

SOMA - A Revolution In Weight Loss

"Quite possibly the solution to the weight epidemic. I have my order in."

Dr. Harold Varmus, Nobel Laureate, Former Head NIH

"The single most effective tool for weight loss available without surgical or drug intervention."

CNET

"The most effective scale I have ever seen."

Larry King



FOUNDERS FUND

Prepared For X Capital, April 2012

01 - The Scale-o-Mata

The Scale-o-Mata (SOMA) breaks the main barrier to weight loss by encouraging overweight people to actually weight themselves, frequently.

Our claim has been proved in small-scale clinical studies and has support in the general literature.

Problem: Overweight people – 66.7% of the US population (NIH)¹ - refuse to step on a scale because their actual weight is too depressing, making it impossible to conceive of how they might lose 20-40 pounds (the average an overweight US person seeks to shed). However, voluntary weight loss without the feedback of a scale is essentially impossible.

Solution: SOMA indexes starting weight to zero and simply records minor upward or downward movements on a daily basis. Daily use of SOMA vs. regular scales is 87% vs. 14%².

SOMA is the first product; our company will manufacture a series of synergetic devices over time. The scale represents the fastest-uptake product in the suite. Our aim is to improve human health by providing constant, useful, and non-threatening information.

1. www.nih.gov/madeupfacts

2. Internal SOMA study, 42 participants, $p=.04$. Data available in our dataroom DATAROOMSTOGO.COM/SOMA

02 - The SOMA Team

Our team has worked together for three years on three start-ups that have achieved profitable exits for our investors, in spaces directly relevant to SOMA. Our experience is directly relevant to the consumer bio-device space and we have personally committed our own capital (7% of net capital) to the company.

Company	Product	Exit	Return	Relevance	Team Involved
Martini Master	Self-Mixing Powdered Martini	Sold to Nabisco for \$140 million (2009)	Seed: 82x A: 14x B: 3x	Consumer	Pic 1, Pic 2, Pic 3
TriCorder Industries	Blood pressure cuff for the iPhone	Sold to J&J for \$40 million (2011)	Seed: 24x A: 3x	Medical Device	Pic 2, Pic 3
R-Tip	Self-powered Q-Tip	Sold to J&J for \$200 million (in escrow)	Seed: 90x A: 20x B: 4x	Medical Device	Pic 1, Pic 3

Senior Team:

Joe Bidders - Chief Executive Officer



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ab illo inventore veritatis
et quasi architecto BS,
Stanford, EE.

Michael Smith - Chief Product Officer



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quasi architecto beatae
BS, Stanford, ME &
Product Design.

Cliff Knuckles - Head of Marketing



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aperiam, eaque ipsa quae
ab illo inventore veritatis
et quasi architecto BS,
Stanford, EE.

Other Team:

Current: 18 total: 3 founders; 6 engineers; 2 product designers; 2 admins; 3 sales; 1 PR; 1 intern. All full-time employees have bachelors or above from a top 20 school. FY 2012 Goal: 27 – adding 6 engineers; 3 sales (two engineering offers out, 15 people in pipeline)

03 - The Product

The first time a user steps on a SOMA, it displays "0". Each time a user steps on after that, the difference between current weight and last weight is displayed. Users may also display weights versus first use and can also download data to their mobile device.



Unit Economics

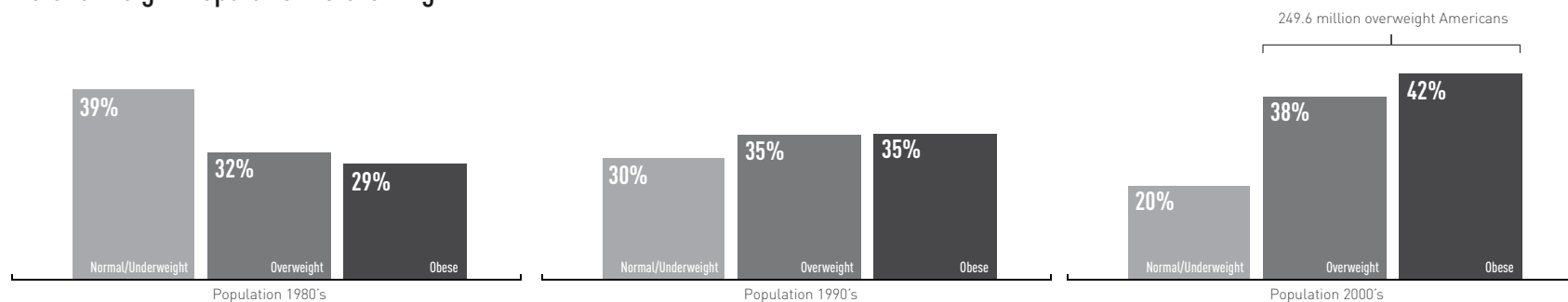
Component	Cost	Supplier	Design Status
Display	\$1.40	Pearl River Mfg.	Complete
Casing	\$0.87	Ralph Plastics	Complete
Processor	\$3.53	US Semi	Complete
Assembly	\$3.20	Foxconn	Tooling complete; ready to go

SG&A (est)	COGS	Price Point	Gross Profit
\$5.00	\$9.00	\$60.00	\$51.00

04 - The Market – Large And Growing Potential User Base

An ever growing number of Americans are mildly to severely overweight, with 98% of the overweight community carrying excess weight due to purely volitional factors (lack of exercise, overeating). A survey of five peer-reviewed studies shows that routine weight measurement is the single most important variable in reducing weight.¹

The Overweight Population Is Growing



Factor	Explanatory Effect
Use of scale	.72
Use of food/exercise log	.14
Social Shaming	.03
Other	.11

1. Dr. Full O. It, The New England Journal of Medicine, April 1, 2010, pgs 23-53.

05 - The Market – Opportunity And Competition

Market: The US market for scales is \$1.2 billion annually, with an average price per electronic scale of \$46. No scale offers SOMA's patented relative-weight measurement system.

Competition: Most scales are produced by commodity manufacturers in China and remarketed by US distributors; the higher-end scale market is dominated by Japanese firms with high price points with large but generally useless feature sets.

Our plan: More than 78% of all scales are used less than ten times.¹ A study by the tt Clinic shows that “fear of having a bad reading” accounts for virtually all failure to use scales regularly.² While it is possible to have a bad day on SOMA, relative changes day-to-day minimize the psychological fallout and improve compliance – and it is also equally easy (and important) to have good days. Our own study in our office of 42 individuals confirms.

Competitive Product	Features Not Present In SOMA	Price Point
Commodity Scales	None	\$46 (average); low of \$14, high of \$65
High End Scales (Ten-Ichi)	Vocal feedback	\$120; low of \$40, high of \$270 (includes data synch w/ mobile)

1. The Journal of Weight Loss, Vol. 48 pp- 1-32 (1997).

2. www.mayoclinic.com/weight

06 - Barriers To Entry & Exit / Sales Plan

We have three main barriers to entry: IP, endorsements/distribution, and network effects. Our network effects derive from the ability to selectively push Facebook and other notifications regarding successful weight loss automatically and to form clubs where (legal) pooled bets are possible (i.e., most successful dieter wins a pot).

IP

Patents (US)	Status	Claim
12342302490	ISSUED (2010)	Display differential weight loss
12090950323	ISSUED (2012)	Push FB notifications from biometric device
TBD	PENDING (Filed 2011)	Deliver electric shock for net gain

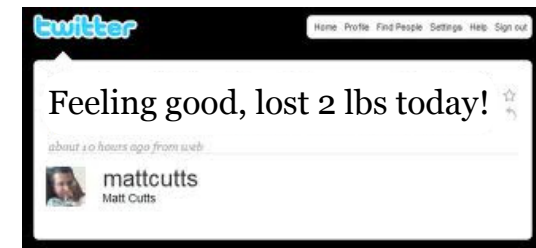
Endorsements & Distribution

Channel	Status
The Biggest Loser™ (TV Show)	Scale of choice for Season 7; two year option
Duane Reed	Front of store placement guarantee for three years
Walmart, Sam's Club, GNC	Negotiations for distribution underway

Sales Plan: In addition to product placement and traditional channels like Duane Reed, we will aggressively promote the product via infomercials, celebrity endorsements, and traditional PR. We are about to hire an executive from Bed Bath & Beyond, one of the three largest sellers of scales, who will lead our channel sales. We are also conducting a large scale study to confirm efficacy and will publish the data in major scientific papers to convince doctors to recommend this to their patients (Oral-B was very successful with this in its electric toothbrush line). The study will be complete in June.

Barriers To Exit/Network Effects

- Integrated with Facebook and Twitter
- Social aspect improves overall weight compliance through peer pressure, improving perceived utility of the scale by the user
- Users cannot switch to a new scale without confronting their actual weight



07 - Funding History & Use of Proceeds

Proceeds from the Series B will be used to fund initial manufacturing and distribution of 400,000 units (2% of the market for one year), at a cost of approximately \$4 million. (See financial appendix for assumptions.) The remainder will be used for operating costs, marketing, expanded hiring and research and development (product extensions, including portable mat device for traveling).

We are looking for a lead to take at least 25% of the round and for other new investors to fill out the remaining 25%, with existing investors taking the remainder.

Our ideal investor is: (1) passionate about personal health; (2) will support us in growing this to a \$1 billion business; (3) has synergistic businesses in the portfolio; (4) will help us meet our summer deadline (set by existing investors) for closing this round.

Stage	Investors	Amount	Valuation (pre-)
Seed	Self funded	\$200,000 (convertible)	N/A
A	Self; Founders Fund	\$3,000,000	\$10,000,000
B (proposed)	Self, Founders Fund (has committed to minimum of pro rata up to \$100 million valuation), TBD	\$10,000,000	TBD

Current Cash On Hand	Runway (Low Spend)	Runway (Medium Spend)	Runway (High Spend; Aggressive Hiring)
\$1,200,000	6 months	5 months	3.5 months

08 - Future Prospects & Vision - our product becomes a company

Our goal is to revolutionize personal health by creating a range of products that make people accountable to themselves, in a fun, non-threatening way. Our first product suite will be scales, as this is a simple, unregulated diagnostic market with very large profit potential. We believe our scales, coupled with our social networking initiatives, will lead naturally to other biometric devices for other conditions, starting with those most closely associated with weight (our scale will be the entry device):

- Diabetes – affects 8.2% of US population. We believe that blood sugar can be analyzed without the need for penetrating the skin, increasing compliance.
- Mobile food assessor (analyzes color and reflective properties of food to determine if it is health, unhealthy or neutral) – making it easier for people to make clear, healthy eating choices
- Sleeplessness – a sleep alarm for the iPhone that emits sounds that induce alpha waves, lulling people into sleep (an anti-alarm) – people who sleep more eat less
- Exercise calculator – our products will network and display how much exercise you require during the day, ensuring that people work out exactly as much as needed

Our goal is to become the largest provider of biometric feedback equipment in the US, starting with SOMA.

09 - Contact

Bruce Gibney
SOMA Corporation
1234 Mission St, SF, CA 94114
bruce @ soma.com

ALL DATA IS AVAILABLE VIA A DATA ROOM AT DATAROOMTOGO.COM/SOMA

Login: Gordon Moore
PW: Go Cardinal

Data Available:

1) Patents 2) Technical Specs 3) Compliance Study 4) Academic Literature 5) Business Model (.xls) 6) Supplier Contract Summaries

10 - Financial Model and Assumptions

StartUp_P&L_Model.xls [Compatibility Mode] - Microsoft Excel

Home Insert Page Layout Formulas Data Review View

Clipboard Font Alignment Number Styles Cells Editing

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		2009													
Detail P&L		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
1	To Control														
2	Revenue	350	354	357	351	354	355	372	375	379	393	397	390	394	395
3															
4	Direct Material	100	101	102	103	104	105	106	107	108	109	110	112	113	114
5	Direct Labor	40	40	41	41	42	42	42	43	43	44	44	45	45	46
6	Direct Factory O	55	55	55	57	57	55	55	59	60	60	61	61	62	63
7	Depreciation	-	-	-	533	533	533	533	533	533	533	533	533	533	533
8															
9	Cost of Goods So	195	197	199	1,034	1,035	1,035	1,040	1,042	1,044	1,047	1,049	1,051	1,053	1,055
10	Gross Profit	155	157	155	(574)	(572)	(570)	(569)	(567)	(565)	(564)	(562)	(560)	(559)	(557)
11	Gross Margin %	44.3%	44.3%	44.3%	-158.9%	-154.5%	-152.2%	-150.0%	-147.9%	-145.8%	-143.4%	-141.3%	-139.1%	-137.0%	-134.9%
12															
13	G&A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	M&S	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	R&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Interest	533	533	533	533	533	533	533	533	533	533	533	533	533	533
17	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18															
19	Corporate Overhea	533	533	533	533	533	533	533	533	533	533	533	533	533	533
20															
21	Net Profit	(573)	(577)	(575)	(1,507)	(1,505)	(1,504)	(1,502)	(1,500)	(1,499)	(1,497)	(1,495)	(1,494)	(1,492)	(1,490)
22	Net Profit %	-158.9%	-159.1%	-158.1%	-417.6%	-413.5%	-408.6%	-404.3%	-399.9%	-398.8%	-399.1%	-398.6%	-398.2%	-378.3%	-374.1%
23															
24	Tax	(234)	(233)	(233)	(520)	(519)	(519)	(519)	(519)	(517)	(517)	(516)	(515)	(515)	(514)
25															
26	Net Profit After	(444)	(443)	(442)	(987)	(985)	(985)	(984)	(983)	(982)	(981)	(980)	(978)	(977)	(975)
27	NPAT %	-125.9%	-125.4%	-123.9%	-273.7%	-270.7%	-267.9%	-264.5%	-261.9%	-259.0%	-258.2%	-258.4%	-250.6%	-247.5%	-245.1%
28															
29															
30		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
31	Revenue by Quarter	1,051	1,093	1,125	1,150	1,231	1,259	1,307	1,347	1,347	1,387	1,429	1,473	1,517	1,555
32															
33	Gross by Quarter	470	(2,015)	(2,001)	(1,955)	(1,955)	(1,933)	(1,921)	(1,904)	(1,904)	(1,895)	(1,867)	(1,845)	(1,825)	(1,805)
34	%	44.3%	-154.5%	-177.5%	-171.3%	-155.5%	-152.2%	-147.0%	-141.4%	-141.4%	-135.9%	-130.6%	-125.5%	-120.5%	-115.5%
35															
36	Net by Quarter	(2,030)	(4,515)	(4,501)	(4,455)	(4,455)	(4,435)	(4,421)	(4,404)	(4,404)	(4,395)	(4,367)	(4,345)	(4,325)	(4,305)
37	%	-191.4%	-413.3%	-399.9%	-395.5%	-361.9%	-349.9%	-339.3%	-327.0%	-327.0%	-318.1%	-305.5%	-295.2%	-285.6%	-275.5%
38															
39	NPAT by Quarter	(1,330)	(2,955)	(2,945)	(2,939)	(2,919)	(2,907)	(2,895)	(2,884)	(2,894)	(2,873)	(2,850)	(2,845)	(2,835)	(2,822)
40															

Ready