STANFORD
GRADUATE SCHOOL OF BUSINESS

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LESCONCIERGES

The question for us was, 'what did our customers value most?' Market research said it was luxury. And luxury didn't necessarily mean elegant surroundings and gourmet meals. When we looked closely, it became clear that the greatest luxury for our customer was time, and service that could help them make the most of that. Giving them better productivity, better enjoyment. What better luxury could there be?

—Isadore Sharpe, CEO, Chairman, Founder, Four Seasons Resorts and Hotels

INTRODUCTION

Linda Jenkinson, Chairman and CEO of luxury personal services company, LesConcierges (LC), hung up the phone after checking her voicemail in July 2007. She had just received a message from Randy Haykin, an angel investor and board member who had participated in the Series C round that Jenkinson recently raised. After an initial "honeymoon period," she and Haykin had started disagreeing on internal matters, most recently about whether to hire an interim CFO while the company took time to source a permanent candidate. Jenkinson began to wonder whether Haykin had been the best choice for the board and if there was anything she could do to work with him more effectively. Unbenownst to Jenkinson, Haykin was simultaneously considering whether his investment in LesConcierges would turn out to be the "home run" that he had originally anticipated. He also questioned how he could help solve the challenges facing the company's CEO without damaging their relationship in the process.

LINDA JENKINSON AND RANDY HAYKIN

Linda Jenkinson

After earning her MBA in finance from the Wharton School, Linda joined the management consulting firm A.T. Kearney, where she ultimately became a partner specializing in financial institution supply chain management, direct marketing, profit improvement, outsourcing, and risk management. In 1994, Jenkinson co-founded her first company, Dispatch Management

Bethany Coates prepared this case under the supervision of Professor John Glynn as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Note: Some details in this case have been disguised or fictionalized.

Services (DMS), an international on demand courier and black car company. By 1999, the company had $250 million in revenues, 6,000 employees and 80 call centers around the world. Jenkinson and her partner took DMS public in 1998. Two years later, she founded her second company, iSayso, a web-enabled personal services business focused on next-generation personal assistance-based loyalty solutions. In 2001, Jenkinson acquired two companies in a stock exchange; "Professional Concierge" and more importantly "LesConcierges," a sixteen year old company with a reputation for great service. Jenkinson became Chairman and CEO of the combined entity, now named LesConcierges.

Randy Haykin

Randy Haykin earned a BA in Organizational Studies from Brown University and an MBA from Harvard's Graduate School of Business. In 1988, Haykin joined Apple Computer, where he held a variety of sales and marketing management roles. He subsequently worked at Paramount/Viacom before joining Yahoo! in 1995 as founding vice president of marketing and sales. At Yahoo!, Haykin was, responsible for building the company's marketing team, establishing agency relationships and generating some of the very first advertising sales on the Internet. Haykin went on to serve as interim VP marketing at NetChannel, which was successfully acquired by America Online. In 1996, Haykin co-founded the venture capital firm Outlook Ventures, where he served as managing director through 2006. Haykin represented Outlook on the Boards of Digital Chocolate, Reply.com, Reconnex, Loyalty Lab, Bridgestream (acquired by Oracle), NetBrowser Communications, nSite Software (acquired by Business Objects), Impulse Network (acquired by Inktomi), eTeamz (merged with Active Networks), Voquette (merged with Semagix), Qbiquity (acquired by Collabrys) and, Logilent (merged with Toolwire, Inc). Haykin had been an active angel investor on the side since 1990, and a long-time member of the Keiretsu Forum, one of the Bay Area's largest angel networks. By 2007, as his work on Outlook Ventures was beginning to transition, Haykin started spending more time being a CEO mentor, advisor and private/ angel investor to start ups.

LESCONCIERGES [1]

LesConcierges provided personal assistance services for wealthy clients of large corporations including Bank of America, Nordstrom's, American Express and Leading Hotels of the World. LC also extended their services to employees of Fortune 500 companies including Fidelity Investments, Texas Instruments, and Sun Microsystems. LC worked with these companies to create branded programs, and then directly handled fulfillment with end users. Each client obtained open access to LC's worldwide network of concierges, or personal assistants, who were trained to fulfill a wide range of requests. Customer orders handled by LC in 2007 included: a private shopping trip at the Louis Vuitton boutique in Tokyo, the delivery of 500 cakes to corporate clients of a law firm in Singapore and runway access for select designer shows during fashion week in Hong Kong. In general, LC's services were itinerary-based and built around travel arrangements, hotel accommodations, restaurant reservations, hard-to-find show tickets, specialty car rental, and the overall provision of a lifestyle experience that would be timely and costly for a lone individual to match.

[1] The company description has been excerpted and modified from LC information memorandums.

Concierge Services

In North America LesConcierges featured 48 concierges in its fulfillment center and headquarters in San Francisco plus another over 45 “on site” concierges in 26 additional markets. Globally, LC also partnered with third-party outfits in India and in the United Kingdom, which extended the call center network to London, Singapore, Beijing and Bangalore. The company was also exploring similar partnerships across Western Europe, Dubai and South Africa. Finally, LC had access to the onsite hotel concierges of the Leading Hotels of the World, in an additional 432 locations worldwide (**see Exhibit 1**). In sum, the total concierge network spanned roughly 2,300 individuals.

Jenkinson believed that her company employed the finest personal assistants in the world and worked hard to retain them. LC’s average employee tenure was 4 years, the salary range was the highest in the industry and employees also participated in a company stock option program. LC’s recruitment and training process included 120 hours during an employee’s first month with the company and an additional 40 hours per year of classroom training conducted by senior management. All calls were also recorded and monitored for quality control.

Due to superior execution, LesConcierges seemed to be pulling ahead of other well-known concierge services including Circles and VIP Desk (**see Exhibit 2**). Since the start of 2007, LC had won 100 percent of competitive bids in the corporate luxury business. Jenkinson believed that LC’s practice of providing a single point of contact to end users had been a key differentiating factor (**see Exhibit 3**). Other services often transferred a customer several times; for example, to the travel department for flight purchases, to the concierge for local cultural information and to a membership services department for program account questions. Jenkinson noted, “our integrative approach provides not only the same quality and options in terms of service product, but also a more consistently personalized and differentiated service delivery.”[2]

Market Need for Concierge Services

Fortune 500 companies spent $10 billion in 2006 to keep their best customers loyal and satisfied. These customers were often Baby Boomers who had made money and were ready for retirement. However, according to LC, the Boomers redefined retirement to mean an active, fulfilling, luxurious lifestyle. LesConcierges’ target market therefore wanted unique, premium experiences, convenience, full-service capabilities and reliably excellent products and services from a concierge. They also expected to pay premium prices for these experiences.

Marketing Approach

LC partnered with its clients to design and deliver luxury loyalty programs that drove marketing results, namely customer acquisition, retention, higher spend and consequently, a higher return on investment. The company’s strategic marketing approach was defined both by segment and by service/ business model (**see Exhibit 4**). In 2007, the company generated sufficient “organic” demand that its sales pipeline was full from inbound activities, primarily in the luxury, financial services and work-life markets.

Current Revenue Streams and Potential Growth

LC had five main revenue streams:

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[2] LesConcierge Sales Proposal

- *Corporate Programs:* LC clients typically paid an annual fee per eligible member. The fee varied based on overall usage of the service.
- *B2C*[3] *Memberships*: These individual members paid between $3,500 and $10,000 in annual retainer for access to a private, dedicated concierge depending upon utilization.
- *Commissions Revenue:* LC earned commissions revenue from its supplier base.
- *Licensing Fees:* LC started contracting use of its database and IT platform to companies for their own loyalty programs, core service delivery, or market expansion initiatives.
- *Partner Fees*: LC provided regional service for select strategic partners headquartered in other regions of the world. Pricing was based on a per contact basis.

Corporate contracts typically lasted three years, therefore representing an annuity stream that could be further developed as LC's largest clients realized a return on investment.

Recent financial performance

Following the events of September 11, 2001, LC revenues slid for three years, from $7.2 million in 2002 to $6.8 million in 2003 to $6.6 million in 2004 (**see Exhibit 5A**). Despite pressure on its top line, LC remained profitable between 2002 and 2005, averaging $400,000 in annual EBITDA. During this period, Jenkinson and her team stabilized a core group of clients, and began building LC's worldwide fulfillment infrastructure. Their hard work results in a jump in 2005 revenues to $8.3 million. Preliminary numbers for 2006 showed a jump in sales to $9.1 million, with a small profit for the year (**see Exhibit 5B**).

The company reported 52 consecutive months of profitability though August 2006, when a conscious decision was made to increase marketing spend, bring in new clients, and expand the business for the purposes of attracting an exit by 2010. Accordingly, LC's monthly performance fell off in the second half of 2006, but was projected to ramp considerably during the first quarter of 2007, due to new contracts. Jenkinson and her team called the 2007 revenue projection of $14.1 million (**see Exhibit 6**) a "doable optimistic case."

Uses of funding

Jenkinson and her team planned to establish LesConcierges as the first globally integrated luxury service platform in the world. In doing so, they aimed to capture one-third of the total addressable market by 2011, producing a minimum of $100 million a year in gross revenues. In order to reach that objective, the Series C equity would be used to hire additional key personnel, continue to advance the technology and infrastructure base to link a global concierge team, and provide a much needed infusion of working capital (**see Exhibit 7**). LesConcierges planned an exit for Series C investors between 2009 - 2010 through a strategic partnership or acquisition. Jenkinson and her team also expressed willingness to consider an IPO between 2010 and 2012.

The company's developing technology platform (already in beta), called "LC Concierge 2.0," was a key deliverable from the Series C funding. LC called it a major breakthrough in information exchange that would allow the company's concierges to better track and understand their clients' preferences, habits, and requirements. The proprietary platform would enable each concierge to search an extended database of similar needs from across all customers, to provide

[3] B2C refers to "Business to Consumer" transactions.

ever higher levels of customized lifestyle enhancing options. Additionally, the new LC web presence would allow varying levels of full service, partial service, and/or self service in an unprecedented manner for the industry, which was also cost efficient for corporate level clients.

RAISING MONEY FROM THE KEIRETSU FORUM

Previous rounds of funding: The Series A and B

After founding iSayso, Jenkinson raised $5 million in venture capital in 2000 from the New York City-based Paragon Group (PG), a firm focused on healthcare with $500 million under management. Jenkinson recalled, "the world was crazy then. It was still the dot-com heyday. If you wanted to be competitive, you had to raise venture money. Everyone was doing it." ISaySo was one of PG's last investments from its first fund. Within two quarters of working together, Jenkinson found the firm to be *too* involved. She noted, "I spent 70 percent of my time managing my investors rather than running the business." The tension worsened when Mark Jones,[4] a partner at PG who had taken a board seat at iSayso, temporarily stepped in as CEO when Jenkinson went on a four-week maternity leave. "In retrospect," she commented, "it was the worst decision I ever made. It's tough for a two-headed organization to make decisions."

Four years after iSayso transitioned to become LesConcierges, it came time to pursue a Series B round. By this point, PG had written off its significant equity position and removed itself from the board. Jenkinson opted to approach angel investors for the upcoming round instead of institutional sources. After presenting over 50 times, she raised $1.25 million from 15 private investors in December, 2005. Many of them were personal friends or acquaintances.

The angel model seemed to be a much better fit for Jenkinson and the company. "The angels put money in and then stepped back and let me run the business. That is the best division of responsibilities – they invest in the company and I run it," she noted. Dan Tocchini, one of the investors who participated in the Series B, agreed to take the third board seat and manage day-to-day requests from the other angels so that Jenkinson could concentrate on expanding the business. Although she still had to interface with the larger pool of investors to some extent, the CEO generally felt far less pressure from them than she had from her colleagues at the Paragon Group. Part of the difference stemmed from the fact that the angels did not answer to another set of investors. Jenkinson posited:

> VCs are accountable to their limited partners and also raise new funds every few years. As a result, although they may say that they will not look for an exit for 7 years, they operate under tremendous pressure to show positive exits and returns on invested capital. In contrast, angels work for themselves. They have longer horizons for liquidity events, which is liberating for an entrepreneur trying to build long-term value.

The Series C Decision

By February 2007, LesConcierges needed to raise another $3.5 million. Jenkinson carefully considered where to source the money. Rupert Jacobs, a former colleague of hers, was a partner at the well-established firm, Wheeler and Grace (WG), which had launched a $250 million fund three years ago to provide growth capital to small consumer products and retail ventures. WG had made 15 investments out of this fund. Jacobs indicated that WG would be likely invest in LC on favorable terms without a heavy duty due diligence process, due to his preexisting professional relationship with Jenkinson. Jenkinson decided to keep this possibility on the back burner. However, after her experience with the Paragon Group, she was not yet ready to commit to another venture firm.

She thought the better course of action would be to partner with angel investors again. The only downside to her experience raising the Series B had been the time required to present the opportunity to each individual. However, in January 2007, a friend of Jenkinson's told her about the Keiretsu Forum (K4), a leading global alliance of 700 angel investors (about 100 in the Bay Area) who looked at deals collectively and then made investing decisions individually. Many members were retired investors, CEOs and Chairmen who had led distinguished careers in business. Since its founding in 2000, K4 investors had invested over $141 million in 161 companies across many industries, including technology, healthcare, consumer products and real estate. After learning more about K4, Jenkinson decided to present to the forum for the purposes of securing the capital her company needed to reach its growth objectives.

Jenkinson gave an introductory presentation to the Keiretsu Forum in February 2007 and focused on the fact that LC was a scalable business operating in the large luxury lifestyle market. LesConcierges' proven management team (**see Exhibit 8**) projected that the company would double revenues in 2008, primarily by exploiting opportunities from "LC Concierge 2.0." Her remarks were well-received - at the end of her first talk, 35 K4 members expressed interest in hearing more about the company. Randy Haykin was one of the first investors to sign up for further information. He was struck by Jenkinson's composure, entrepreneurial and managerial experience and the fact that the company was profitable and potentially heading into a period of rapid growth. He also liked the business model and the recurring revenue structure.

Over the next two months, Jenkinson gave a second, more detailed presentation on the company and provided an online "data room" for interested investors. A team from the Keiretsu Forum also conducted thorough due diligence to assess the management team, board members, luxury personal services market, technology, intellectual property and specific growth opportunity available to LesConcierges. After the company received high marks on almost all of these dimensions, 20 K4 investors put $1.2 million into the company in April 2007, at a pre-money valuation of $12 million.

The Board Dilemma

Jenkinson and the K4 investors thought it would be logical for the angel network to have representation on LC's board. Jenkinson spent a significant amount of time working with two K4 investors in particular during the due diligence process. She got along well with both of them for different reasons and wanted one of them to become a director. At that stage, LC's three-person board was comprised of Jenkinson, Dan Tocchini and Alison Davis. All three directors were also investors in the company. Tocchini had previously founded CultureROI, a firm that developed high-performance culture trainings for employees of large organizations including ESPN, Morgan Stanley and Worldvision. Davis, now the managing director of Belvedere Capital Partners, had formerly served as the CFO of Barclays Global Investors, a San Francisco-based institutional money management firm with over $1.5 trillion of assets under management. Jenkinson, who wanted to broaden the board's collective skill set, considered which K4 investor would be the better choice.

Board Member Candidate Number 1

Jenkinson had known Christa Reed, a senior partner at A.T. Kearney, since her own days as a young consultant at the firm. Reed, who specialized in operations and supply chain management for consumer technology companies, was smart, analytical and driven. The key question in Jenkinson's mind was how much guidance, if any, that Reed would be able to offer outside of board meetings. Jenkinson figured that although Reed traveled constantly and would not have time to delve into operational details, she would show up to every formal meeting prepared and willing to advise on the most important decisions for LC. The CEO noted, "You usually want the busiest person on your board because there is likely a good reason why she is in high demand." Jenkinson also thought of Reed's consulting background as a plus, noting that "She works with 'best of breed' companies all the time and could help us put in place the same practices that have made them successful. She would also keep us continually focused on the big-picture priorities that would move the company forward in a meaningful way."

Board Member Candidate Number 2

Jenkinson also thought that Randy Haykin would be a great addition to the board. Although he had never been a CEO, he had operational experience from holding several senior management positions in growing organizations. In addition, he was a highly regarded investor in Silicon Valley and he was familiar with cutting edge technologies that could prove to be useful to LesConcierges as they built out the "LC Conciege Platform 2.0." Jenkinson recalled, "Randy had a personal brand in the Valley that would give us even more credibility and help open doors for LesConcierges with additional partners and bankers." The only thing that gave Jenkinson pause was Haykin's desired level of involvement. At one point during the due diligence process, he had noted, "It's not my style to sit back. Given the early stage of angel investments, I typically *have* to get involved, even if it means setting off some growing pains."

Jenkinson wrestled with the choice for weeks, but ultimately asked Haykin to join the board, representing the 19 other K4 investors. After an amicable negotiation over his compensation, Haykin agreed to become a director. He was impressed with Jenkinson's success so far and looked forward to collaborating with her, stating, "Linda struck me as professional and gregarious, which is a great ying-yang to have in a CEO. I believed she would make a lot of money for her investors and I also thought we would enjoy working together."

Lingering financing issues

Having made the decision on which candidate to add to the board, Jenkinson turned her attention to the fact that she still needed to raise an additional $2.3 million to fund all of LC's growth needs. Rupert Jacobs had checked in with her recently and reaffirmed WG's interest in covering the gap. When she told him the valuation she had negotiated with K4, Jacobs said, "I believe those terms would work, although we would expect two board seats for that amount of equity."

Haykin and the other K4 investors urged Jenkinson not to involve the VC firm at this stage. Haykin argued that if LC met its plan, it would be able to raise a Series D in 6-9 months at an even higher valuation. "You've got a cushion of $1.2 million in the bank," he noted. "WG will still be interested in a few quarters and, in all likelihood, so will several other firms. We could negotiate more favorable terms at that point."

Jenkinson understood Haykin's logic, but thought there could be other dynamics at play, explaining that, "It was not in the Keiretsu Forum's interests to involve a player who could take a larger equity stake and have more power in the company." She also realized that her incentives were not necessarily aligned with the Forum on this issue. Jenkinson had had a significant portion of her net worth tied up in the company for the last seven years. Being able to take $400,000 out would go a long way toward alleviating some personal financial pressure, which in turn, would help her take the right amount of risk for the company. That was not possible with the amount of capital that K4 had provided, but it would be if WG participated as well. She commented, "No CEO ever wants to admit it, but when nearly all of your net worth is illiquid, it becomes difficult to make "swing for the fences" decisions since it invariably introduces more risk to your personal capital." Jenkinson did not have to close the round right away, so she held off on making a final decision between raising all of the money immediately, or waiting a few quarters to raise the remainder in a separate round.

A BUMPY START

Haykin attended his first LC board meeting in May 2007, shortly after investing. As was typical of many young companies, he found that several internal processes were in some disarray. For example, the board met on an ad hoc basis, rather than monthly. In fact, Haykin had had to push for a meeting to be held at all. In the process, he wondered why Jenkinson was trying to manage the scheduling issues herself rather than delegating them to her assistant. It appeared to Haykin that Jenkinson's natural tendency was not to ask for help. "In this case, she was dealing with problems that could have been left to someone else, which would also free her up to focus on more pressing issues," he explained. When the board finally did convene, Haykin noted that the session had not been as productive as he would have liked – there were some updates, but no major decisions had been made. He recalled, "There was a lack of orderliness to the meeting that could have been a sign of some procrastination or a lack of urgency within the company."

Over the ensuing three months, Haykin observed that Jenkinson and her team had several major holes to fill within the organization. For example, LesConcierges had no VP of Operations and no CFO. Given that LC's third-party accounting vendor had made critical errors, requiring the function to be pulled back in-house, the need to fill the CFO position was especially pressing. As a "Band-Aid" solution, Jenkinson was overseeing the roles herself. However, Haykin believed that this state of affairs made Jenkinson's life more difficult and deprived her of time better spent on strategic issues. When Jenkinson traveled to LesConcierge's international sites, she rarely returned emails or phone calls until she had returned to the United States. Haykin recalled, "That tendency exacerbated the lack of delegation because all key decision-making slowed down until she returned to LC headquarters."

Having been an entrepreneur, a venture capitalist and an angel investor advising many CEOs of companies at a similar stage of development to LesConcierges, Haykin offered to coach Jenkinson:

> The same skills that Linda has leveraged to build LesConcierges have a flip side that could use some refinement. She is devoted to her customers and appears to be an excellent sales "closer," but when she travels to visit clients, a leadership void opens up on the homefront. Her ability to tackle problems creatively is evident and she's extremely intelligent, yet when we interact she often seems overwhelmed and frazzled. Her current employees like and respect her, but Linda doesn't always seem clear on who the next executive hire could be to help her leverage her own time more effectively.

Yet, from Jenkinson's perspective, Haykin's concerns seemed to center on lower-priority items. She said:

> When I don't return messages immediately, it is usually because I am trying to close a contract with a major customer. That is exactly what I should be spending my time doing at this stage of the company's lifecycle. Although it may be slightly less convenient for them, it is also what my investors really care about. Say a director asks 'did we win that huge contract?' at the next board meeting. They will be pleased if I can answer affirmatively. On the other hand, no one will care about how many emails I have responded to.

An Interim CFO?

During the summer of 2007, the two disagreed most about Haykin's suggestion that Jenkinson hire Warren Hatch (a K4 member and retired entrepreneur who had not invested in the Series C) as an interim CFO until a suitable replacement could be found. Hatch had six years of experience as a CFO (in two consumer products companies). For the ten years prior to that, he had held finance positions of increasing responsibility at Clorox and Wal-Mart. Haykin argued that Hatch had the skill set to bring structure and discipline to the company's financial operations until a permanent replacement could be found. In addition, Hatch was willing to come onboard at a discount to market compensation.

However, Jenkinson was adamantly opposed to Hatch's involvement. She explained:

> The proper way to hire a CFO is with a competitive search process. Warren sounds terrific, but that's not enough to install him in an executive management position, even temporarily. It would take him three months to get up to speed and then he'd be gone the next quarter. In addition, it is unclear that he would fit with our company culture and, from previous experience, I'm not comfortable having an investor take on an operating role. I'd rather just continue overseeing finance myself until we can get a permanent executive in.

What Jenkinson felt was independent management, Haykin took to be a form of stonewalling:

> The CFO position is a full-time job that Linda cannot patch together for long. The recruiting process alone could take another 6-9 months. Frankly, it is tough to find someone of Warren's caliber and I'm disappointed that Linda is not jumping at the chance to bring him onboard. It would clearly add value and increase the probability that LC will be a major success.

WISE CHOICE?

At the July 2007 board meeting, Jenkinson presented her thoughts on the major initiatives for the upcoming year. Among them were improving LesConcierge's online "self-serve" offerings and winning several major contracts that were coming up for bid. Haykin agreed that these were priorities, however, he also wanted to see the company professionalize its internal operations. "I wanted LC to invest in staffing and infrastructure, to figure out and use a dashboard that would align the organization behind a few key metrics for success, and to have more regular communications between Linda and the board."

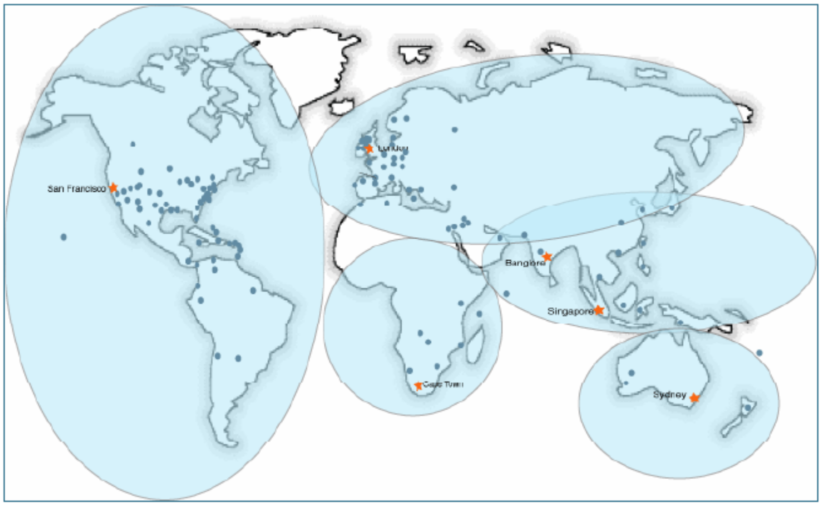
Jenkinson was somewhat frustrated by these suggestions. "One of the main reasons that I targeted angel funding was to escape the need or expectation that I heavily manage the investors. Randy seemed to be putting his 'venture capitalist' hat on at every board meeting." Jenkinson pushed back on Haykin's requests during the session, saying that, while those steps are on the company's 'to do' list, they are not near the top for now.

Haykin later thought through why he disagreed with deprioritizing the company's internal operations in favor of an "almost singular" focus on expansion. The management team was targeting aggressive year-over-year topline growth. In 2008, sales were expected to hit $29 million, yet Jenkinson was still juggling CFO and CEO duties and even scheduling her own appointments. Drawing from his experience working with many entrepreneurial companies over the past 25 years, Haykin hypothesized that that part of the business model would not scale. "Corporate processes need to be thoughtfully engineered so that they enable growth rather than inhibit it," he noted.

CONCLUSION

Separately, Jenkinson wondered what the right financing solution would be for LesConcierges going forward. Sometime within the next six months, she would have to raise the remaining $2.4 million that she originally set out to capture in the Series C. That was an aggressive amount for angels to furnish, even collectively within K4. Furthermore, if she was going to have to deal with "hands on" investors anyway, should she team up with Jacobs at WG and get the benefit of a firm with deeper pockets? After hearing about the latest bump with Haykin, a fellow entrepreneur counseled her to reconsider VC. "PG was a fluke," he noted. "If you partner with an established firm, they would be less likely than angels to get knee deep into operating issues." Jenkinson leaned back in her desk chair and began to think through her options.

Exhibit 1
Worldwide Location of LesConcierges Staff



Source: LesConcierges

Exhibit 2
Brief Competitive Overview

Full Service: Offering services that include work life experience, customer loyalty and affinity programs, as well as private membership offerings

- Circles (Boston) Founded in 1997 and current revenue estimated at $40 million ($25m from AMEX) with 450 employees, focusing on servicing the financial services sector. Transactional, call center approach.
- VIP Desk (Virginia) Founded in 1998, current revenue estimated at $16 million with 100 employees, focusing on low touch service market through dispersed home-based agent structure.

Private Membership: Offering a private membership to concierges services with varying levels of services available

- Quintessentially (London) is an international private members club for high profile and / or wealthy individuals and is serviced through multiple cities around the world.
- Boutique concierge companies in disperse markets worldwide who are not positioned to serve clients on a domestic or international basis outside of their home markets.

Niche Market: Companies focusing on specific vertical markets like the health care and medical services market

- Best Upon Request Corporate (Cincinnati) Best focuses on the health care sector providing concierge services to doctors and nurses, through major hospitals.

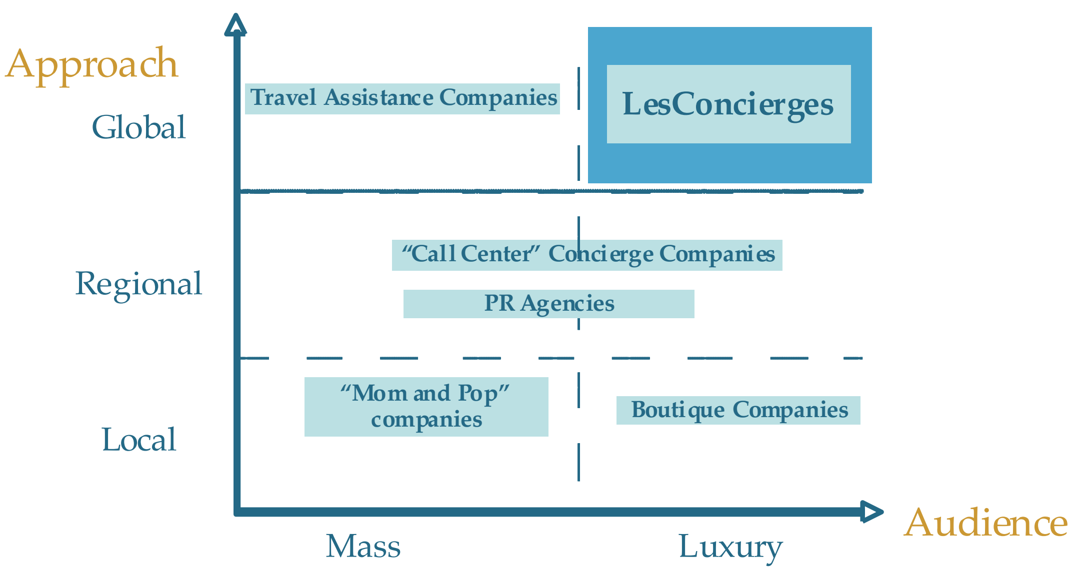
Source: LesConcierges

Exhibit 3
Benefits accrued to {sample} LC customers

- Engage with its affluent customers "on their level" from a lifestyle services standpoint, providing bona fide "concierge level" quality of service from region to region, worldwide
- Build customer loyalty with the {ACME} brand and its member banks
- Provide a cutting edge concierge product to {ACME} that will drive loyalty with its member banks
- Work with a single, global concierge program management infrastructure, ensuring strategic focus on the luxury segment worldwide
- Offer an integrated global account management infrastructure that ensures each regional {ACME} division has an appropriate concierge "partner" to work with, allowing program customization for regional need when and where necessary
- Put at {ACME}'s disposal a concierge program with significant economies of scale, ensuring competitive pricing and program value
- Provide the best website (and related products) in our industry
- Offer relationship and product sourcing opportunities with other well-known global brands, providing value to {ACME} customers and member banks

Source: LesConcierges

Exhibit 4
Competitive Map of Approach and Market



Source: LesConcierges

Exhibit 5A
LesConcierges Historical Financials (2002-2005)

	2002		2003		2004		2005	
REVENUES								
Corporate	$ 5,152,821	72%	$ 4,174,973	61%	$ 3,113,599	47%	$ 3,496,719	42%
Building	$ 359,561	5%	$ 214,792	3%	$ 123,408	2%	$ 85,905	1%
Value-Added	$ 1,178,887	16%	$ 1,927,392	28%	$ 2,674,967	40%	$ 3,785,338	45%
Virtual	$ 176,582	2%	$ 224,099	3%	$ 451,028	7%	$ 624,901	7%
Commission	$ 311,915	4%	$ 292,005	4%	$ 291,443	4%	$ 341,826	4%
TOTAL	$ 7,179,765	100%	$ 6,833,261	100%	$ 6,654,446	100%	$ 8,334,689	100%
EXPENSES								
Operating								
Concierge Services	$ 3,263,199		$ 2,726,024		$ 2,597,055		$ 2,936,785	
Marketing - Direct	$ 165,221		$ 174,042		$ 444,494		$ 757,819	
Shared Services/ Operations	$ 1,177,277		$ 1,368,649		$ 1,315,245		$ 2,087,079	
subtotal	**$ 4,605,697**		**$ 4,268,715**		**$ 4,356,794**		**$ 5,781,683**	
	36%		38%		35%		31%	
Overhead								
General & Administrative	$ 1,267,714		$ 1,213,438		$ 1,108,494		$ 1,243,435	
Technology	$ 574,229		$ 515,769		$ 513,831		$ 706,791	
Marketing - Corporate	$ -		$ 13,722		$ 71,169		$ 76,778	
Sales	$ 316,900		$ 249,067		$ 181,047		$ 223,097	
subtotal	**$ 2,158,842**		**$ 1,991,996**		**$ 1,874,542**		**$ 2,250,101**	
TOTAL	$ 6,764,540		$ 6,260,711		$ 6,231,335		$ 8,031,784	
OPERATING MARGIN	$ 415,225		$ 572,550		$ 423,110		$ 302,905	
margin	5.8%		8.4%		6.4%		3.6%	
Extra-ordinary Items								
Restructuring	$ 85,120							
Favorable Balance Sheet Writedowns	$ (351,195)							
EBITDA	$ 681,301		$ 572,550		$ 423,110		$ 302,905	
Interest Expense								
All Debt	$ 199,759		$ 207,819		$ 175,469		$ 137,486	
Capital Leases	$ 44,399		$ 9,372		$ 4,908		$ 10,572	
Total Interest Expense	**$ 244,158**		**$ 217,191**		**$ 180,377**		**$ 148,058**	
Depreciation and Amortization	**$ 388,830**		**$ 174,028**		**$ 113,975**		**$ 125,319**	
Net Income Before Taxes	**$ 48,312**		**$ 181,331**		**$ 128,759**		**$ 29,528**	
Income taxes	**$ -**		**$ 3,104**		**$ 2,276**		**$ 3,062**	
Net Income	$ 48,312		$ 178,227		$ 126,483		$ 26,466	

Exhibit 5B
LesConcierges Historical Financials (2006)

Revenue	**9,113,396**
Operating Expenses	6,134,254
Overhead Expenses	2,653,745
Operating Income	**325,397**
Interest Expense	117,135
Depreciation and Amortization	192,375
Net Income Before Taxes	**15,887**
Income Taxes	5,431
Net Income	**10,456**

Source: LesConcierges

Exhibit 6
LesConcierges Financial Projections

	2007	2008	2009	2010	2011
Revenue	**$ 14,118**	**$ 28,522**	**$ 50,144**	**$ 76,421**	**$ 117,208**
Cost of services sold	$ 8,427	$ 15,938	$ 28,215	$ 42,240	$ 63,925
Gross Margin	$ 5,691	$ 12,585	$ 21,929	$ 34,182	$ 53,283
%	40.3%	44.1%	43.7%	44.7%	45.5%
Operating Costs	$ 4,596	$ 8,966	$ 15,525	$ 21,497	$ 33,589
EBITDA	**$ 1,096**	**$ 3,619**	**$ 6,403**	**$ 12,684**	**$ 19,694**
EBITDA %	7.8%	12.7%	12.8%	16.6%	16.8%
Year End Revenue run rate	$ 19,667				
Revenue Growth rate		102.0%	75.8%	52.4%	53.4%

Source: LesConcierges

Exhibit 7
LesConcierges Series C Capital Funding Requirements

Sales team & key personnel hires	$400,000
Technology/infrastructure	$500,000
Working Capital	$300,000
TOTAL	**$1,200,000**

Source: LesConcierges

Exhibit 8
LesConcierges Management Team

Our executive team features expertise in global program design and rollout, finance, technology, consumer marketing to a high net worth audience, and detailed experience in luxury services with American Express and domain expertise in travel, dining and private clubs.

Ø **Linda Jenkinson, CEO** is a seasoned entrepreneur who has built two multi-million dollar companies and as a professional focuses on chaos-based service businesses. Linda built her first company, Dispatch Management Services, from zero to $250m with 6,000 employees and 80 call centers around the world and took DMS public.

Ø **Ramesh Patel, President & COO**, born in Kenya and educated in London, brings to LesConcierges over 20 years' experience in operations, sales and service delivery through a series of executive roles with top companies in a variety of international locations.

Ø **Dan Tocchini, Corporate Development Officer**, is a proven leader in developing and building business ventures through sales and business development. He is a leader in building high performing cultures and founded CultureROI where he developed trainings for organizations including ESPN.

Ø **Denise Thomas, EVP Loyalty Services & CMO** has over 20 years experience in marketing and business management.

Ø **Kim Augustine, VP WorkLife Services** has over 20 years experience with employee work life programs, hotels, resorts, private membership clubs and destination management.

Ø **Mark Robeson, VP Customer Loyalty** possesses 15 years' experience designing, implementing and managing concierge programs in the loyalty marketing space.

Ø **Allison Cripps, VP Marketing** has been working with luxury clients, loyalty platform design and marketing strategies for the past 12 years.

Ø **Doug Anderson, Sr. Director of Product Management** has a broad background in the hospitality industry with experience in operations, finance and technology.

Source: LesConcierges