

OpenHatch, Inc.

Business Plan

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This document includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this document, including, without limitation, those regarding OpenHatch's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to OpenHatch's products, production forecasts and reserve and resource positions), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of OpenHatch, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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I. Executive Summary

OpenHatch produces a website that makes life better for the open source software (OSS) developer community. The company was founded in 2009 by a three-person team representing a decade of leadership experience in the free software and free culture communities. Seed money was invested by Shotgun Ventures, a highly selective accelerator fund for web startups modeled after the Y Combinator fund.

Our mission is to be the place on the Internet for connecting with people and projects in the OSS developer community. We mobilize participation in the community, make it easy for new developers to become involved, facilitate collaboration among developers, and help the millions of enterprises and individuals that use open source software tap into the extraordinary talents and passions represented in the community.

It is by now a truism that OSS is an entrenched feature of the American business landscape. Eight-five percent of U.S. enterprises have embraced it¹ and its merits for businesses have been widely cited: the OSS community develops and releases software quickly and that software's transparency makes it ideal for businesses and users who want independence and control.² The people behind OSS are part of a global network of hundreds of thousands of technology enthusiasts who build software together in the spirit of openness, innovation, and good plain fun. (Yes – coding is fun!)

While software developers of many stripes are well rewarded for their creativity and ingenuity, OSS developers are in a class of their own. Their volunteerism, self-motivation, and willingness to experiment with cutting-edge technologies signal a genuine passion for writing code. This explains why technology workers who contribute to OSS are paid more highly on average than those who do not. OSS developers are a talented and highly valuable demographic.

OpenHatch's core product is an involvement engine for open source software. We provide tools for OSS developers to demonstrate and increase their experience in the open source community. By the end of 2010, we will have built ways for developers make money with their knowledge as consultants and job candidates.

We are looking to raise about \$100,000 in angel funding. These funds will cover company expenses for one year, giving OpenHatch time to gather 10 thousand users on our site, roll out our revenue-generating features, and reach cash neutrality. We are willing to work with a number of investors to reach this goal.

Thank you for taking the time to read this prospectus. We are very excited about the plans ahead and hope you will be too.

1 Kobie, Nicole. "Gartner: 85 percent of firms use open source." *ITPro*. <<http://www.itpro.co.uk/608322/gartner-85-percent-of-firms-use-open-source>>.

2 Turner, James. "Open Source is Infiltrating the Enterprise." *O'Reilly Radar*. <<http://radar.oreilly.com/2009/07/open-source-is-infiltrating-th.html>>.

II. Team

Asheesh Laroia is CEO and lead developer. He has used open source software for over a decade and is a developer in Debian, one of the largest open source projects. He previously served as software engineer at Creative Commons and webmaster for Students for Free Culture. Asheesh graduated from Johns Hopkins University with a B.A. in Cognitive Science (2006) and a M.S.E. in Computer Science (2007).

Raphael Krut-Landau is president and lead web designer. He has built web communities since 2004, and was a Technology Fellow during 2008-09 at Johns Hopkins University, where he graduated in 2009 with a B.A. in Philosophy and Cognitive Science, with a concentration in Computer Science.

Karen Rustad is director of research and graphic design. She served on the board of Students for Free Culture from 2005 to 2008 and was founder and president of the Claremont Colleges chapter of Students for Free Culture chapter over the same period. She has done work in media production and outreach, most recently in creating a viral video series for SPARC. Karen graduated from Scripps College in 2008 with a B.A. in Media Studies.

We employ the Agile development methodology for planning and tracking progress. We work about 54 hours a week each.

Over the next year, to speed up development, we anticipate adding additional technical staff on a part-time or intern basis in exchange for equity in the company. We have already hired Matthew Ziegelbaum, formerly of Google NYC, in such an arrangement and have talked to a few other potential developers about doing the same.

III. Company Information

A. Form of Business and Ownership

OpenHatch, Inc. is incorporated in the state of Delaware.

OpenHatch has issued 71,038 shares of stock to date. The stock of founders employed by the company vests monthly over four years until May 20, 2012.

Current ownership, at full vesting:

- Asheesh Laroia – 30,666 shares (43%)
- Raphael Krut-Landau – 30,666 shares (43%)
- Shotput Ventures – 8,000 shares (11%)
- Nelson Pavlosky – 1,278 shares (2%)

(Figures do not add up to 100% due to rounding.)

B. About the Company

The founders of OpenHatch consider themselves part of open source software community and are committed to that community's principles of openness and transparency. OpenHatch uses nearly 100% open source software in the office – both founders run Linux full-time – and plan to release OpenHatch's source code under an open source license in the near future. Our service adheres to open standards and will have an extensive API to help others make our community even better. OpenHatch also maintains a company blog and microblog which enable our peers and users to see what we're doing and give us direct feedback.

OpenHatch also distinguishes itself by prioritizing simple, usable and joyful user experience throughout its site. Many early-stage startups (and some established companies) outsource their web design or treat it as a skin; by contrast, two out of OpenHatch's three employees have a background in design, and our app functionality is consciously integrated with the site look and feel.

IV. Analysis of Markets

A. The open source software developer community

i. Size

There is no formal count of contributors to OSS. There are about 62 thousand open source software developers listed on the OSS project hosting site SourceForge and on the web site for the Linux kernel; however, this number excludes the many people who make other contributions than code (e.g., people who organize bugs ['bug triagers'], translate software into different natural languages, write documentation, create art, etc.), not to mention developers of all kinds who work on projects not hosted on SourceForge. The real number is certainly over 120 thousand – possibly much higher.

ii. Segments

One-third of open source software contributors are full-time software engineers, 20% are students, and the rest are mostly IT professionals, consultants, and academics.¹ On average, technology workers who contribute to open source are paid more than those who don't.²

iii. Saturation

open source software developers have a few established hangout spots, including Slashdot, The Register, and various gadget blogs (e.g., Gizmodo, Engadget). However, these are exclusively hangout spots – not places for collaboration. Github and Django People have some social features, but their membership are limited to, respectively, users of Git and Django. Forums like Stack Overflow and the FAQ pages and IRC channels of established open source software projects provide answers to some questions, but these do not typically result in focused, one-on-one mentoring relationships. And there is no on-demand consulting service that recruits consultants from across the open source software community.

iii. How we help

Fragmentation is a major problem for OSS developers. One-sixth of OSS developers say they don't know anyone else personally who contributes to open source; the vast majority know five or fewer other developers.³ OSS conferences are one of the few existing ways in which OSS developers get to interact with one another on a personal basis, and developers report feeling more motivated and excited about working on open source once they attend conferences and put faces to the names on mailing lists. However, conferences and similar get-togethers are few and far between and many developers are unable to attend them. Conferences also usually only target developers from a particular project instead of facilitating cross-pollination between open source projects. This fragmentation of the community leads to a number of problems: finding a mentor or other help is tough, knowing which new projects match your interests and need your help is difficult, and it is too easy to feel disconnected.

1 Ghosh, Rishab. "Free/Libre and Open Source Software: Survey and Study." June 2002.
<<http://www.infonomics.nl/FLOSS/report/Final4.htm>>.

2 Beer, Stan. "Open Source professionals higher skills, higher paid: survey." March 2008.
<<http://www.itwire.com/content/view/full/17063/53/>>.

3 Ghosh, Rishab. "Free/Libre and Open Source Software: Survey and Study." June 2002.
<<http://www.infonomics.nl/FLOSS/report/Final4.htm>>.

OpenHatch aims to fix the fragmentation problem for each of the major segments of the OSS community. Established OSS developers can come to the site and compile a portfolio of their open source software experience, both giving them the thrill of a *This Is Your Life* experience and establishing their credibility in the open source software community. They can also use the cross-project bug search engine to quickly find new projects to work on that fit their skills and interests. Students and other OSS newcomers can use the bug search engine to find bugs marked for beginners. They can also use the mentoring function to find mentors in languages and projects about which they want to learn more.

We also enable experienced OSS contributors to make money from their expertise – either on a full-time basis by responding to a job posting on our site or by being recruited by a headhunter, or on a part-time consulting basis through our on-demand consulting function.

B. Corporate OSS Users

i. Size

Surveys estimate that today about 85 percent of companies in the U.S. now use OSS in some capacity.¹ Its role is central to business operations; sixty-four percent of American businesses say they employ OSS in mission-critical applications. This figure is increasing in the weak economy as businesses of all sizes look for ways to save money.² Most corporate open source software users do not configure their open source setup exclusively in-house; rather, they contract out to other companies for setup, support, and maintenance.

ii. Saturation

Currently, major open source project vendors such as IBM, Red Hat, and Sun provide customized OSS solutions for businesses and offer support contracts. Their work is typically high quality, but they mainly handle large-scale deployments for big corporations. For many problems and clients, they are too big, slow and/or expensive. On the small-scale end of the market, there are some third-party technology consultants and consulting firms, which are usually local to a particular area and have variable levels of expertise and expense. Such consulting firms typically maintain ongoing relationships with local businesses as opposed to offering on-demand services.

iii. How we help

Despite the weak economy and cuts in IT budgets, there are still obstacles to increasing corporate use of open source software. The main one is that businesses perceive a lack of support solutions for open source. Without adequate and reasonably priced support, the labor costs of hiring sufficiently experienced sysadmins and developers to make the open source solution work sometimes outweigh the savings from replacing proprietary software with open source software. For some enterprises, the open source support solution is obvious: IBM, Red Hat, Sun, etc. all focus on large corporate deployments,

1 Kobie, Nicole. “Gartner: 85 percent of firms use open source.” ITPro. <http://www.itpro.co.uk/608322/gartner-85-percent-of-firms-use-open-source>

2 Forrester Consulting. “Open Source Software’s Expanding Role in the Enterprise.” March 2007.

leaving behind smaller businesses or more unusual applications. Our on-demand phone consulting service will serve their unmet needs.

C. Hiring Professionals

i. Size

There are three principal classes of hiring professionals. The first are regular managers in a company looking for and vetting employees themselves. The second is hiring managers or recruiters within a given company whose full-time job is finding employees throughout the company. Finally, there are external recruiters and recruiting firms to whom companies sometimes outsource their employee searches.

ii. Saturation

First, there are the mass-market job sites, the biggest of which are Monster, CareerBuilder and Dice. Their key advantage is their large number of jobs and applicants. This advantage is also a weakness; if you post a job ad to one of these sites, you'll get thousands of responses, but you have no way to filter or usefully evaluate them. Given how basic their job posting tools are, they are also rather expensive, charging \$400-\$500 just for a basic job ad.

LinkedIn is the upstart challenging the job site behemoths. With its specialized data on connections between people, LinkedIn's recruiting tools are both more intelligent and less expensive than those of the mass-market sites. Its key difference from OpenHatch is that it doesn't specialize in hiring techies, and doesn't leverage any technology-specific indicators of talent.

Companies looking to hire people with very specific skills or looking to fill an important position often turn to professional recruiting firms and headhunters. Recruiters' searches are tailored to the particular position in question and typically return a manageable number of candidates. However, the recruiting process typically isn't much more sophisticated than just calling one's contacts and those contacts' contacts until you find a few matches. Since recruiting firms are expensive, they are usually only used for the most important positions.

iii. How we help

Hiring techies today relies primarily on scanning resumes and word-of-mouth. However, resumes are often fudged and while word-of-mouth is good for finding personable, reliable employees, it may not be the best indicator of a candidate's technical expertise. Thus, hiring managers can't really assess candidates' technical chops until the interview. Often even then, hiring managers cannot see candidates' previous coding work without signing a non-disclosure agreement.

OpenHatch aims to solve this problem by compiling job candidates' publicly documented experience in various languages, toolkits and projects. In the proposed system, a recruiter can enter the location, skillset and volume of experience that they are looking for and we return them a focused recruit list that they can trust. If instead of actively recruiting, an employer just wants to post a job opportunity and evaluate the portfolios of the members who respond, they can do that as well. Since all the software

involved is open source, we can provide code samples on demand. LinkedIn's success exhibits that hiring professionals are looking beyond the traditional resume and cover letter. We can fill this need in a tailored way for technical hires.

V. Industry Analysis

A. Industries

OpenHatch operates within three different industries: social networking, technology consulting, and recruiting/HR.

B. Competitors

There are a number of other companies who overlap our target market and functionality to some degree. Our most significant competitors are Ohloh, IBM My developerWorks, LinkedIn, and Ether. These competitors are indirect; none is focused full-time on the OSS community.

i. *Ohloh*

Ohloh scrapes open source repositories across the web to create developer profiles similar to ours. It originated as a metrics service for users of open source software. To date, Ohloh focuses on quantity and metrics for contributions. Ohloh offers its users a badge that explains how much a contributor's work would have cost were it developed by a proprietary software company. For programmers, the Ohloh experience is largely a case of "set it and forget it" – once you claim a contribution on Ohloh, the website works without user input. For users of open source software, the Ohloh index provides quick, pre-calculated answers to relatively complex questions. Ohloh's website is informative but not interactive.

Ohloh has added no additional features to the site in the last year. In April 2009, Ohloh was acquired by SourceForge for \$2.6 million. It appears that Ohloh's two founders now spend most of their time on SourceForge projects, rather than adding to Ohloh.

While OpenHatch also helps developers feel proud of their past contributions to open source, we help developers discover what to do next. We answer two perpetually interesting questions: "What can I work on next?" and "Who can help me?" The activity on our site, as well as the data sources we crawl, feed back into improving the connections we foster.

ii. *My developerWorks*

My developerWorks, an IBM product, comprises the social functionality inside IBM developerWorks, a technology news and tips aggregator. Thus, it appears that IBM thinks this kind of service is a likely moneymaker. However, My developerWorks' user experience is dull and clunky: it looks like a corporate intranet from the late '90s. IBM is not a brand associated with social networking and this foray is unlikely to change consumer opinion on the subject. The My developerWorks profile includes standard 'about me' information. In conclusion, My developerWorks is a boilerplate social network designed to complement the developerWorks web site.

By contrast, OpenHatch's focus on community-centered features helps us create a much stronger relationship with members of that community, differentiating us from less-focused services. Our emphasis on usability encourages users to return.

iii. *LinkedIn*

LinkedIn is a social networking site for connecting with current and former business colleagues. They make money from job postings and premium accounts for recruiters and hiring managers. Since LinkedIn is first a social networking site, it can differentiate itself from other job sites by providing a candidate's full work history, aspirations, references, and connections to other people you may know – far more information than the average job site. LinkedIn charges less for its job posting services than either CareerBuilder or Dice but more for its enterprise recruiting tools. Most other job sites have focused, to their detriment, on growing the number of applicants – while job postings there get tons of resumes, the volume is far too high for hiring managers to adequately deal with and nearly all the resumes are unqualified. LinkedIn has instead focused on quality of applicants and providing good filtering tools.

Our plan to compete with LinkedIn is to do what has made them successful, only more so. As LinkedIn's member pool grows beyond early adopter types and attracts individuals from all industries and backgrounds, it too runs the risk of increasing the haystack-to-needle ratio beyond what its hiring tools can deal with. On the other hand, OpenHatch is focused on a particular, tech-savvy community. We can thus ensure that our user pool is of consistently high quality. We also have more and different data about our site members. Not only do we have the self-reported information and connections that LinkedIn can provide, unlike LinkedIn we also have a verified record of developers' real open source software experience.

iv. *Ether*

Ether is an on-demand consulting service that connects consultants and clients automatically by phone. It (along with its parent company, Ingenio) was acquired by AT&T in 2007 and reports that it is currently profitable. Ether overlaps somewhat with our service because it has a computers/tech consulting category (among others). However, Ether is not focused on tech consulting and there are almost no open source consultants there. Furthermore, Ether does not provide, whereas we do, an analysis of a consultant's experience that increases potential clients' trust that a particular consultant will in fact be able to solve their technical problems.

VI. Marketing Plan

To promote OpenHatch, we plan to at first focus on particular projects within open source – GNOME, Debian, Python, and Ubuntu – by tailoring the profile importer to track numerous sub-areas of expertise relevant to those projects and utilizing our connections to people in those projects. We are also successfully reaching out to thought leaders within the open source software community, some of which are even serving as alpha testers for us. By meeting their needs and being responsive to their feedback, many of them have expressed interest in promoting OpenHatch during its public beta later this year, by posting on their blogs, putting the OpenHatch badge on their websites or Facebook profiles, and by word of mouth.

To further increase membership, we plan to recruit open source developers in person at Linux Users' Groups and meet-ups and conferences whether OSS enthusiasts gather. We have already started doing this in Atlanta and the Bay Area. By meeting in person, the developers we reach are much more likely to trust us and check out the site. In early 2010 we will be organizing bug-squashing contests with major open source projects, where two projects compete to fix the most bugs within a particular length of time. Members of OpenHatch can participate not only by fixing bugs, but by betting on which project they think is going to win in exchange for a shot at a grand prize. The betting works by clicking a button on our site that posts to the member's Twitter or Identi.ca¹ account the member's bet and a link to the OpenHatch bug-squashing contest page. This helps members raise awareness and recruit others to make sure their favored project wins and promotes OpenHatch to everyone on their list of subscribers.

By working with established projects and institutions within open source and collaborating on campaigns and fun events, we can make open source developers aware of us in a positive, organic way.

¹ Identi.ca is an open source microblog in the style of Twitter.

VII. Financial Plan

A. Operating Needs

OpenHatch has already raised about \$40,000 from friends and family. However, we would prefer, instead of accepting those funds, to work with professional investors who are more familiar with the space and who can help mentor us. In any case, we want to raise \$100,000 total to cover a full year's worth of expenses, so we need additional investment whether or not we proceed with the friends and family round. (Please see our detailed operating budget in the appendix.)

B. Financial Statements

Please see the appendix for our income statement and balance sheet.

C. Financial Analysis

We have a three-pronged revenue strategy: job postings, recruiting tool subscriptions, and on-demand consulting. Any one of these revenue streams can realistically cover our costs alone.

If we charge companies \$200 per job posting, over a year we would need only about 500 job posts to break even. For reference, \$200 is the same as the cost of posting a job on LinkedIn or Working With Rails, and is less than the cost of posting a job on Stack Overflow or any of the mass-market job sites.

If we charge recruiters \$40 per month to use our recruiting tools (comparable to what LinkedIn charges for mid-level premium accounts), we need only about 200 recruiters subscribed to our site to break even.

Finally, there is our on-demand consulting revenue stream. Assuming that the average consultant rate is \$60 per hour and that each consultant on average is on the phone only one hour a week 35 weeks a year, if we take a 15% cut (the same as Ether and other middleman services such as Rent-a-Coder) we can break even from this revenue stream alone with about 222 consultants. (You can see our spreadsheet and play with the numbers yourself in the appendix.)

By having multiple revenue streams that could each, on its own, reasonably support the company, we protect ourselves somewhat from the vagaries of the market. If one source of revenue drops due to competition, hiring trends, or other factors, OpenHatch can still count on two other revenue sources while we respond to the new circumstances.

VIII. Exit Strategy

IPOs being a rarity in this market, our exit strategy is to seek acquisition. OpenHatch would be a valuable addition to companies in a few sectors. We expect that open source software services companies such as IBM or Oracle would find our talent pool useful, and that the complementary, light-weight nature of our phone consulting service would be a valuable counterpart to their more heavy-weight offerings. Large, incumbent job posting services are hurting in this economy; with no clear differentiator other than volume, Dice and Monster are seeing downward trends. These companies visit open source conferences and face resistance by the community; the acquisition and promotion of OpenHatch would immediately grant them credibility and access. Additionally, data on open source practitioners has value, as evidenced by SourceForge's acquisition of Ohloh. Ohloh focused on gathering data on open source projects; our focus on people instead of projects separates us and provides different value.

IX. Critical Risks and Assumptions

There are two classes of assumptions behind OpenHatch: those related to the developer community and those pertaining to business clients. In the first, the main assumptions and challenges are making sure that most developers are aware of OpenHatch, find the site sticky, and consider OpenHatch compatible with the values of the free/open source software community. Outreach and stickiness are largely in our control; by following our marketing plan, listening to feedback, and prioritizing development of community features before more revenue-focused ones, we can effectively build a stable site population. Community compatibility is a bit more hit-or-miss; open source software developers have a variety of ideologies, held to varying extremes. With a Debian developer on staff, we are familiar with a number of the touchstone issues within the community and can work within them. Nevertheless, we will still need to pay close attention to how our site is viewed so we can address community concerns early on rather than build antagonism and division.

Our assumptions about business clients must include our assumptions about the community--if we don't have a suitably large developer population, businesses and recruiters will have no use for us. In addition to that, our plan assumes that open source software contributors are in fact desirable hires and that we will be effective in making recruiters, hiring managers, and others in business aware of OpenHatch and how our services can help them. We welcome advice and support from our mentors and investors as we reach out to businesses.

X. Appendices

A. 2009-2010 Budget

Monthly salary per full-time employee: \$1700

Monthly salary per part-time employee: \$250

Total monthly payroll: \$5350

Total rent: \$1500

Utilities: \$200

Server costs: \$65

Travel costs: \$350

Supplies: \$100

Unexpected costs / buffer: \$500

Total company costs: \$2715

Funding required for 12 months: \$96,780

You can see an editable version of the budget at: http://spreadsheets.google.com/ccc?key=0AnNqpfwA4_bBdFFhaURMQVY3QVNIdVFzbmV2WjlaTkE&hl=en

B. Income Statement

Revenues

Investment Income	\$20,000.00
Misc. (Bank bonuses)	\$50.00
Total	\$20,050.00

Expenses

Payroll Expenses	\$5,995.27
Rent	\$4,525.00
Travel	\$919.20
Misc. (Dining, Outside Services, Printing, Subscriptions)	\$128.67
Total	\$11,568.14

Net Income for Period	\$8,481.86
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C. Balance Sheet

Assets

Current Assets

Checking Account	\$8,481.86
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Total	\$8,481.86
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Liabilities

Total	\$0.00
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Equity

Retained Earnings	\$8,481.86
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Total	\$8,481.86
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Total Liabilities & Equity	\$8,481.86
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D. Revenue Projections Spreadsheet

Break-even annual revenue: \$100,000

Projected fee per job posting: \$200

Number of job postings per year to break even: 500

Recruiting tools subscription cost per month: \$40

Number of subscribers needed to break even: 208

Average consultant fee per hour: \$60

OpenHatch's cut: 15%

Per minute VOIP cost: \$0.08

Number of consultant hours per year needed: 11,111

Average length of call: 30 minutes

Number of calls needed per year: 22,222

Calls needed per day: 61

Hours each consultant spends on the phone per week: 1

Number of active consultants: 222

To change the default values, please see http://spreadsheets.google.com/ccc?key=0AnNqpfwA4_bBdEVfNTVYTWNybkZNbUJDX0dLdHF6eFE&hl=en