



Company Name:
The Utility Company Ltd.

Headquarters:
Ottawa, Canada

Contact:
Mark Scott, President

Incorporated:
May 2006 in Ontario

Employees:
10 in 2006;
Adding 20 in 2007

Franchises:
4 in 2006;
Adding 60 in 2007

Financials:
Profitable in December
2006

Glossary

TUC:
The Utility Company

USP:
Utility Service Provider
(franchisees of TUC)

SMB:
Small and medium-sized
businesses (5 -100 users)

IT:
Information Technology

Corporate Overview

The Utility Company was founded in May 2006 to dramatically change how technology is delivered and consumed in the small and medium-sized business market. Today, vendors, distributors and service providers - the IT value chain - continue to approach the SMB market with the traditional “pay and pray” technology model. While businesses are becoming increasingly more reliant on technology, by-and-large IT service and support, including most managed services, remains locked in delivery models from the 1970’s. The Utility Company addresses the two major problems that exist in the SMB market today:

OVER-SPENDING – the fact the average business spends \$360 per user per month on technology for an industry total of \$400 billion annually.

UNDER-UTILIZATION – the fact that only 15% of this investment in technology is actually utilized by these businesses.

The Utility Company is the leading provider of information technology as a *utility* to small and medium-sized businesses, delivering the required hardware, software and service for a monthly fee per user.

Investment Highlights

Large and Growing Target Market: SMB and mid-market spends \$400 billion on technology annually. Managed/utility IT services market in North America is one of the fastest growing at 37% annually.

Market Leadership: TUC is the first to market with a managed services franchise model. Our Utility Business System is a complete “business-in-a-box” that includes the people, process and technology to become a profitable MSP.

Program and Technology Leadership: Our Connected Office end-user services provide a unique approach to the SMB market, leveraging our Utility Meter Reading business-technology assessment tool and Utility Service Center RMM (Remote Monitoring and Management) platform as the catalysts. Our Technology-as-a-Service model is the first user-based technology service offering for the SMB market in North America.

Scalable Business Model: TUC will be principally capitalized through franchise fees. Connected Office end user services are approximately a 90% recurring revenue model. Our cost structure is 80% variable – i.e. mapped to revenue growth.

Strong Management Team: Our president and management team are well-known in the industry as pioneers in SMB managed services. Mark is recognized as one of the pre-eminent thought-leaders behind the managed IT service industry over the past six years.

Stability of Franchise Model: North America is the largest franchise market; 92% of new franchisees pass the critical first 5 years of business (4 times better than independent business); 86% of franchisees opened in the last 5 years remain under the same ownership; Our franchise system is registered and approved in most states in the US and by the Canadian Franchise Association.

Management Team

Our senior management team has decades of combined experience as innovators and executors of managed and utility services within the SMB market. It is this experience that provides us with a unique view of the market, its problems and the solutions. The senior management team consists of:

Mark Scott, President is the founder and is responsible for strategy, supporting sales and marketing, and is the architect of the company's business plan. From 2000 to early 2006 Mark was the President, CEO and Co-founder of N-able Technologies® leading it to rank 13th on Deloitte's Fast 50. Mark is a chartered accountant, sits on the Advisory Board of the MSP Alliance and was nominated as 2006 Next Generation Executive of the Year by the Ottawa Center of Research and Innovation.

Janice Siddons, VP & GM runs day-to-day operations at TUC including supporting all departments and managing finance. From 2000 to mid-2006 Janice held various senior executive positions at N-able including VP & GM and VP Channel. Janice was selected as a CRN Channel Chief in 2006, an award that is presented to the top 50 channel executives in the industry.

Scott Jackson, Director of Services is responsible for technology services, the Connected Office service roadmap and technology strategy. From 2000 to mid-2006 Scott held various management positions at N-able including director of partner development and technical support.

Jason Creally, Director of Sales is responsible for franchise recruitment and development. From 2004 to mid-2006 Jason held various sales management positions at N-able including channel sales manager.

Aaron Bradley, Marketing Manager supports all marketing functions for TUC corporate and our franchisees including market programs, communications and PR. From 2001 to 2006 Aaron was the marketing manager at NUVO Networks, a mid-market managed service provider.

Board of Directors

Mark Scott (Chairman)
President and founder of
The Utility Company.

Larry Poirier
CEO and co-founder of MSP
Nitro Microsystems.

Trevor Jacquard
President of Comprehensive
Management Group Ltd.

Michael Dunleavy (Secretary)
Partner at law firm
Labarge Weinstein.

Randy Woods
Co-founder of
non-linear creations.

Technology-as-a-Service™: A New Paradigm

Over the years, technology has greatly evolved to become more standardized with basically 90% of today's small and medium businesses using 90% of the same devices & applications to operate their business. This now positions the market to evolve technology into a utility service by evolving from element, to user, to usage-based service, as follows:

Element-based – this is the traditional technology model where a business consumes technology by individual element (i.e. hardware, software, service, support), generally in a reactive break-fix service model. This is the least effective model.

User-based – this is where a business consumes technology on a fixed fee basis by user, including ongoing proactive monitoring and maintenance. This is currently the preferred model.

Usage-based – this model is where the business consumes technology based on usage, similar to other utilities such as electricity. This is the future.

Throughout the history of industrialization, key business inputs like electricity supply evolved from fragmented, company-owned assets into services they purchase from centralized utilities. The Utility Company addresses the need to evolve the complexity and ineffectiveness of today's information technology model into the next major utility service.

Programs and Services

The Utility Company has created three ground-breaking programs to change the way technology is delivered and consumed in the SMB market.

Connected Office™

Connected Office provides consumption-based technology services for SMBs, including: 1-866-My-Utility helpdesk, network monitoring and management, desktop management, communications services and onsite service. The CO menu of services includes the required hardware, software and service packaged into a monthly fee per user in three program levels: **classic**, **managed** and **utility**.

Our view is that the purpose of technology is to empower people to be more effective and productive in achieving the objectives for a business. By viewing technology from this perspective, there are three key outputs from technology for a business:

- Operations** *provides the ability to execute and automate daily tasks in a highly efficient manner*
- Communications** *communicate current information about your business to customers and prospects*
- Management** *leverage technology to better manage the key areas of your business*

CO target market

SMB market:

- **Primary: 5-50 users**
- **Secondary: 50-100 users**

Size:

- **3M businesses are 5-50**
- **190,000 are 50-100**

Pricing:

- **Managed package averages \$80/user/month**
- **USP target is to add 25 users per month or \$2000/month**

Connected Office



The Utility Service Center provides remote monitoring and management of network, desktops and security along with a customer support and service desk portal.

Beyond Managed Services™

Beyond Managed Services 2.0 (BMS 2.0) is revolutionary franchise opportunity that provides SMB service organizations and technology professionals with a new alternative to "Do-it-Yourself" managed service programs. BMS 2.0 provides a complete business system, including front and back-office support, to offer technology as a utility to small and medium-sized businesses.

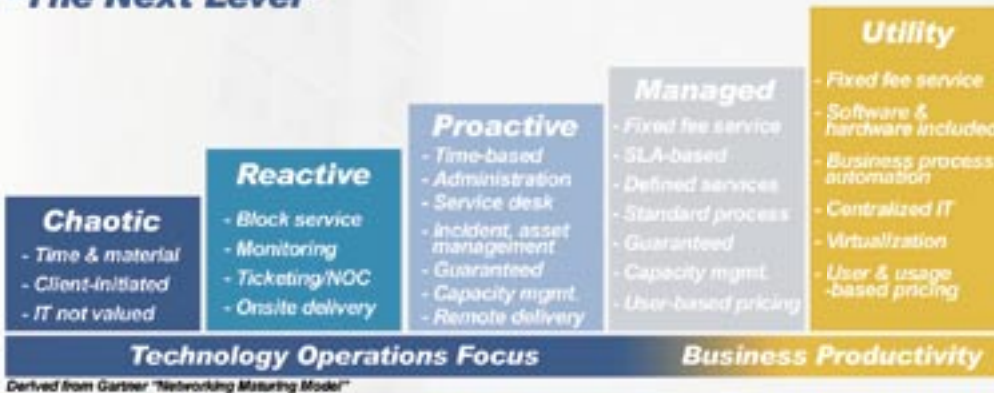
BMS 2.0 is comprised of two types of programs:

Affiliate program – targeted at existing SMB service organizations (IT and vertical channels) looking to add managed/utility services to their business. The Utility Company operation is branded within the existing service business.

Entrepreneur program – traditional franchise "start-up" model for technology sales and service professionals where operation is fully branded The Utility Company.

Beyond Managed Services™

"The Next Level"



BMS target market

- Vertical channels (office equipment, telecom, Web)
- IT channel & professionals

Size:

- 2000 TUC territories in N.A.
- International in 2008

Pricing:

- \$30,000 franchise fee
- 7% royalty
- 5% back-office

Today, there is likely no single business model more applicable to franchising (that is not franchised) than managed/utility services, due to the overriding requirement for a complete business system, including front and back office support.

Powered By Utility (Q4 2007)

Powered By Utility is designed to provide our Connected Office service offering on a turnkey basis through retailers who are looking to compliment their current line of business by expanding into annuity-based maintenance and support. The Utility Company provides all the remote services from our head office with onsite service delivered by our local USP. Our view is that over the next three to five years, major retailers will have a similar impact on IT services for the SMB market as they have had on hardware and software in the past decade. The company recently submitted a Powered By Utility proposal for a managed services pilot program with one of the major US retailers.

Fact - December 2006

Staples®, Inc. acquired Boston MSP Thrive Networks

Industry / Market Analysis

Industry Overview

IT utility services, also known as managed services, is a new and emerging market in the IT services industry. According to Gartner®, the IT utility services market will grow from \$16.5B in 2003 to \$78.5B by 2008 for a compound annual growth rate (CAGR) of 37%, which translates into 5.6% of the total outsourcing market in 2003 to 18.2% in 2008. Gartner further states that IT utility services is not as much a market as it is a means of servicing a market, with the four largest and most readily identifiable segments being:

- hosting (Internet),
- data security and storage,
- applications (business and communication), and
- remote monitoring and management

Technology pundit and author Nicolas Carr cites utility computing as having a profound impact on the IT industry over the next 15 years. Carr sees widespread adoption for the utility model in small businesses, while larger enterprises are adopting much slower. He attributes this to the fact larger companies have “invested” in technology and infrastructure such as data centers, whereas SMB’s have not, and therefore look at utility services as a viable option.

Did you know?

SMBs & Mid-Market account for 48% of IT spending

SMB Market Opportunity

Today, there are approximately 6 million small and medium sized businesses in North America being serviced by approximately 60,000 IT service providers. The overall IT service and support market has continued to grow as more and more companies, large and small, become increasingly dependent on technology. A recent study by Forrester cited the SMB and mid-market at 48% of the overall US IT spending, stating that it will surpass enterprise IT spending by 2007.

Allocation of US IT spending by size of organization

Source: Forrester - June 30, 2005, Trends “2005 Update: US Enterprise and SMB IT Spending”



This has fuelled the growth and adoption of new and innovative service models, like managed services, over the past several years. Today, thousands of traditional IT service providers proclaim themselves to be managed service providers (MSP). However, many of these providers are not actually delivering managed services. Rather, they are delivering IT service and support based on a derivative of time, leveraging remote monitoring and management technology to automate the engagement and attempt to make it more proactive (and profitable).

Competition

The Utility Company is first to market with a managed services franchise system to address the significant SMB market opportunity detailed in the previous section. As previously discussed, managed/utility services is not as much a market as a new consumption model to address the over-spending and under-utilization in the overall \$400 billion market. Potential competitors of TUC include established IT service franchises such as Computer Troubleshooters, Concerto Networks, CMIT and Team LogicIT. From a legal, industry knowledge, and business system perspective, there is a significant barrier to entry to replicate the Utility franchise and business model.

Summary

“Our mission is to ensure that our customers only invest in the technology they require to operate, communicate and manage their business effectively.

Our vision is to transform technology into what it should be – a utility.”

□ **Mark Scott
President**

There is no doubt that the technology market has evolved over the past five years. The IT value chain has struggled with this change and will continue to do so for the next decade. The utility service model will have a profound effect on the SMB landscape now and into the foreseeable future. Our prediction is that service provisioning will be centralized to large IT utilities with national brand recognition, state of the art technology, and superior service management, sales and marketing capabilities. We see SMB onsite support being reduced more and more to the desktop, with all mission-critical services being centralized at the utilities' data centers. Further down the road, we actually see the computing power of the desktop also becoming a utility service through Web services and thin client technology, thus reducing the desktop to a terminal to access centrally located data and applications.

To achieve on our strategy, in 2007 **we will** execute on the following **key objectives**:

- **Beyond Managed Services franchise recruitment objective of 60**
- **Connected Office customer subscription goal of 4,300 end-users**
- **Release Connected Office 3.0**
- **Launch Powered By Utility retail program; sign one major retailer**
- **Launch area developer multi-unit franchise model**

Ultimately, in the next five years our business model will provide a unique opportunity to aggregate and consolidate the fragmented SMB IT services market. Gluing together hundreds of small (under \$1M) independent service businesses is something that any merger and acquisition strategy simply can not achieve.

The Utility 3 Points of Value



About Us

The Utility Company is the leading provider of information technology as a *utility* to small and medium-sized businesses delivering the required hardware, software and service for a monthly fee per user. Our Connected Office™ technology service suite empowers people to operate, communicate and manage their business more effectively, enabling them to increase productivity, performance and ultimately profit. Our customers are supported by the Utility Service Network (USN), delivering on-site service and business-technology consulting across North America. Technology sales, professionals and service organizations can join the USN through our Beyond Managed Services™ franchise opportunity.



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www.theutilitycompany.com

Private Placement Overview

Legal name *The Utility Company Ltd.*

Address *700 March Road, Suite 200
Ottawa, Ontario
K2K 2V9*

Auditors *PriceWaterhouseCoopers*

Legal *Labarge Weinstein*

Amount *\$2,000,000*

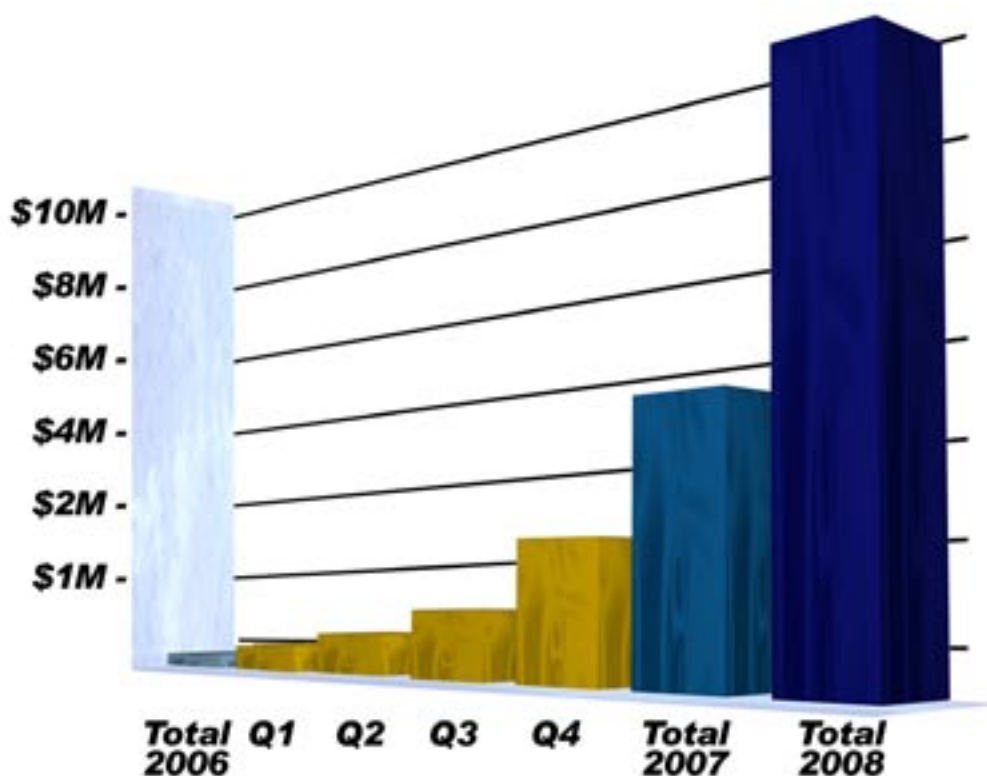
Use of Proceeds

The net proceeds of the offering will be used to fund franchise recruitment and development across North America. In addition, the funds will be used to further develop our Connected Office roadmap and Utility Service Center management platform.

Capital Structure

- Incorporated in Ontario May 3, 2006
- 4,800,000 common shares outstanding
- No option plan
- Minimum investment of \$25,000

Revenue Forecast



Revenue Forecast	Total 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Total 2007	Total 2008
Franchise Fees	135,000	340,000	510,000	510,000	680,000	2,040,000	3,400,000
Recurring Revenue	-	1,979	63,328	306,745	823,264	1,195,316	6,700,000
Total Revenue	135,000	341,979	573,328	816,745	1,503,264	3,235,316	10,100,000



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