficient 'cost+' pricing model. Currently it is 1.5% of all collected funds. This allows us to cover the costs with 20% margin.

The same approach is applied to charitable organizations. Our charity partners save money with our 1.5% commission over their current money processing expenses that often cost 2.5%-3% per transaction.

Without any active channel promotion, we acquire about 30% of our new customers through partners. We expect that share to grow substantially as we continue to develop our relationships with current and new partners. This channel would allow us to make up to **\$0.9/mo** per customer.

All revenue sources combined will currently earn us **\$1.65/mo** per customer. With continued growth of our customer base, and gradual shift towards partner-driven customer acquisition, we expect monthly ARPC (average revenue per customer) to increase to **\$3/mo** per customer.

This estimate is consistent with the reported industry data. For instance, Mint.com used to earn about \$36/yr on average per active customer.

## Growth strategy

Our growth strategy includes 2 distinctive channels:

1. Partner/Affiliate co-marketing channel and
2. Mass market channel

### 1. Partner/Affiliate co-marketing channel

Partnerships with various financial institutions provide much greater and less expensive opportunity for customer acquisition in comparison to mass market channel. We estimate that about 1% of all existing, and up to 10% of new partner's customers will utilize either a co-branded or a fully-integrated SavedPlus savings option.

We are now negotiating partnership agreements with Capital One, GE Capital, TD Ameritrade and some other financial institutions to develop either a co-branded or a white label solution. Each such partnership will attract annually **hundreds of thousands of new customers**.

Our co-branded product with The Entrust Group (TEG) will go live later this year. TEG will be the first financial institution to introduce SavedPlus co-branded solution to their

clients that will utilize a new cash-IRA product to attract younger clientele. They will also include it in their ongoing marketing campaigns.

In 2014 we expect to form a solid basis for the future partnership expansion and growth and become a profitable business with a sustainable growth model and an outstanding scalability potential. Current interest from financial institutions makes us believe that by the end of 2013 we will be able to secure several partnership agreements that will evolve into the real implementations of the co-branded or fully-integrated solutions in the second half of 2014.

We will work continuously on developing new partner relationships with asset gatherers, charitable organizations and merchants.

## **2. Mass market channel.**

We believe that it is important to continue our efforts in promoting this marketing channel as it creates an effective counter-balance to our joint partnership implementations. As we continue developing this channel, we project modest organic growth through open channel customer acquisition. Partnering with personal finance media and bloggers, and running limited advertisement campaigns will continue to increase our customer base.

Additionally, it will provide us with an opportunity to use individual customer experience to make further improvements to our product, increasing reliability of the platform, and improving overall user experience as well as experiment with the new product features and propositions.