

## Corporate Backgrounder

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### Summary

Concerto Networks® was launched in 2002 in response to the unmet need for professional, consistent-quality computer and information technology (IT) solutions for small and medium sized businesses (SMBs). The need became very clear to Concerto Networks founder Ray Hivoral after personally experiencing computer difficulties both at home and at the small company he worked for, with no easy way to find good, professional help from a name-brand solutions provider.

Ray quickly realized that he wasn't alone. Other SMBs were experiencing similar difficulties finding reliable, consistent and cost-effective IT service and support. A survey of the market revealed a significant growth in the number of SMBs. Companies in this size range wouldn't be able to meet all of their IT needs with internal resources, leading to an exploding demand for quality outsourced IT support nationwide.

In addition, there was a growing trend of experienced professionals exploring becoming independent technology consultants rather than continuing to work as employees in corporate technology departments.

This led Ray to hit upon the ideal solution for all: creating a nationwide IT professional franchise which would provide consistent, high-quality business technology solutions to SMBs while at the same time providing lucrative investment opportunities for ambitious professionals ready to run their own businesses. And so, Concerto Networks was born.

The company's model is to build a national business technology solutions network with the expertise, processes, systems and support necessary to provide superlative service to SMBs. Concerto Networks franchises are independently owned and operated by experienced professionals equipped with the latest diagnostic hardware and software for providing on-site service. Franchisees enjoy the pride of business ownership with minimized start-up and operational expenses. Concerto Networks supports its franchisees with thorough training in Concerto Networks service standards and processes, sophisticated Internet-based back office systems and support, national advertising and branding, and partnerships with trusted leading name-brand technology and business solutions providers.

The company is led by a team of seasoned executives with a history of success in technology, business management and franchising.

### Exploding demand

With recent changes in the economy, many professionals have switched from working for corporations to starting their own businesses. This has led to unprecedented growth in small and medium-sized businesses (SMBs) in the United States, with more than 10.5 million SMBs already using computers in their daily operations. In addition, large corporations are establishing satellite offices which operate with the same requirements as SMBs. This growth is forecasted to continue for the foreseeable future.

Today's technology makes it possible for SMBs to enjoy the same efficiency and productivity gains as large companies. Indeed, SMBs are dependent on information technology (IT) to properly service their customers and remain competitive. Most SMBs can't afford to keep IT staff in house and are increasingly turning to outsourcing to keep their technology up to date and working smoothly.

Traditionally, the outsourced IT industry has consisted almost entirely of small "mom and pop" outfits and independent contractors, notorious for giving inconsistent quality service with sparse documentation of their work, and providing little more than "break/fix" service consisting of simply troubleshooting and repair. This level of service is simply not sufficient to meet the needs of SMBs. As a result, the growing ranks of SMBs nationwide are desperate to find a national brand name service provider they can trust to provide the critical IT support they need.

### **Beyond “break/fix”: Concerto Networks’ unique value proposition**

Concerto Networks goes well beyond traditional troubleshooting and repair of computers and networks, providing a comprehensive solution designed to help SMBs plan, manage and optimize their IT to get the maximum benefit from their investment. The company uses a holistic approach to IT support and director level management including, integrating computers, voice and data, wired and wireless communications, web site services, internet connectivity, security safeguards and other hardware and software to create the optimal solution for each individual business’ needs. The company also provides customers with hardware and software training and education and purchasing guidance. In addition, customers benefit from Concerto Networks’ partnerships with leading brand name manufacturers, service providers and retailers, with lower costs on technology purchases as well as heightened technical support. This holistic approach maximizes return on investment, minimizes downtime, and boosts the productivity, providing savings and value to customers far beyond the typical “break/fix” approach.

### **Lucrative franchise opportunity**

The exploding demand for nationally-branded, high-quality IT support provides an exciting business opportunity for seasoned professionals ready to run their own franchise business. Currently IT spending in the U.S. is a \$300 billion industry. The SMB market represents nearly all types of industries, including high tech, medical/dental, legal, real estate, and manufacturing. This market also accounts for nearly 50% of the private work force, as well as 50% of the private sales in the U.S. (Source: U.S. SBA 2003) SMBs are a major force in the U.S. economy, comprising 99.8% of all employer firms. (Source: Yankee Group and U.S. Census Bureau)

Concerto Networks gives franchisees the benefits of a trusted nationwide brand, state-of-the-art systems and processes, and the collaboration and support of a nationwide network of Concerto Networks franchisees and area developers, ready to apply to a growing franchise IT service business.

The company has introduced nationwide marketing campaigns promoting its services and its brand, “**Welcome to the Simple Office™**”. The brand elegantly conveys the promise of empowerment made possible through the transfer of the IT support burden to a trusted provider. Franchisees can choose from a catalog of print ads and sales literature to support their local sales efforts.

Concerto Networks has invested heavily in sophisticated back-office support technology as well, allowing franchisees to easily accomplish their customer relationship management, invoicing, point-of-sale (POS), and other vital business functions over the web using the central office data base system. The company also supports franchisees with a central dispatch system, providing instant notification of new customer requests to local franchisees.

Every new franchisee is outfitted with a complete “IT Business-in-a-Box™” which includes a state-of-the-art laptop computer, diagnostic equipment and software, and an advanced PDA/cellular phone so the franchisee can always stay in touch with customers and the central office. This start-up kit also includes such business essentials as QuickBooks® accounting software as well as a marketing package containing company literature and a new franchisee press kit for increasing local awareness.

New franchisees receive two weeks’ comprehensive training at “Concerto Networks University™” to support their business. The training schedule includes learning Concerto Networks’ best business practices for serving customers. Additional training is provided through the Concerto Network’s partner relationships, allowing franchisees to learn directly from brand name hardware and software companies, wired and wireless communications, internet connectivity, web site service companies, and business solutions providers.

Finally, every franchise can count on continuing guidance and support not only from the company's corporate staff, but also from the growing network of Concerto Networks franchisees and area developers across the country. The company's web-based forums and chat groups facilitate collaboration among franchisees facing similar issues. In addition, franchisees have access to Concerto Networks' partner providers of hardware, software and services for training, support, and additional revenue opportunities.

### **Experienced management team**

To ensure success, Concerto Networks has attracted seasoned talent both to its executive management team and its Board of Directors and its Board of Advisors.

Founder and CEO **Ray Hivoral** has managed strategic sales, product marketing and operations for several technology companies over the past 13 years, including Fujitsu Microelectronics, Lucent Technologies, Tyco Electronics and Technetics. Soon after its launch, Concerto Networks added technology industry veteran **Eric Tobias** to its executive team in 2003. Tobias joined the company as Chief Technical Officer and President of Global Services after more than twenty-five years of experience in the industry, including co-founding QThink, a successful fabless chip design firm; and serving in executive management capacities at Cadence Design Systems, Inc., Applied Micro Circuits Corporation (AMCC) and Amdahl Corporation.

The company's Board of Directors and Board of Advisors features a wealth of talent in technology and franchise business. The Board of Directors includes **Daniel LaMarche, Jr.**, who has served on the Board of Directors of Mail Boxes Etc. (MBE) for 12 years, playing an instrumental role in its growth, franchise expansion and initial public offering. **Thomas A. Munro** has over 22 years experience in both finance and technology, including his tenure as CFO and Director at MetLife Capital Corporation. Most recently he was President of Wireless Facilities, Inc. (WFI), a San Diego-based global leader in wireless mobility and broadband wireless networks. **Paul Larson** has more than 20 years of executive level experience, including management positions at AMCC, Qualcomm and Ericsson. At Qualcomm, Paul was integral in helping position the company as the world leader in CDMA chipsets. This Board also includes executive management team members Ray Hivoral and Eric Tobias.

The Board of Advisors includes **William W. Eigner** is a Partner and member of the business technology team at Procopio, Cory, Hargreaves & Savitch LLP Law Firm in San Diego. **John S. Hawkins** is President and CEO of Cloud 9 Shuttle, Inc., with a successful franchise operation in San Diego. **Don Higginson** is the Senior VP of Franchise Relations at the UPS Store (formerly Mail Boxes Etc., MBE).

### **Poised for rapid growth**

Concerto Networks is quickly expanding its nationwide network of franchises, and is on target to achieve full coverage of all major metropolitan areas of the United States within the next couple of years. The company launched its franchise opportunity nationwide in January of 2004. Thanks to its forward-thinking business model and comprehensive support philosophy, Concerto Networks is one of the fastest growing franchise operations in the U.S. today. The company has most recently been recognized by Entrepreneur magazine as a "Top Hot New Franchise for 2005" and has made the Entrepreneur "Franchise 500" list for two consecutive years.