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Interviews & News!

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Etelos Provides The Tools Necessary To Allow Businesses And Individuals To Acquire, Design, Develop And Consume Web-Based Business Application



Technology
Business Software Services
(ETLO-OTC: BB)

Etelos, Inc.

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Jeffrey L. Garon
President and CEO

BIO:

Jeffrey L. Garon - President & Chief Executive Officer

Mr. Garon brings more than 25 years of senior financial, strategic and operating

expertise to Etelos. Most recently, he was Managing Director of Investment Banking responsible for West Coast activities at Kaufman Bros., L.P. (KBRO). Prior to KBRO, Mr. Garon served as VP/CFO of Tripath Technology, Inc.; as CFO/VP of Finance and Administration and Secretary of Silicon Storage Technology, Inc.; as President of the Garon Financial Group, Inc., a Silicon Valley venture capital and venture consulting firm; and as VP/CFO of Monster Cable Products, Inc. Previously, he held various senior financial positions with Visual Edge Technology, Inc., Oracle Corporation, Ashton-Tate Corporation and Teledyne Microelectronics. He is a graduate of California State University, Northridge and has an MBA from Loyola Marymount University.

Company Profile:

Etelos provides on-demand browser-based applications on the hosting environment that you choose. Etelos™ technology for developing and deploying on-demand applications is revolutionizing the world of software distribution. The Etelos Marketplace™ gives developers an easy way to license, distribute and host their applications, and businesses a wide selection of fully customizable, on-demand applications. Etelos, Etelos CRM™, Etelos Projects™, and Etelos Marketplace are trademarks of Etelos, Inc.; other trademarks are the property of their respective owners.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Garon, what is the vision for Etelos?

Mr. Garon: "Our vision is to provide the

tools necessary in a near transparent form to allow businesses and individuals to acquire, design, develop, and consume Web-based business solutions."

CEOCFO: How do you do that?

Mr. Garon: "We provide three layers of tools that are important: Marketplace as a Service, Applications as a Service and a Platform as a Service. The Etelos Marketplace is a service and a place where businesses and individuals can go to shop for, or sell, applications that normally would be fairly difficult to distribute. These are Open-Standards-based applications that are written using tool-sets like Linux or Apache, .net or JAVA or many other common tools. A lot of very creative, very talented people have written some very functional business applications. They are primarily in four areas: customer resource planning or CRM, accounting, and business intelligence. These are things that make it easier to dig data out of databases.

Secondly, collaboration, where we want to make it easy to use things that are similar. Things like GoToMeeting, or WebEx Connect or other products that are Open-Standard-based applications that are available on the Web. Tools that make it easier for people to collaborate efficiently among small groups both within companies and teams in larger companies and external organizations.

Finally, just basic suites of basic tools such as word processors or presentation tools that have become the norm for many of us. We want to provide a marketplace that allows people at varying levels to easily find the tools they are looking for. When you go to the mall, the most important thing is to be able to go to

a directory and find everybody in the mall who carries what you are looking for. Therefore, if you are looking for a project-planning application, you should be able to find all five, six or 10 of the purveyors of project planning tools or customer resource applications that are available. You should be able to try those easily, search for them at no cost, try them before you buy them, have freedom of choice, have the ability to have your data be your data and it should be safe and secure — which is very important. Safe and secure means that your data is your data, not the data of the provider's of the application.

We have four lines of revenue that we derived from this concept. It costs nothing for a provider, developer, or distributor of a Web-based application to put up a storefront in the marketplace. First, we share the revenue that storefront listings generate when they sell a subscription to their application or when they provide the service to a customer. Second, we gain advertising revenue from our storefront partners, their applications and our marketplace. Third, we provide hosting for many of the applications that are distributed and developed on the marketplace. We have our fourth line of revenue, which are professional services. Professional services are both derived by our playing matchmaker between other professional services organizations in the mall and companies that need or desire support in either taking a terrestrial, or bricks-and-mortar, model and bringing it to the Web. They may also be companies that want to utilize the ancillary products that Etelos provides, such as the Etelos Share, which is a product that allows you to have a remote disk that doesn't leave cookies or breadcrumbs behind. It is safe and secure and allows you to share and collaborate with just about anybody that you personally choose."

CEOCFO: Who is using your services on both sides of the equation?

Mr. Garon: "Using our services is the developer who wants to provide whatever solution he or she chooses and now wants

the flexibility to be able to modify data or sell it in a subscription based model because we take care of all of the backend application support, distribution, billing and delivery. We take care of the provisioning and we ensure that the customer gets what he or she bought. We also make sure that the vendor gets to charge for what he or she has sold. We deliver that as a net price by writing a check or providing a wire transfer to the vendor and we keep a percentage of the transaction. Often a vendor already has their own services for generating payment with the customer or perhaps it is a service that requires a number of dollars to actually be banked, in order for the service to be provided to the purchaser. We enabled that transaction as well. We are there to provide whatever enablement is necessary to allow somebody who has or has devel-

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oped a Web based service or somebody who wants to buy one."

CEOCFO: What is the competitive landscape for you; are there any other centralized places?

Mr. Garon: "There are other companies that have tried to create marketplaces for web-based solutions, the model has ended up very similar to Salesforce or NetSuite. There are others that are less well known and they have become very closed as environments and generally can only share with proprietary partners. Customers want to share data among a wide spectrum of applications in their office or business. Unfortunately often existing SaaS suppliers close their environment because it is very difficult to support a core application. Competitors most often are coming into the space riding the franchise of a known core application. Now they are trying to build an open connectivity world around it. We come at the solution differently. Danny Kolke, our

founder and chief technology officer says it is not about the application. It is about the marketplace and therefore it is about making it easy for people who develop or people who aggregate or people who consume Web based anything to create trade. In short to enable all business to develop, distribute and/ or consume Web-based business solutions.

We can adopt most any model that somebody wants to use. As opposed to saying, 'OK so you already sell this at XYZ department store and now you want to sell it here.' You have to use a different model. You bring the model you have or would like to have and apply it inside our mall. If that is not working for you that's okay, We have advertising and we have other services to help you reconfigure how you deliver your products. We can enable you to do just about anything. You build an application and want to sell it for \$9.95 a month; Etelos will make sure it gets delivered to the customers and make sure they get serviced and supported after the sale."

CEOCFO: How do you reach potential developers and people that are buying the application?

Mr. Garon: "It is early days for us. We launched the Marketplace and went public in April. We launched the Marketplace concept formally in April at the Web 2.0 Expo here in San Francisco. The best way to get the word out quickly is virally and word of mouth. We have a number of different initiatives within the company around public relations, investor relations, advertising and other forms of awareness.

When you go to buy something, part of your buying decision has to do with security, especially security of your data. We want to make sure you feel safe and secure when you decide to try a product from company A, B or C. If you don't like it, you might want to buy a different one. You shouldn't have to worry if your data is going to transfer quickly and easily, or have to worry about security.

It is important for us to make it easy for companies to try and buy web applica-

tions. We have quite a few companies who are signing marketplace and storefront operating agreements to open storefronts in the mall to make their products available through our channel. This will allow us within those four categories of CRM and ERP, collaboration and office suite. It will allow us to bring a well-balanced number of companies as we strive to have more than two or three choices at each of the strategic levels of an enterprise offering, an entry-level offering and offerings that are for the more experienced user or companies.”

CEOCFO: Why was now the time to become a public company?

Mr. Garon: “There were two reasons for us going public now. First, because we believe the market is ready for a company that provides a map to the success of software as a service business and marketplace as a service and platform as a service in one package in one ecosystem. Second, because we made a conscious decision that we did not want to be venture capital backed. We had the experience in this management team to be able to work with other funding sources. The results of that was that we were able to create an IPO out of a funding from the hedge funds community by utilizing a bankrupt company and cleaning that shell up and using that shell as a means of launching a new bulletin board stock in an expanding technologies space.

Goldman Sachs in a report says that in 2011, the space should be worth something like \$114 billion; except we can't address any of that. Today we can address maybe a third of the available addressable market except the dollars have not expanded. When I say us I mean the SaaS market, the Software as a Service market.

The vision for Etelos of providing a marketplace and a platform and a hosting environment for development, distribution and consumption, and Web based applications is to be able to let people bring those ideas that are going to take us from one third addressable of a very large unaddressable piece. How do we close the gap of the remaining two-thirds? Our goal is to be the vehicle for that.”

CEOCFO: How do you convince people their data is safe?

Mr. Garon: “Experience. They can read papers and blogs on the subject and understand the technology behind the security and what we do. We use some fairly common tools as a third party host that we place our machines in to ensure that we are running our secure server over machines that we had control over. Their data is inside a secure Etelos applications service which in and of itself is very secure and I would rather have someone who is technical talk about it because I am not a technologist.”

CEOCFO: What should we see in the next few years for Etelos?

Mr. Garon: “We haven't had much revenue, which was around \$25,000 last quarter. We expect to be many times that in the not-so-distant future. We just went public and it is important to get the word out about the company and to build trading volume in the stock because that has a lot to do with how people perceive what we are doing from a technology perspective, which will drive revenue. At the same time, it is important that we partner big and drive adoption. We have relationships with British Telecom and Google, as well as one of our products called CRM for iPhone, which Apple has in their marketplace of applications. We

also have relationships with WebEx and WebEx Connect and quiet a few other large corporations who are trying to build or are interested in expanding the concept to the marketplace. At the same time, these companies are maintaining their position either as a platform or as another form of enterprise provider.”

CEOCFO: Why should potential investors show interest in Etelos?

Mr. Garon: “First, we have the components today at both enterprise level and entry level, as well as small and medium, that businesses are looking for in a marketplace technology platform. Secondly, because we are transparent to the customer or at a minimum we are in the background. It is Etelos that drives the traffic engines and drives sales, resulting in revenue and cash on a revenue share basis, for example subscriptions, advertising, services and hosting. Together with our partners we expand the customer base for everybody involved in the Etelos mall. Finally, it is because Etelos provides a marketplace for developing, distributing, and consuming secure Web based on-demand business solutions.”

CEOCFO: What should readers remember most about Etelos?

Mr. Garon: “Think outside the box; recognize that it is not revolution. It is evolution. Your Web-based device whether it is an iPhone or a blackberry or one of these other things that has come out more recently, whatever it is; it really is a dumb ASCII terminal without wires. The future is platform-agnostic distributed computing”



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