

Novicitus™

We accelerate and empower learning

— **CONFIDENTIAL BUSINESS PLAN** —



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Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has certified the accuracy of adequacy of this Plan. A representation to the contrary is a federal offense. Any questions should be directed to the following two company officers.

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Facing the facts:

- "...37 percent of fourth graders and 26 percent of eighth graders cannot read at the basic level." National Assessment of Educational Progress (2005)
- "More than 1 million American high school students drop out every year. That's about one every 29 seconds..." National Governor's Association Summit (2007)
- "...40-44 million people, or about one quarter of the adult population in the United States, cannot understand written materials that require only very basic proficiency reading." New England Journal of Medicine (July 2006)
- "Only 13 percent of this country's adults have English reading and comprehension skills considered to be 'proficient'." National Center for Education Statistics (Dec 2005)
- "The national high school dropout rate is an alarming 30% -- and a staggering 50% for Hispanic and African American students." Time magazine (April 17, 2006)

THE SYSTEM IS FAILING

The educational system in America is failing to teach up to 40% of its students to read at average grade level. The traditional learn-to-read systems used by schools and families are outdated and ineffective.

THERE IS A BETTER WAY

For more than 30-years, Patty Montgomery, M.Ed. has been teaching children to read. She has observed the learning styles and frustrations of thousands of early learners. She has developed and perfected the Reading With Giggles & Games Learn-To-Read System using the latest research and proven it in conjunction with many other teachers in the public education sector.

OUR SYSTEM IS PROVEN TO WORK

The Reading With Giggles & Games Learn-To-Read System works in a dramatically effective way because it uses several proprietary learning strategies, in combination, that create an ideal learning state in the mind and body of the student. No other system combines these learning strategies in the same way and no other system has been able to demonstrate more effective learning results. The children are happier, they learn faster and their teachers and parents are amazed at how much more quickly these students learn to read than other students who are taught with other outmoded, traditional teaching methods. (Please see teacher and parent testimonials online at www.ReadingWithGigglesandGames.com)

THE MARKET OPPORTUNITY

Every year, over four million babies are born in the United States. The ideal time to learn to read is between the ages of four and seven. This represents a total of 16 million children who need to learn to read each year. This doesn't include the millions of other children who have already past this prime learning time who still don't know how to read. This represents as many as 40% of all students, based on tests to fourth and

eighth grade students. We estimate the size of the market to exceed \$3 Billion.

THE NOVICITAS SOLUTION

Novicitus was created to teach young students to read in a faster and easier way than has ever been possible before. We sell the Reading With Giggles & Games System for \$199.95 for the retail box version of the system (\$200 Discount) and just \$119.95 for a planned six-month subscription to the online version of the system. After the initial subscription period, the subscription will continue to automatically renew on a monthly basis for just \$19.95. The company also plans to later develop additional learning programs for spelling, math and other subjects that can benefit for the superior learning model offered by Novicitus and to offer online tutoring services.

POWERFUL MARKETING

The company is planning a six-pronged marketing strategy to build demand in the marketplace. These include the following:

- *Aggressive Public Relations*
- *Internet Advertising*
- *Direct Mail*
- *Affiliate Marketing*
- *Direct Sales*
- *Infomercials as we can afford them*

EXPERIENCED MANAGEMENT TEAM

The company is led by a team of proven management professional who have extensive successful managing technology, real estate, Internet and financial services companies. They have proven experience in the educational services market and have a passion for helping children to learn.

INVESTMENT SUMMARY

The company has determined that it can and should accelerate its expansion in the market and to help it do so is offering 20% of its ownership to investors in exchange for an investment of \$850,000. This investment will fund the initial launch of a national marketing campaign. The company contemplates subsequent larger rounds of financing within the next 36 months.

EXIT STRATEGIES

Acquisition

Many companies are being bought as the education industry continues to expand. Novicitus will be poised to be acquired in 36+ months. Based on the projected earnings and valuation of similar companies, Novicitus could be valued at \$132 million within 36 months.

Publicly Listed Stock

Novicitus, with its high growth, solid revenue models, and unique market niche, is also an excellent candidate to become an actively traded public company. The company plan is to pursue a public offering.

Investment Required

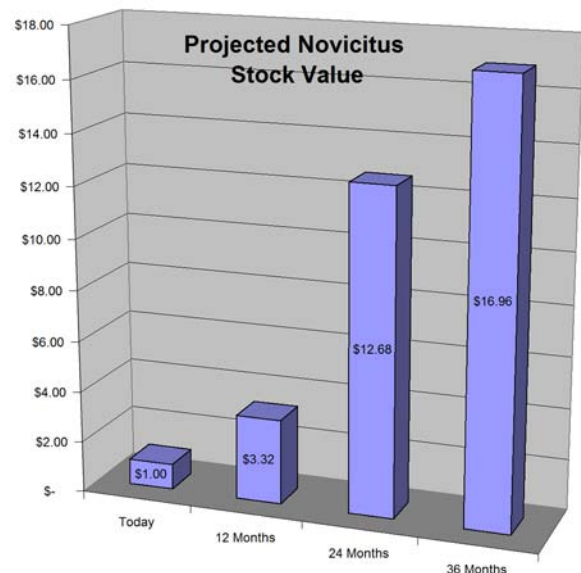
Novicitus and its owners have the ability to continue to grow the Novicitus business with no outside funding. However, there is a significant advantage to growing at a more rapid rate. The company is seeking an investment of \$850,000 for 20% equity in the company. With the incredible market opportunity, the return to investors promises to be tremendous.

The funds will be used to achieve the following goals:

- **Marketing Activities** - The company is dramatically enhancing its marketing efforts.
- **Graphic Re-Design** - We plan to update the look and feel of the program.
- **Build Online Learning Tools** - We will be converting all our offline content to online versions.
- **Inventory** - We need to print our product in China to reduce our unit costs.
- **Staffing**
- **Additional Working Capital**

Return on Investment

As a solid financial company, Novicitus is poised to provide an outstanding return on investment through an acquisition, IPO or a strategic partnership. With a rapidly growing user base, along with a market-leading position and solid revenue models, Novicitus could dominate the industry and provide an extraordinary return.



History of the Company

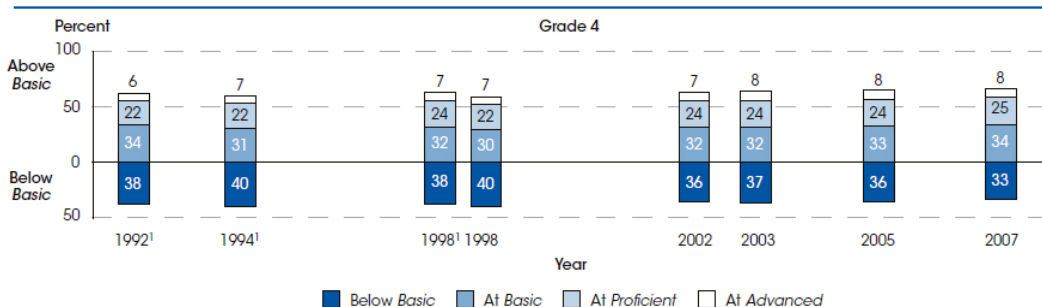
For over 30 years, Patty Montgomery, MEd has been teaching young readers to read. At first she employed traditional methods, but soon realized that the old-fashioned approach just wasn't working as she hoped that it would. Little-by-little, she observed that some things that she tried worked much better than others. She began to document these teaching strategies, and over time, developed a novel and unique curriculum and methodology to teach young readers to read, in far less time and with far less frustration than her peers who were using traditional methods.

Soon her teaching peers and the school administrators and parents also noticed that something significant was happening in her classroom. This was the beginning of the Reading With Giggles and Games system. This unique system has been perfected over more than three decades and proven with thousands of children. School principals, administrators, teachers and parents who have observed the power of the Reading With Giggles and Games System applaud its effectiveness in helping children read well quickly.

The ability to read well is a prerequisite to success in any field of endeavor in today's world. Learning to read can be a complicated process that requires the mastery of many skills. Some children learn to read with little effort but many, even bright children, experience great difficulty learning to read, and many suffer embarrassment and shame because of their inability to learn to read quickly and well. Every subject in school and life firmly depends upon the ability to read well.

Unfortunately, today's schools and traditional methods have been unable to successfully enable children to read as quickly and effectively as anyone would have hoped. In most schools, the process of teaching children to read is a tedious, time consuming and frustrating experience for both teachers and young students. "Reading wars" have raged for decades between the phonics-based reading approach and "whole language" reading approach. Neither of these approaches seems to work as well as anyone would hope.

Figure 12-1. Percentage distribution of 4th- and 8th-grade students across NAEP reading achievement levels: Selected years, 1992-2007



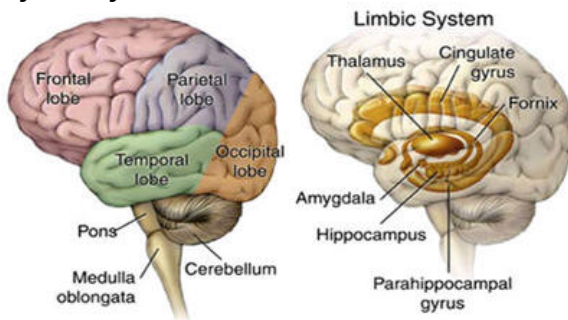
¹ Testing accommodations (e.g., extended time, small group testing) for children with disabilities and limited-English-proficient students were not permitted.

NOTE: The National Assessment of Educational Progress (NAEP) achievement levels define what students should know and be able to do: *Basic* indicates partial mastery of fundamental skills; *Proficient* indicates demonstrated competency over challenging subject matter; and *Advanced* indicates superior performance. For more information on NAEP, see *supplemental note 4*. Detail may not sum to totals because of rounding. SOURCE: U.S. Department of Education, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), selected years, 1992-2007 Reading Assessments, NAEP Data Explorer.

Note in the above chart from the National Assessment of Educational Progress report that between 33% and 40% of 4th grade readers scored below the basic level for their grade level between 1992 and 2007. Parents, educators and young students are frustrated with the traditional tools and approaches that have been used up until now.

How Reading With Giggles & Games System Works

The Reading With Giggles and Games System works better than any other system by simultaneously tapping into several areas of the brain of the student as they participate in the activities guided by the system.



The System encourages brain-friendly fun. All children can learn when the presentation is fun and frustration free. Studies have shown when children, as well as adults, experience stress, the brain receives an overload of a hormone called cortisol. Too much cortisol will shut down thinking and learning, and can cause learning difficulties. Reading With Giggles & Games” uses the shapes of the letter as cues to their sounds enabling children to remember the letter sounds after a single exposure! The songs, games, and silly review methods used in

this reading program are there to eliminate stress and produce laughter (the best medicine). The Reading With Giggles & Games System creates an extremely fun, learning environment in which the child often laughs out loud. Laughter reduces levels of certain stress hormones. In doing this, laughter provides a safety valve that shuts off the flow of stress hormones and the fight-or-flight compounds that swing into action in our bodies when we experience stress, anger or hostility. This process has the effect of making the brain very receptive to learning and retaining new information, such as letters, phonemes and words.

See: <http://health.howstuffworks.com/human-nature/emotions/other/laughter4.htm>

The System uses an explicit, systematic instructional approach. Research has shown that most children need a systematic approach to learning to read. “Effective reading instruction not only improves reading ability, but actually changes the brain’s functioning so that it can perform reading tasks more efficiently.” (Duane Alexander, M.D., Director of the NICHD.)

The System encourages brain-friendly fun. All children can learn when the presentation is fun and frustration free. Studies have shown when children, as well as adults, experience stress, the brain receives an overload of a hormone called cortisol. Too much cortisol will shut down thinking and learning, and can cause learning difficulties.



Kids Love the Reading With Giggles & Games System

Music is also an important part of the Reading With Giggles & Games System. Music has the effect of totally engaging both sides of the brain of the student. Songs act as important mnemonic devices for remembering new learning. Children love the songs in the “Reading with Giggles & Games” program!

The Side-by-Side layout of the system enables the parent or teacher to easily guide the student through the course materials. Ideas for remediation, review, extension, and reinforcement are also provided. When the parent/teacher is feeling secure, so is the child. The parent’s emotional well-being is the single greatest predictor of academic success.

Most children need to encounter new words 15 to 20 times before the word can be retrieved from the brain with automaticity. Through lessons which incorporate memorization strategies, reading practice pages, worksheets, refrigerator magnets, and over 100 books, automaticity is maximized more effectively than in any other reading program available. The text in the mini-books is tied to the children’s independent reading level and provides practice of the specific skills, letter phonemes (commonly referred to as letter “sounds”), and sight words being learned. This enables them to understand what they read. “Reading with Giggles & Games” uses systematic review to keep prior learning in the forefront of the brain.

The neurological impress method (NIM) is incorporated into the System. Reading alongside a child and running a finger under the words as they are being read to, trains the child's eye movements and teaches one-to-one correspondence, two very important reading skills. In "Reading with Giggles & Games", neurological impress is incorporated into reading the lessons, song lyrics, and books. The more senses and learning modalities involved in the reading activity, the more the brain pays attention.

Student's attention spans are increased by the system. Research on the effects of television on children's learning has shown that the methods used to promote children's TV and movie viewing, actually cause ADHD. The child's brain needs one-on-one interaction that no TV program or DVD, no matter how educational, can provide. The Reading with Giggles & Games System incorporates the human touch that only a parent or human teacher can provide.

Immediate amazing results are exhibited by students using the System. The child thinks of himself as a reader from the first lesson in the Reading with Giggles & Games System. Letter sounds are taught in groups of two or three because they are actually easier to discriminate between than one at a time. Immediately, those sounds are used to form words. Using these sounds immediately helps children remember the sounds because the sounds are being actively used on a daily basis. This method has been shown to be more effective than learning the whole alphabet first and then beginning to blend sounds to make words.

Reading problems are prevented by the System. Many children requiring remediation are those who have not learned to blend sounds smoothly. The child's brain has difficulty deciphering a

word that is chopped into parts. The Reading with Giggles & Games System first teaches the letter sounds that can be sustained so that children learn to blend smoothly. Also, the pure sounds of the letters are taught without the extra schwa sound many well-meaning methods, programs, or teachers add to the sounds. For instance, children using the Reading with Giggles & Games System learn to smoothly blend the word "man" in this manner: "mmaaaaaannnn" instead of "Muh "a" nuh". It makes a significant difference in children's ability to decode words! Children's ability to decode words predicts 80-90% of reading comprehension. It is well known that the ability to read affects all other areas of academic success.



*Patty Montgomery, MEd.
Giggler-in-Chief*

It's Simple to Use

Parents, tutors or teachers simply follow the instructions for each lesson as outlined in the manual. The script does not need to be said word for word.

Instructions are to guide and provide, not to rule. The following procedures demonstrate how the system works.

Positive Reinforcement

Each session is short (stop while it is still fun) and positive. When teaching new words or sounds, the system uses the 5/5/5 method. When the child does not say a word or sound correctly, the parent simply says, "Let's try again". If the child still does not respond correctly, the correct response is given. The inability to produce the correct response shows the need to re-teach. When the child does answer correctly, positive, affirming remarks such as "super", "great", "fantastic", "wonderful", "good", and "marvelous" are enthusiastically spoken to the child to reinforce their learning.

Music & Songs

Each new letter sound has an accompanying song to be sung with your child. Lyrics are provided in the songbook. Animated lyrics for use on the computer or TV are also provided on the DVD and online. Children do not care how you sing, just that the teacher or parent sings along with them. The parent and child learn the words to new songs together, pointing to the words to the songs as they go. The child will learn to read the words to the songs. The songs are repeated often. If the child forgets a letter sound, the parent or teacher goes back and reviews the song that goes with that letter. The DVD can be taken with the family as they travel in the car. The lyrics are reviewed often with the child and any

unfamiliar information mentioned or implied in the songs is discussed and explained.

Games

Each new letter sound comes with an accompanying game. The child will benefit in many ways from playing games with the teacher or parent. Games provide important language and social experiences while having a giggling good time. Active games get your child's brain active and ready for learning. Taking turns choosing a song and game to play before or after each lesson rewards the child. It's easy to adapt any game to fit the child's circumstances, interests and available supplies.

Mini-books and Worksheets

The mini-books and worksheets are labeled according to corresponding lessons. (Lesson 4 = L-4) The child is encouraged to review the mini-books often. However, these books should not take the place of reading vocabulary rich picture books to the child. Children are encouraged to build a home library of books to be read to, with, and by the child. Children are encouraged to visit the public library often.

Success comes quickly and easily, wearing a big grin when using the Reading With Giggles and Games Fundamental Reading Instruction System.

Why Reading With Giggles & Games Works**It's Fun**

It is said that a child's attention span is one minute for every year lived. Children learn easily and willingly where humor and music are involved. Humor and music are

integral components of this program. The result is a significant increase in attention and retention, two critical elements in learning to read.

Parental Involvement

Parents are a child's most effective teacher! A parent's impact on learning cannot be duplicated by any other person or institution. With parents as the



teachers, remedial action is immediate which prevents reading problems and oversights. Parents are very busy and don't often have the time to come up with their own reading program for their children. Reading programs can be very expensive and few of them provide a systematic way of teaching the skills most children need in order to learn to read. Knowing this, great care has been taken to make this program affordable and easy to use. Using the mini-book format has made it possible to have a library of over 100 child-tested skill-reinforcing books available without parents having to "rob the bank".

This approach to teaching fundamental reading is based on empirical research and has been tested in the classroom resulting in successful application and achievement. This research is used to guide the sequence of instruction. The letter sounds are taught in a sequence found to be easiest and most effective for beginning readers. Instead of learning all of the letter names and sounds before beginning to read, the child learns a few letter sounds and then learns to blend those sounds to make words. The letter sounds that can be sustained or "held out" are taught first because they are easier to blend smoothly. Right from the

beginning, the child starts using these sounds to blend words and then uses these words to read sentences. Because the sounds are used and reviewed, they are not forgotten. In most reading instruction there is little connection between the phonics lessons taught and the reading selections given.

Appropriate practice is critical to learning! The more closely the conditions of practice approximate the conditions in which the learning will be used, the more valuable the practice. In "Giggles and Games", the phonics program is integrated with the total reading program. This enables early readers to associate phonics with reading rather than as an isolated subject. Reading materials in the form of mini-books are provided for opportunity to practice, extend, and refine knowledge of letter-sound relationships. This enables children to have confidence right from the very beginning. The reading practice pages in the manual are rightly named, "Look, I Can Read!" pages because that is what children say after just a few lessons. "Look, I Can Read!" is music to the ears!

It's Easy to Use

The format of the lessons makes it easy to pick up the manual and teach a lesson without a lot of preparation. Each lesson has a guide page with instructions to follow. There are ideas included for positive reinforcement and enrichment, as well as assessment.

It Works!

Because of the fun, the songs, the giggles and games, and the built-in systematic instruction/review/practice, this program works! On a daily basis, you can help your child learn the skills resulting in a lifetime love of reading.

Reading has an impact on all other areas of life.

How The System is Sold

The Reading With Giggles & Games System is to be sold through the following distribution channels:

1. The company's website
2. Through direct sales by our internal sales force.
3. Through direct mailings to homes with four to six-year old children.
4. Through short-form Infomercials on cable, satellite and over-the-air broadcast



What Reading With Giggles & Games Includes

The Reading With Giggles & Games System is available in two configurations:

1. **Premier Giggles & Games Reading System (Retail Box)** Retail (\$399.95) Sold for \$199.95
 - a. Parent/Teacher Train-the-Trainer Guide (110 Lessons) Look, I Can Read! Side-by-side 11" X 11" Guidebook
 - b. CD Including 29 Giggle Along Alphabet Songs (\$40 Value)
 - c. Book of Song Lyrics (\$20 Value)
 - d. Animated DVD of Giggle Along Alphabet Songs & Lyrics (TV or Computer) Corresponds to each of the "Look I Can Read" Child Guide Books (\$25 Value)
 - e. Flash Cards of Letter Sounds - Corresponds to each of the three "Look I Can Read" Child Guide Books (\$10 Value)
 - f. (59) Refrigerator Magnets of Sight Words (\$10 Value)
 - g. (112) Skill Reinforcing Mini-Book Do-It-Yourself kits (\$40 Value)
 - h. (120) Practice Worksheets (\$20 Value)

2. **Online Giggles & Games Reading Tools** (Six Month Subscription) \$119.95 (Monthly thereafter at just \$19.95 per month)
 - a. 110 separate Online Interactive Self-Paced Reading Edutainment Lessons (These lessons can be completed independently by a child without assistance by a parent, tutor or teacher to enable the student to advance at their own pace, unattended.
 - b. Online Access to all 40 Giggle Along Alphabet Songs
 - c. Online Animated Giggle Along Alphabet Songs & Lyrics
 - d. Downloadable Flash Cards
 - f. 112 Downloadable Skill Reinforcing Mini-Book Do-It-Yourself Kits
 - g. Over 40 Downloadable Worksheets
 - h. Access to all new content, lessons, etc. immediately when they become available.

SYSTEM DETAILS

Giant "Look I Can Read" of Side-by-Side Child Guide Books (11" X 11")

Includes easy to use systematic lesson Workbook for the adult and reading practice pages for the child. Lesson plans include step-by-step guide of what to say and do plus reinforcement, review, and remediation games and activities. The Workbook contains 110 fun and effective lessons.

CD including 29 Giggle Along Alphabet Songs

Songs teach pure letter phonemes, rhyming, mnemonic devices for remembering the sound and shape of the letters.

Book of Song Lyrics

Lyrics to the songs provide neurological impress, left-to-right, one-to-one and return sweep experiences as the child and adult follow along with the words to the songs. The words to the songs provide introduction and practice with sight words and letter phonemes. A reinforcing lively game or activity accompanies each song.

Animated DVD of Giggle Along Alphabet Songs and Lyrics (TV or Computer)

These DVDs Correspond directly to each of the Lesson Manual Workbook

Set of Flash Cards of Letter Sounds - Corresponds to the Lesson Manual

59 Refrigerator Magnets of Sight Words

(112) Skill Reinforcing Mini-book Do-It-Yourself Kits

(120) Practice Worksheets

Access to the Online Version of Reading With Giggles & Games

The online subscription begins with a six-month base program which automatically converts to month-to-month after the initial six-month term. May be cancelled by the customer at any time after the initial six-month subscription without any penalty.

Mission Statement

Novicitus accelerates and empowers learning. Novicitus' Reading With Giggles & Games System is the premier early

reader training system available in the marketplace today because it helps young learners learn to read more quickly and easily than any other approach. The system was created to provide compelling, useful and effective reading education training tools to help families and teachers teach young students to read through side-by-side and online interactive training tools. It is our mission to become the dominant provider of learn to read products and services in the world within the next ten years.

In Latin, "Novi" means *Knowledge and Learning* and "Citus" means *Fast or Rapid*.

Our Values

Our customer's reading success is our key focus. We help our customers to read and by so doing we will prosper. We acknowledge that companies exist for the purpose of fulfilling needs and making a profit. We provide value to our customers by delivering unusually effective learn-to-read tools and methodologies.

Complete integrity is of utmost importance. Unquestionable honesty and integrity is requisite for all Novicitus' employees and practices.

We treat all of our work associates as friends and enjoy being with them, regardless of their position or responsibility. We choose to allow all to be comfortable being themselves and to be comfortable around everyone else. Novicitus employees belong to a team that has purpose, order, and meaning.

We believe that a clear set of expectations is essential to our individual and collective success, including job descriptions, operation manuals, quotas, regular performance appraisals, and a clearly defined organizational chart.

All of Novicitus' operations function in a consistent, efficient, and cost-effective manner. Providing quality, beneficial products and services to the largest

number of profitable customers is our highest priority.

We treat our customers and every member of the Novicitus team with respect. We believe that each member of the Novicitus team is responsible and accountable for themselves. We expect that every member of the team will do their best in accomplishing their duties, to facilitate the objectives of the company. We seek to empower employee effectiveness.

We recognize that all people are not equal in knowledge and ability; therefore we choose to teach, train, and assist every member of our organization to be the best they can be.

Our Commitment

In the dynamic and rapidly changing educational tools industry where many parents and educators are confused and unsure about which educational tools to purchase to help them educate their children, we make their buying decision easy as it relates to early reading tools by providing the best and most effective early reading tools available anywhere. We stay abreast of rapid technology changes and educational research with ongoing research & development to provide our customers with the very best early reading training tools.

CORPORATE STRUCTURE**Funding**

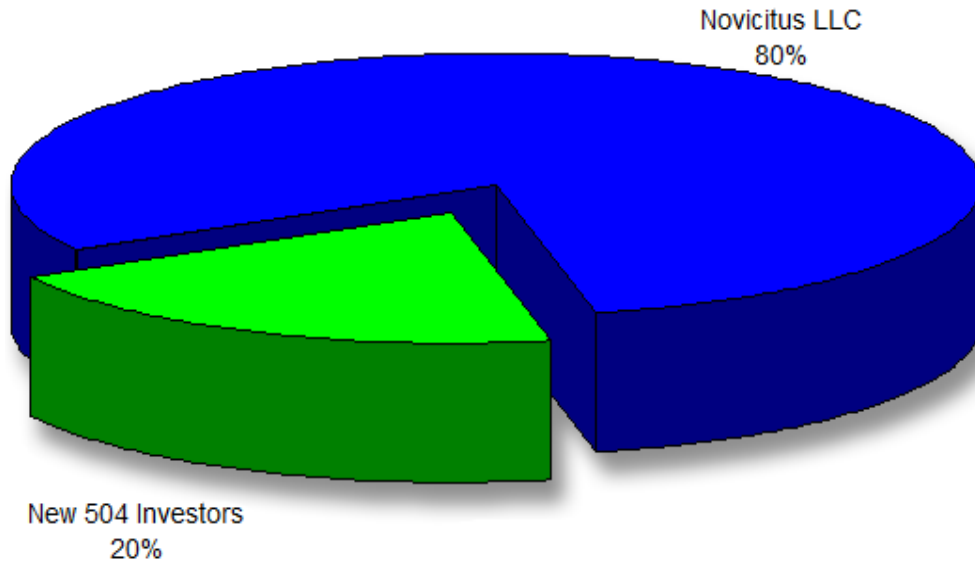
Novicitus, LLC was initially funded through cash investments by the founders. Internal cash investments totaled over \$75,000 before any outside investors were sought.

In order to grow the company more rapidly, the company is conducting a Reg. D 504 private placement to raise \$850,000 to accelerate the initial growth of the company. The table below shows the structure of the company once the offering is completed and fully subscribed.

Future Plans

Novicitus, with its outstanding product line, solid revenue model, and extensive experience is in an excellent position for the next stage of growth. The company

plans to continue to leverage its talented staff and collective experience by expanding product and service offerings and diversifying revenue streams.



Novicitus, LLC

In 2009, Novicitus, LLC was founded to package and deliver the Reading With Giggles & Games Reading System that has been developed and proven over the past 30 years in actual kindergarten and first grade classes and with thousands of young students. Novicitus was originally incorporated with Jeff and Patty Montgomery as the sole shareholders.

Upon completion of the Reg. D 504 Private Placement, Mr. & Mrs. Montgomery will own 80% of Novicitus, LLC (assuming the Private Placement is fully subscribed).

	Shares	Percentage
Novicitus LLC	4,000,000.00	80%
New 504 Investors	1,000,000.00	20%
Total	5,000,000.00	100%

Professional and Advisory Support

Legal

Howard Young
(801)534-7294
Jones Waldo
170 South Main Street, STE. 1500
Salt Lake City, UT 84101-1644

Accounting

Jonice Bullock
(801)225-6900
(801)494-6014
Squire & Company, PC
1329 South 800 East
Orem, UT 84097

Banking

(801)246-1100
Wells Fargo
299 South Main Street
Salt Lake City, UT 84111

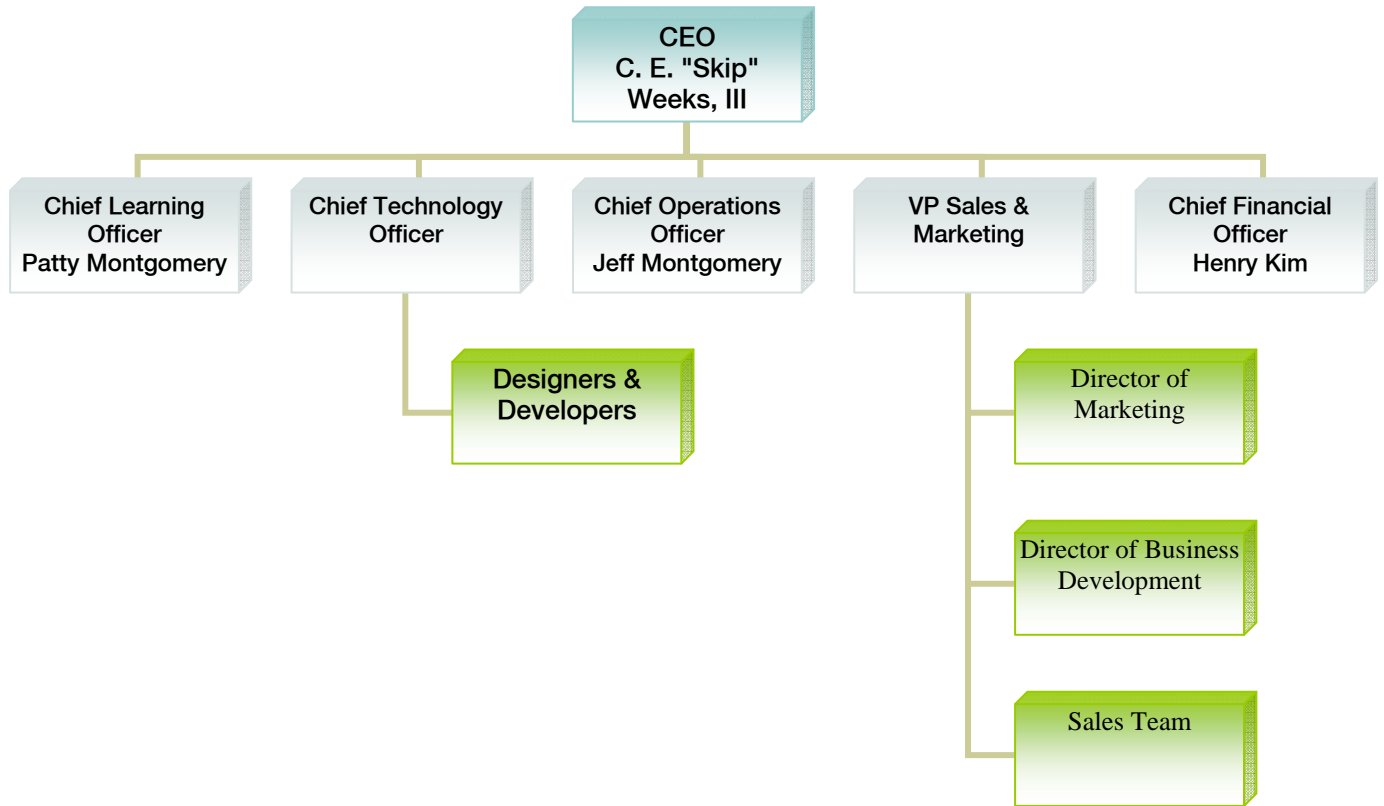
Investment Advisors

Joseph Ollivier
First Capital Advisors
(801)373-3990

American Pension Services

Dean Becker
(801)571-0667
4168 West 12600 South
Riverton, UT 84096

Corporate Organization



MANAGEMENT TEAM



*C. E. Skip Weeks, III
CEO*

Skip recently served as President of InfoCentre, a management consulting firm specializing in using technology to leverage business resources to achieve extraordinary results.

Mr. Weeks has extensive experience in leading companies, producing business and marketing plans, designing products, and developing winning business strategies. He is expert in computer and network systems, desktop publishing, advertising and direct marketing. He has been involved in management consulting, technical writing, software design, video production and won numerous national awards for software design from PC Computing, PC Magazine, PC World, Computer Shopper, and PC Week.

He founded Action Plus Software in 1986, which he built into a multi-million dollar company, and then sold in 1993. He served as Vice President of Technology for Franklin-Covey with responsibility for the

Ascend Franklin Planner software for the company and served as a member of the Executive Management Committee.

He also served as Vice President of Sales & Marketing for Engineering Geometry Systems and there assisted in the formation of the company and product design for the industry-leading 3D CAD/CAM software through a technology transfer transaction with the University of Utah. While at EGS, Mr. Weeks assisted in negotiating a strategic alliance and equity investment of over \$1 million for the new company. He designed all marketing and

sales strategies for international product launch of all products, hired and trained the staff, took retail sales from zero to over \$5 million in less than three years and provided sales and product training throughout U.S., Europe, & Japan.

Mr. Weeks also served as CEO for MoneyPark.com, a financial service Internet startup and Jooce.com, an Internet startup in Paris, France for which he raised 1.5 million Euros through Mangrove Partners in Luxembourg. He also served as Vice President of Sales and Marketing for Jabbertise.com in the San Francisco Bay area, which is an Internet startup also.



Jeffrey Montgomery
COO

Jeff Montgomery began his career working in real estate finance in 1990 where he was the rookie of the year. After just three years in his career he became the Director of Sales and Marketing. Later he opened his own mortgage brokerage service Riverside Home Mortgage, where he led that company from start up to 21 million dollars in sales annually. In 2000 Mr. Montgomery expanded his business to include real estate brokerage services. From the beginning, he built his reputation on the principles of excellent service, valuable expertise and constant

communication. He believes in providing world-class service. He has a history of building a strong, lasting, lifetime relationships, based on trust and fulfilling customer's needs.

He has served as Chairman of the RPAC committee for the Utah County Association of Realtors. He has received the Re/max President Club and 100% Club Awards throughout his real estate career. Jeff developed a training program providing sales training and transaction management for hundreds of professional realtors and loan officers.

Jeff is a champion of education and has collaborated with his wife Patty over the years in developing the Reading With Giggles & Games System to empower and accelerate early learners with the ability to read. Jeff's personable management style

and high standards of integrity and customer service make him an ideal Chief Operations Officer. He surrounds himself with superstars who share his passion for learning and complete customer satisfaction.



*Patty Montgomery
Chief Learning Officer*

Patty Montgomery is the originator of the Reading with Giggles and Games system and is passionate about helping young students learn to read. She has taught elementary school since 1984 and earned her Master's Degree in Teaching and Learning from Brigham Young University in 1990. Her emphasis was in Instructional Science and she helped develop and test phonics instruction. She authored over 100 beginning readers in the process. She was an assistant professor doing research on the Neurological Impress Method of teaching reading. Patty was employed by IBM as an Educational Consultant to a team working on a computer-based Neurological Impress Method reading program. Knowing that no two children learn exactly alike, Patty has formulated and systemized a combination of the best practices in teaching reading.

Her extensive training in using music to teach reading has been instrumental in creating this powerful reading method. Through experience, Patty found that children learn best when they are actively involved, and learn more permanently and quickly when music is included. ARTS Inc. (Artistic Resources for Teachers and Students) selected Mrs. Montgomery as Outstanding Arts-in-education Teacher for the State of Utah in 1999.

Mrs. Montgomery has taught over 2,100 children to read using the system that has been perfected and proven over the years. Parents, educators, and administrators are all enthusiastic supporters of Reading with Giggles and Games, which combines phonics and side-by-side reading (the neurological impress method), integrated with music, games, and humor to provide the perfect balance needed to help young children learn to read.



Henry Kim
Chief Financial Officer

For more than two decades, Henry has been an entrepreneur, financial executive, and consultant with several start-ups, as well as, a host of small and medium-sized businesses, wherein he has repeatedly increased net profit margins. He has empowered the owners of these businesses to realize the initial dream associated with starting their businesses – freedom. In his role as CFO/Controller for many companies, Henry managed the financial matters of the firms, which allowed the owners to do what they do best – sell their products and services, and grow their businesses. In every instance, he has helped increase the net profit of his clients by at least 25% immediately.

He helped one of his clients double their net income in one year, and quintuple their net income in just four years. He helped turn around another client from 3 year straight net loss to an annual net income over a quarter of million dollars the next year.

Henry has broad experience in all aspects of accounting, auditing, and financial management in many industries, including construction, real estate, Internet, VAR, and IT consulting/training. He has helped companies “on the bubble” to regain their footing and prosper.

Henry earned a BS in Business Administration with a concentration in Finance from California State University, Northridge. He has taken MBA courses in Accounting/Finance from Golden Gate University. He is an active committee member of San Francisco Bay Area Financial Executive Networking Group (FENG) and a member of Bay CFO.

FACILITIES AND ASSETS

Office

Novicitus offices are currently located at 6025 Grindstone, Springville, UT 84663. Additional facilities are planned in the local area where rent costs are significantly lower than in other major metropolitan areas. This location is less than 40 minutes from the Salt Lake International Airport and within thirty

minutes of the downtown Salt Lake City metro area. The local labor force is highly educated and the high tech segment of the local economy is extremely active. There are 10 colleges and universities in Utah, providing a rich source of young, energetic, technically competent employees.

Equipment Summary

As a self-financed venture, the company's principals have been careful to avoid fiscal excesses. Most of the equipment needs of the company can be leased, leveraging more expensive equity capital appropriately. In order to deliver the fastest, most reliable services the Novicitus web sites are running on the Cloud.

Business Model

Our primary customers are parents of children between the ages of four and seven. Our initial product "Reading With Giggles & Games" targets young children and is designed to be their first contact with the English alphabet, phonics, letter recognition, letter sounds and blending and word formation.

The company plans to aggressively promote the system to the home school market as well. Ultimately, we plan to sell the system to public and private schools.

The learning to read industry is mature with a few larger competitors and a number of very small competitors.

A serious problem exists in the United States today. Up to 40% of students are not able to read at their grade level. This problem is exacerbated with children with behavioral problems and with certain ethnic minority groups, specifically Blacks, Hispanics and millions of students who speak English as their secondary language. Current learn to read programs are failing to equip young students with

the reading skills that are the very foundation of all other learning. The Novicitus' Reading With Giggles & Games System is the answer to this urgent need in America today. It is an affordable, extremely effective learning to read system that quickly and almost effortlessly helps young students to gain confidence and reading skills through side-by-side and online teaching methodologies.

Federal and state governments, school districts, private schools and home schoolers are seeking ways to solve these systemic educational challenges and Novicitus can help resolve these issues. We intend to apply for federal grants to further help accelerate our market penetration and bring the system to more students more quickly than ever before.

Thousands of parents have observed and celebrated the dramatic improvements the Reading With Giggles & Games System provides over traditional phonics-based learning to read programs. Children using this system are more confident, happier, better and more advanced readers than their traditionally taught counterparts.

Our management team has proven expertise in startups, Internet delivery mechanisms, traditional consumer marketing, technology, educational and instructional design and business management. We are passionate about helping America's children to read and compete in the global marketplace.

Value Proposition

The Reading With Giggles & Games System delivers more value at a lower cost and a dramatically more effective system than any other competitor in the marketplace. Access to the system will be available for as little as \$119.95 through our monthly subscription for online reading tools. Other competitive products charge as much as \$750.00 and are not nearly as effective. Our premium retail boxed product sells for \$199.95, which includes a three-month subscription to our online learning resources and tools.

Market Snapshot

Each year over four million new babies are born in the United States. Based on current statistics, as many as 40% of these children have difficulty reading and are not reading at their current grade level, based on national tests of 4th and 8th grade students. This means that just on a remedial basis, **1.6 million children need a better, more effective way to learn to read right now.** This translates into a potential market of \$160 million market opportunity, and this is just the children who are currently having reading problems. If the entire market were

considered, this would be a \$3 Billion annual market opportunity, just for three and one half to seven-year olds. This assumes less than \$200 per child. When the worldwide market is considered the market potential is truly amazing. In the early 90s, Hooked on Phonics generated over \$150M in annual revenues. There is significant opportunity in this market niche to exceed that level of sales today.

It is also significant to note that as of 2007, over two Million students in the United States were Homeschooled, according to the National Center for Education Statistics. All these families need effective teaching tools to help their children learn to read.

(see <http://nces.ed.gov/pubs2009/2009030.pdf>)

Our primary target market is four to seven year old children as end-user consumers of our products and services. This represents a total market of 16 million children.

Our secondary target market is elementary schools for grades K-3.



Our Competitors

A to Zap! - \$59.95



<http://www.edresources.com>

A to Zap! is an interactive cartoon animated reading software program offered on CD-ROM. The company is privately held, and affiliated with Smarterville Educational LLC (Hooked on Phonics). They target schools and parents directly with this software title.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

Be Smart Kids - \$195



<http://www.besmartkids.com>

Be Smart Kids is an interactive cartoon animated reading software program offered on CD. The company is privately held generated \$320K in sales of all their products in 2009 and has 14 employees. They target parents directly with this software title and they also operate a day care center.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

Broderbund Reading Rabbit - \$20



<http://www.broderbund.com>

Broderbund Reading Rabbit is an interactive cartoon animated phonics software program offered on CD and DVD. The company is privately held generated \$500K-\$1M in sales of all their products in 2009 and has 1-4 employees. They target parents directly with this software title and they do not specialize in the reading niche.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

ClickNKids - \$59.85



<http://www.clicknkids.com/>

ClickN Kids offers a reading and spelling program which consists of 100 online interactive cartoon animated phonics lessons. The company is privately held generated \$4.5M in sales in 2009 and has 11 employees. They target both schools and parents.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

FUNNIX - \$199.00



"Make Learning to Read Easy and Fun!"

- Children learn to read with 222 CD lessons.
- Intensive phonics lessons and instruction are carefully sequenced.
- Teach children to read using FUN reading activities.
- Fluency and comprehension activities are systematically introduced and reviewed.
- Fun strategies for decoding, multiplication, words, and comprehension from FUNNIX.
- Ideal for teaching reading at school and at home.
- Four CD's will learn to read... Success guaranteed!!!

Lessons are on CDs, with narration and coordinated graphics. Also includes systematic workbook and textbook practice.

FUNNIX Beginning Reading <ul style="list-style-type: none"> • 3 CD's and a workbook • 120 sequenced lessons • more than 50 hours of on-screen activities • enjoyable stories • spelling instruction • workbook activities • teacher's guide 	FUNNIX 2 <ul style="list-style-type: none"> • 2 CD's and a reading book • 100 lessons • 100 stories • related activities • 4 workbook lessons • 4 on-screen activities • 4 read paper booklets
---	--

• No lesson plans • No complicated directions or scripts

Do you have like computers at home or in your K-2 Classroom?
Make them powerful tools with Funnix.

<http://funnix.com/>

Funnix is a computer-based learn-to-read system that contains CDs, stories and a teacher's guide. It is designed primarily for in-school use. There is no online component and the training is to be done unaccompanied by a parent or teacher. The lessons are very simplistic cartoon screens and narrated guided lessons. The company appears to be privately held and very small.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

Go Phonics - \$210.00



Go Phonics
Systematic Multisensory Phonics
with K-2 Language Arts
For Breakthrough Reading and Spelling Success

Systemic Task Analysis, Packed, Testable, Downloadable, Color Phonics Readers, Contact Us

Go Phonics Reading Program Ideal for Struggling Readers

GoPhonics.com: multisensory phonics for reading AND spelling includes 50 phonics fluency games, 6 workbooks tied-in to sequenced phonics readers. It's a comprehensive phonics reading program WITH K-2 language arts. AND it's an **Orton-Gillingham** based intervention program for **dyslexia**, and struggling readers (problems learning to read or with gaps in the foundational skills needed for reading, writing, and spelling from third grade on). Teacher developed, it directly addresses individual needs through differentiated direct instruction, evidence based phonics teaching strategies, and engaging practice materials.

With this balanced reading program, systematic phonics lessons for reading and spelling steer the course, integrating the K-2 foundation of literacy skills: alphabet (name, formation, sound), phonemic awareness, phonics (explicit, sequential, simultaneous multisensory) reading, handwriting, spelling, vocabulary, comprehension, fluency, K-2 language arts, and creative writing suggestions. In building back barriers, skills are taught and practiced with games, worksheets, songs, activities... then applied in the Go Phonics readers for ongoing practice, success, and reinforcement.

Grades K-2nd and RTI - Response to Intervention K-4th grade plus

Used with success by: Reading specialists (Title I, LAP, RTI, Transition Programs, Special Ed, Learning Differences teachers), speech/language

<http://www.gophonics.com/>

Go Phonics uses what they call a "Systematic multisensory phonics approach. their Go Phonics program includes a few booklets and a teacher guide. It appears to be strictly paper-based. The company is privately held and generated less than \$500K last year and has less than 4 employees.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

Headsprout - \$198.00



<http://www.headsprout.com>

Headsprout offers a reading program that is mostly 80 online interactive games. It also includes 12 storybooks and color progress map and stickers. The company generated \$4.5M in sales in 2009 and has 62 employees. They target both schools and parents.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

Hooked On Phonics - \$199.95



<http://www.hookedonphonics.com/>

Hooked on Phonics offers age-based reading, spelling and math programs as well as a Learning To Read Kit which includes 28 storybooks, 8 DVDs, stickers, flashcards and access to online content. They are the market leader in this space. The company generated over \$100M in sales in the early 1990s and has 75 employees. They target both schools and parents. The company is privately held.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

Lexia Learning - \$159.95



<http://www.lexialearning.com/>

Lexia Learning focuses mainly on the school market. They sell to families through Family Literacy Centers. Their Lexia Reading program is Internet-based and includes Lexia Early Reading includes 110 units, Lexia Primary Reading and Lexia Strategies for Older Students. The company generated \$4.7M in sales last year and has 37 employees. They target both schools and parents. The company is privately held.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

Read, Write & Type! - \$79



<http://www.talkingfingers.com>

Read, Write & Type! sells to the school market and the home market. Their reading program is CD-ROM-based and includes 55 sound games, 118 typing challenges, 40 animated stories and nine phoneme awareness challenges an activity book and stickers. The company generated \$500K in sales last year and has 1-4 employees. The company is privately held.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

ReadingHorizons - \$199.00



<http://www.intensivephonics.com/>

HEC Reading Horizons focuses mainly on the school market, however they do offer a home version that deals primarily with dyslexia. Their Reading Horizons program is software-based courseware (CD-ROM) and is designed for independent learning through 30 lessons and 27 practice activities. The system includes a student manual and access to an online workshop. The company generated \$2M in sales last year and has 20 employees. They target both schools and parents. The company is privately held and has been in business for 26 years.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It includes interactive edutainment-based learning games, music, stickers, magnets, flashcards, worksheets and make-yourself craft books, CDs and DVDs.*

Phonics Tutor - \$299.00



Phonics Tutor from 4:20 Communications focuses mainly on the school and home markets. Their Learn to Read program is software-based courseware (CD-ROM) and is designed for independent learning through 128 lessons. It does not include colorful graphics or cartoon characters. The narrator sounds out letters and words. The interactivity consists of clicking on letters and words. The company is located in Minneapolis, MN and has 5-9 employees. They offer their products to both schools and parents. The company is privately held.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It includes interactive edutainment-based learning games, music, stickers, magnets, flashcards, worksheets and make-yourself craft books, CDs and DVDs.*

StarFall - \$35/yr.



<http://www.starfall.com/>

Starfall (Pencil, LLC) offers free online phonics-based reading exercises along with a subscription-based online website that provides additional resources. They also host an online store where they sell a-la-carte reading tools. They target both schools and parents. They offer annual subscriptions to their www.More.Starfall.com website. The company is privately held, has less than nine employees and has been in business for eight years. Annual revenues are not available.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It also includes extensive online content, including interactive edutainment-based learning games, music, stickers, magnets, flashcards, downloadable worksheets and make-yourself craft books, CDs and DVDs.*

Your Baby Can Read - \$199.95



<http://www.starfall.com/>

Your Baby Can LLC) Your Baby Can, LLC in Carlsbad, CA is a private company categorized under Education Aids, Devices and Supplies. Our records show it was established in 2007 and incorporated in California. Current estimates show this company has an annual revenue of 180,000 and employs a staff of approximately 2. Companies like Your Baby Can, LLC usually offer: Educational Equipment And Supplies.. Annual revenues are \$180,000.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. Your Baby Can Read attempts to teach children whole words through memorization rather than teaching pure phonics.*

Zoo-Phonics.com - \$220.00



<http://www.zoo-phonics.com>

Zoo-Phonics focuses mainly on the school market, however they do offer a home version that deals primarily with dyslexia. Their Reading Horizons program is software-based courseware (CD-ROM) and is designed for independent learning through 30 lessons and 27 practice activities. The system includes a student manual and access to an online workshop. The company generated \$1.4M in sales last year and has 8 employees. They target both schools and parents. The company is privately held and has been in business for 24 years.

DIFFERENTIATION: *Reading With Giggles & Games is parent or teacher assisted as it's primary teaching strategy. It also includes music, games and parental or teacher reassurance and encouragement and feedback. It includes interactive edutainment-based learning games, music, stickers, magnets, flashcards, worksheets and make-yourself craft books, CDs and DVDs.*

TopTenREVIEWS™
We Do the Research So You Don't Have To.™

2010 Learn to Read Software Review Product Comparisons

TopTenREVIEWS | Software | Education | Learn to Read Software Review

Rank	#1	#2	#3	#4	#5	#6	#7	#8
	ClickN' READ Phonics	Read, Write & Type! Learning System	Starfall	Reader Rabbit Reading Learning System	JumpStart! Phonics Read & Rhyme	Be Smart Kids	A to Zap!	PhonicsTutor
Overall Rating	★★★★	★★★	★★★	★★★★	★★★★	★★★	★★★	★★★
Ratings								
Features Set	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Ease of Use	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Ease of Installation/Setup	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Help/Support	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Type of Program								
Software								
Online	✓	✓	✓	✓	✓	✓	✓	✓
Features								
Animated Characters	✓	✓	✓	✓	✓	✓	✓	✓
Instructor/Guide	✓	✓	✓	✓	✓	✓	✓	✓
Storytelling/Adventure	✓	✓	✓	✓	✓	✓	✓	✓
Grade Level								
Preschool to Kindergarten				✓		✓	✓	
Preschool to 1st grade					✓			
Kindergarten to 3rd grade	✓	✓						✓
Lessons								
50 +	✓	✓	✓	✓	✓	✓	✓	✓
Interactive	✓	✓	✓	✓	✓	✓	✓	✓
Phonics	✓	✓	✓	✓	✓	✓	✓	✓
Progressive	✓	✓	✓	✓	✓	✓	✓	✓
Learn Games/Activities	✓	✓	✓	✓	✓	✓	✓	✓
ABCs								
Alphabet	✓	✓	✓	✓	✓	✓	✓	✓
Letter Sounds	✓	✓	✓	✓	✓	✓	✓	✓
Associate Letters with Words	✓	✓	✓	✓	✓	✓	✓	✓
Vowels	✓	✓	✓	✓	✓	✓	✓	✓
Consonants	✓	✓	✓	✓	✓	✓	✓	✓
Words								
Prefices	✓		✓					✓
Suffixes	✓		✓					✓
Spelling	✓	✓	✓	✓	✓	✓	✓	✓
Sound out Words	✓	✓	✓	✓	✓	✓	✓	✓
Associate Words with Pictures	✓	✓	✓	✓	✓	✓	✓	✓
Sentences								
Read	✓	✓	✓	✓	✓			✓
Interpretation				✓	✓			
Compose	✓	✓	✓	✓	✓			
Read Aloud	✓	✓			✓			
Misc. Features								
Progress Reports	✓			✓				
Keyboard Instruction	✓	✓						
Extras								
Workbooks		✓						✓
Flashcards				✓				
Coloring Books								
Reading Books								
Printable Activities				✓				
Technical Help/Support								
Telephone Support	✓				✓	✓	✓	✓
eMail Support	✓	✓	✓		✓	✓	✓	✓
Online Help			✓	✓				
Tutorials						✓		
User Manual / User Guide						✓		✓
FAQ	✓	✓	✓	✓	✓	✓		✓
Money Back Guarantee	✓			✓				✓
Supported Configurations								
Vista			✓					
Windows XP	✓	✓	✓	✓	✓	✓	✓	✓
Windows 2000	✓	✓	✓	✓	✓	✓	✓	✓
Windows NT	✓	✓	✓	✓	✓	✓	✓	✓
Windows ME	✓	✓	✓	✓	✓	✓	✓	✓
Windows 98	✓	✓	✓	✓	✓	✓	✓	✓
Windows 95	✓	✓	✓	✓	✓	✓	✓	✓
MAC	✓	✓	✓	✓	✓	✓	✓	✓

The company plans to generate demand for its products in the marketplace by implementing the following marketing methods:

1. An Aggressive Public Relations Campaign, which will include regular press releases and article submissions to magazines, such as American Baby Magazine, FamilyFun Magazine, Fit Pregnancy Magazine, Hybrid Mom Magazine, Kiwi Magazine, Parent & Child, Parents Magazine, Cookie, Parenting and Today's Parent for the consumer market and Highlights for Children Magazine, Highlights High Five Magazine, O, The Oprah Magazine and Every Day with Rachael Ray Magazine. We will also target leading blog sites and websites that appeal to parents and educators, such as www.iVillage.com, www.EdWeek.org, http://www.sabine.k12.la.us/vrschool/edte_cjor.htm, <http://www.ate1.org/pubs/home.cfm>, <http://www2.scholastic.com/browse/home.jsp>, <http://www.ncsu.edu/midlink/hr/hr.hot.list.htm>, <http://www.womensforum.com/>, <http://www.womenfitness.net/>, <http://lifestyle.msn.com/>, <http://www.healthywomen.org/>, <http://www.redbookmag.com/>, <http://www.womenshealthmag.com/>, <http://www.edweek.org/tm/>, http://www.csionline.org/resources/publications/christian_school_teacher, <http://www.catholicteacher.com/>. We will provide regular updates to these and other parental and education resources, including press releases, editorial content and links to our websites. We will provide thought leadership through these public relations initiatives, always with links to our websites.

2. Internet Advertising, primarily focused on search engine optimization (SEO) (through OrangeSoda.com) techniques to make the company's website appear on

the first page through organic search optimization techniques and through search engine marketing (SEM) through pay-per-click campaigns through Google AdWords, Microsoft Bing and Yahoo. We will also aggressively promote awareness of our products through popular **Social Networking Sites** such as Facebook, Twitter, Myspace, Bebo, del.iciou.us, Digg, Friendster, Hi5, LinkedIn, Orkut, PerfSpot, StumbleUpon, Yahoo! 360, YouTube, Zorpia and Netlog. We will also use banner ads where appropriate to drive traffic.

3. Direct Mail targeted at families with three to seven-year-olds. These mailings begin with \$10,000 investments in targeted communities where we will refine our messaging and our mailing graphics and offers until we achieve optimum return on marketing investment. Then we plan to expand these mailings as revenues permit. We project a 23% Return on Investment initially, which we believe will improve after we make our final adjustments to the mailing program.

4. Affiliate Marketing Programs, primarily through Commission Junction and Kolimbo. We will invite individuals, organizations and websites to offer our products for sale online through affiliate links on their websites. We will pay them a commission for the sales transactions that result from buyers that click through from the links on their websites or from their referrals.

5. Direct Sales to end-users, distributors, TV Shopping Networks and retail chains. We will maintain an internal sales force who will contact end users who respond to our direct mail campaigns to sell and up-sell. Sales professionals will also specialize their sales efforts to distributors, retail chains and television shopping networks, such as QVC and Home Shopping Network.

6. **Infomercials** shown on Cable, Satellite and Over-the-Air television stations. Hooked on Phonics generated over \$150 million in sales per year in the early 90s through infomercials. We plan to improve upon their record. Since the early 90s, infomercial strategies have improved, including automated call center services that can dramatically reduce the back-end cost of supporting this type of marketing. We have engaged three of the best and most experienced infomercial producers to assist us in implementing this important marketing strategy.

Pricing Strategy

The vast majority of all our competitors are charging around \$200 for their primary learn-to-read program. There are a few outliers selling for as little as Starfall for \$35 per year for access to their online

tools without a retail package and as high as \$795 for a specialized school-targeted boxed system for classroom use. It appears that the top seller in this market space is **Hooked on Phonics Learn to Read program with Free Reading Fun Pack**. This retail packaged product sells for \$199.96. It includes reading from Pre-K through Second Grade kits and 28 storybooks, 8 DVDs, a Sing-along CD flashcards, 12 workbooks, stickers and access to online tools.

Novicitus Reading With Giggles & Games System Retail for \$399.95 and sells at \$199.95. We price the product at the same price as Hooked on Phonics and include a much more effective system that has been proven to work with thousands of young students. We also package the system with more value in terms of content than the Hooked on Phonics system.

Product Comparison



Learn to Read Pre-K - Second Grade	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Storybooks	28	32
Workbooks	12	12
DVDs	9	12
Quick Start Guides	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Set of stickers	8	12
Sets of letter and picture flashcards	4	12
Online tools	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Phonics flipbooks	3	12
Sing-along CD	1	4
Sing-along Songbook	0	<input checked="" type="checkbox"/>
Make-a-book kit	1	112
Phonics Refrigerator Magnets	0	60

- Hooked on Phonics uses upper case letters when teaching sounds then lower case letters when they teach blending without correlating the uppercase lowercase letters.
- Hooked on Phonics teaches the whole alphabet then reading. Reading with Giggles & Games teaches a few characters then reading to early success and increased motivation.
- Reading with Giggles & Games uses letter shape to teach the sound of letters
- Hooked on Phonics flash cards use two-sided cards to imprint the letter with an object vs. teaching the letter shape and the associated sound.
- None of the books in the Pre-K Hooked on Phonics kit can be read by children in that age group.

Opportunity for Growth in the School Market

There are a number of factors that contribute to an ideal market opportunity for the school market. These are:

1. The \$4.3 billion Race To The Top fund is an unprecedented federal government investment in reforming the public school system.

<http://www2.ed.gov/news/pressreleases/2010/03/03292010.html>

2. No Child Left Behind: Since 2003, the federal government has been focusing on Early Reading First programs throughout the United States to help Pre-K students, particularly low-income students to enhance their literacy and reading skills to prepare them for optimal reading development in kindergarten and beyond.

<http://ed.gov/programs/earlyreading/legislation.html>

3. The Ever More Interdependent Global Economy is creating a governmental and educational imperative to prepare America's students to compete and win in the global economy.

4. The Obama Administration's Stimulus Package (Title I education funding). The federal government is in the process of giving \$100 billion to retain teachers and improve the nation's overall education system.

All these factors combine to create a unique opportunity for Novicitus to not only assist in the education of young students but also to benefit from the federal government's largess.



Novicitus - Year One
Proforma Profit and Loss

Income	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Annual Category Sales 1st year
Sales	\$0.00	\$18,100.74	\$29,851.69	\$35,324.50	\$46,388.40	\$66,269.14	\$82,836.43	\$128,856.67	\$179,955.00	\$193,797.69	\$193,797.69	\$209,947.50	\$1,185,125.45
Total Income	\$0.00	\$18,100.74	\$29,851.69	\$35,324.50	\$46,388.40	\$66,269.14	\$82,836.43	\$128,856.67	\$179,955.00	\$193,797.69	\$193,797.69	\$209,947.50	\$1,185,125.45
Monthly Expenses													
Accounting Expense	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	\$12,000.00
Advertising & Direct Mail	32,000.00	43,000.00	53,000.00	53,000.00	58,000.00	58,000.00	58,000.00	58,000.00	63,000.00	63,000.00	63,000.00	63,000.00	\$665,000.00
Bank Service Charges	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	\$120.00
Contract Labor	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,500.00	2,500.00	2,500.00	2,500.00	\$26,000.00
Benefits	10,542.00	10,542.00	10,542.00	10,542.00	10,542.00	13,097.00	13,769.00	13,769.00	22,729.00	22,729.00	23,289.90	26,289.90	\$179,421.90
Credit Card Fee	-	362.01	597.03	706.49	927.77	1,325.38	1,656.73	2,577.13	3,599.10	3,875.95	3,875.95	4,198.95	\$23,702.51
Commissions	-	-	300.00	300.00	300.00	300.00	300.00	300.00	450.00	450.00	450.00	450.00	\$3,600.00
Dues and Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Equipment Repair	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	\$1,200.00
Hosting Expense	100.00	100.00	100.00	100.00	100.00	100.00	200.00	200.00	200.00	200.00	200.00	200.00	\$1,800.00
Legal, Liability, Auto, Directors	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	\$3,000.00
Legal Fees	25,000.00	25,000.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	\$52,500.00
Licenses/Permits	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	\$600.00
Loan Repayments	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Office Equipment	2,000.00	2,000.00	2,000.00	2,000.00	-	-	-	-	2,000.00	-	-	-	\$10,000.00
Computers & Equip	11,000.00	-	-	2,000.00	-	-	-	-	-	-	-	-	\$13,000.00
Furnishings	800.00	100.00	100.00	120.00	150.00	150.00	160.00	160.00	160.00	160.00	160.00	200.00	\$2,390.00
Personal													
Development	10,750.00	10,750.00	10,750.00	10,750.00	10,750.00	13,875.00	13,875.00	13,875.00	13,875.00	13,875.00	13,875.00	15,262.50	\$152,262.50
Mgmt	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	24,000.00	\$168,000.00
Accounting	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	6,000.00	\$42,600.00
Office	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,650.00	\$18,150.00
Customer Service	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	4,800.00	4,800.00	4,800.00	4,800.00	4,800.00	5,280.00	\$42,800.00
Sales	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	17,600.00	\$129,600.00
Other													
Postage and Delivery	-	1,810.07	2,985.17	3,532.45	4,638.84	6,626.91	8,283.64	12,685.67	17,995.50	19,379.77	19,379.77	20,994.75	\$118,512.54
Printing and Reproduction	40,000.00	3,620.15	5,970.34	7,064.90	9,277.68	13,253.83	16,567.29	25,771.33	35,991.00	38,759.54	38,759.54	41,989.50	\$277,025.09
Rent/Lease	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	\$24,000.00
Site Enhancement	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	\$120,000.00
Software	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Content	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Auto Expense													
Telephone	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	\$6,000.00
Travel and Entertainment	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	5,000.00	\$38,000.00
Utilities	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	\$3,000.00
Total Expenses	\$178,302.00	\$143,394.24	\$132,704.54	\$136,475.84	\$141,016.29	\$159,088.13	\$167,571.66	\$182,298.13	\$206,299.60	\$249,689.26	\$252,249.26	\$273,175.60	\$2,222,254.54
Net Income/Loss	(\$178,302.00)	(\$125,293.50)	(\$102,852.85)	(\$101,151.34)	(\$94,627.89)	(\$92,818.98)	(\$84,735.23)	(\$53,441.47)	(\$26,344.60)	(\$55,891.57)	(\$58,451.57)	(\$63,228.10)	(\$1,037,139.09)

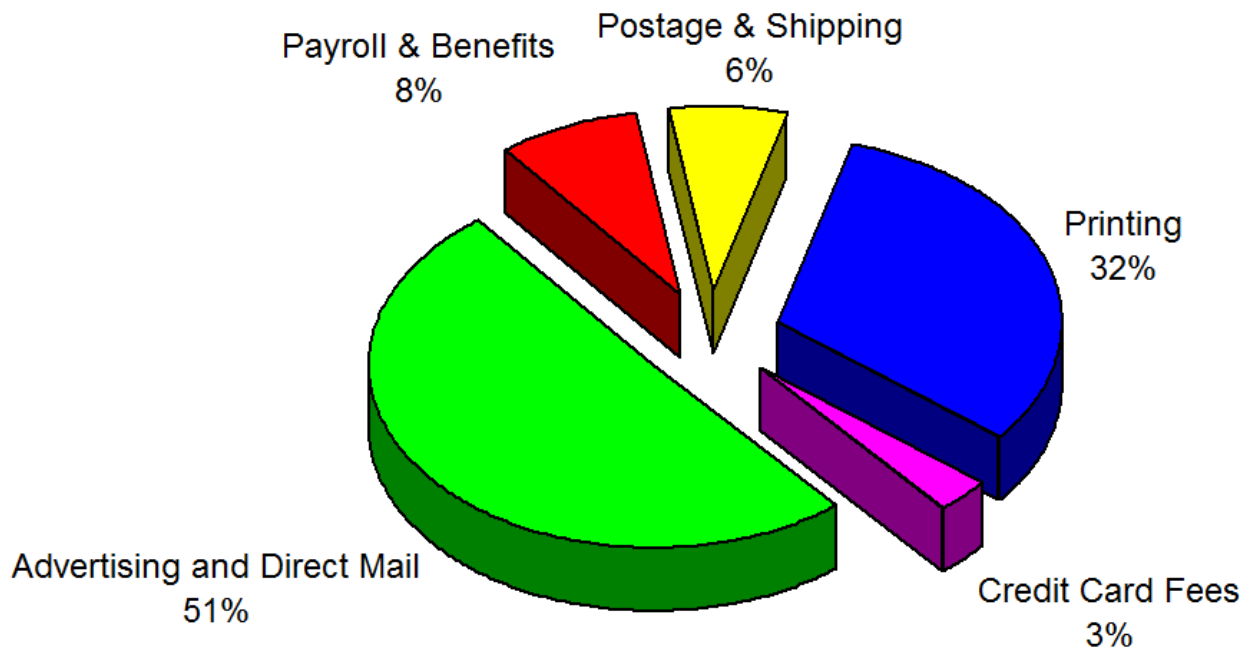
Novicitus - Year Two Proforma Profit and Loss

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Annual Category Sales 2nd year
Income													
Sales	295,534.16	729,604.44	813,779.13	897,971.06	982,180.58	1,136,382.50	1,219,695.00	1,386,320.00	1,469,632.50	1,602,932.50	1,686,245.00	1,686,245.00	\$13,906,521.87
Total Income	\$295,534.16	\$729,604.44	\$813,779.13	\$897,971.06	\$982,180.58	\$1,136,382.50	\$1,219,695.00	\$1,386,320.00	\$1,469,632.50	\$1,602,932.50	\$1,686,245.00	\$1,686,245.00	\$13,906,521.87
Monthly Expenses													
Accounting Expense	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	\$12,000.00
Advertising and Direct Mail	88,682.42	218,938.07	244,194.79	269,458.68	294,727.86	341,000.00	386,000.00	416,000.00	441,000.00	481,000.00	506,000.00	506,000.00	\$4,172,999.81
Bank Service Charges	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	\$120.00
Contract Labor	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	\$30,000.00
Benefits	19,709.90	19,709.90	19,709.90	19,709.90	19,709.90	19,709.90	19,709.90	19,709.90	19,709.90	19,709.90	19,709.90	21,389.90	\$238,198.80
Credit Card Fee	5,910.68	14,592.09	16,275.58	17,959.42	19,643.61	22,727.65	24,393.90	27,726.40	29,392.85	32,058.85	33,724.90	33,724.90	\$278,130.44
Commissions	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Dues and Subscriptions	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	\$300.00
Equipment Repair	100.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	\$1,750.00
Hosting Expense	200.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	\$4,600.00
Building, Lab, Auto, Directors	250.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	\$4,375.00
Legal Fees	250.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	\$5,750.00
Licenses/Permits	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	\$600.00
Loan Repayments	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Office Equipment	-	2,500.00	2,500.00	2,500.00	2,500.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	\$17,000.00
Computers	-	-	-	-	-	5,000.00	-	-	-	-	-	-	\$10,000.00
Furnishings	5,000.00	-	-	-	-	-	-	-	-	-	-	-	\$5,000.00
Office Supplies	200.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	\$2,345.00
Personnel	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Development	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	\$183,150.00
Mgmt	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	\$294,000.00
Accounting	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	\$79,200.00
Office	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	\$19,800.00
Customer Service	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	\$63,360.00
Sales	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	\$211,200.00
Other	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Postage and Delivery	29,553.42	72,960.44	81,377.91	89,797.11	98,218.06	113,638.25	121,969.50	138,632.00	146,963.25	160,293.25	168,624.50	168,624.50	\$1,390,652.19
Printing and Reproduction	26,598.07	65,664.40	73,240.12	80,817.40	88,396.25	102,274.43	109,772.55	124,768.80	132,286.93	144,283.93	151,762.05	151,762.05	\$1,251,596.97
Rent/Lease	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	\$24,000.00
Site Enhancement	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	\$120,000.00
Software	-	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	\$5,500.00
Content	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
Auto Expense	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	\$18,000.00
Telephone	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	\$6,000.00
Travel and Entertainment	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	\$60,000.00
Utilities	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	\$3,600.00
Total Expenses	\$289,731.99	\$489,760.40	\$532,695.80	\$575,640.01	\$618,593.18	\$700,747.73	\$738,243.35	\$823,234.60	\$865,730.23	\$933,723.23	\$976,218.85	\$983,898.85	\$8,508,218.21
Net Income/Loss	\$25,802.17	\$239,844.04	\$281,083.32	\$322,331.06	\$363,587.40	\$435,634.78	\$481,451.65	\$563,085.40	\$603,902.28	\$669,209.28	\$710,026.15	\$702,346.15	\$5,398,303.67

Novicitus - Year Three
Proforma Profit and Loss

	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Month 32	Month 33	Month 34	Month 35	Month 36	Annual Category Sales 3rd year
Income													
Sales	2,231,442.00	2,183,454.00	2,383,404.00	2,383,404.00	2,483,379.00	2,883,279.00	2,883,279.00	3,283,179.00	3,283,179.00	3,683,079.00	3,683,079.00	3,683,079.00	\$35,047,236.00
Total Income	\$2,231,442.00	\$2,183,454.00	\$2,383,404.00	\$2,383,404.00	\$2,483,379.00	\$2,883,279.00	\$2,883,279.00	\$3,283,179.00	\$3,283,179.00	\$3,683,079.00	\$3,683,079.00	\$3,683,079.00	\$35,047,236.00
Monthly Expenses													
Accounting Expense	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	\$ 12,000.00
Advertising and Direct Mail	553,000.00	546,000.00	596,000.00	596,000.00	621,000.00	721,000.00	721,000.00	821,000.00	821,000.00	921,000.00	921,000.00	921,000.00	\$ 8,764,000.00
Bank Service Charges	10.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	\$ 560.00
Contract Labor	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	\$ 30,000.00
Benefits	21,389.90	21,389.90	21,389.90	21,389.90	21,389.90	21,389.90	21,389.90	21,389.90	21,389.90	21,389.90	21,389.90	21,389.90	\$ 256,678.80
Credit Card Fee	44,628.84	43,669.08	47,668.08	47,668.08	49,667.58	57,665.58	57,665.58	65,663.58	65,663.58	73,661.58	73,661.58	73,661.58	\$ 700,944.72
Commissions	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Dues and Subscriptions	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	\$ 300.00
Equipment Repair	150.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	\$ 2,350.00
Hosting Expense	400.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	\$ 9,200.00
Building, Lab, Auto, Directors	375.00	775.00	775.00	775.00	775.00	775.00	775.00	775.00	775.00	775.00	775.00	775.00	\$ 8,900.00
Legal Fees	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	\$ 3,000.00
Licenses/Permits	50.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	\$ 1,700.00
Loan Repayments	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Computers	1,000.00	1,000.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	\$ 17,000.00
Furnishings	-	500.00	-	-	2,500.00	-	-	-	-	-	-	-	\$ 5,500.00
Office Supplies	195.00	395.00	595.00	595.00	595.00	595.00	595.00	595.00	595.00	595.00	595.00	595.00	\$ 6,540.00
Personal	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Development	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	15,262.50	\$ 183,150.00
Mgmt	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	\$ 360,000.00
Controller	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	6,600.00	\$ 79,200.00
Office	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	\$ 19,800.00
Programmer	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	5,280.00	\$ 63,360.00
Sales	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	17,600.00	\$ 211,200.00
Other	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Postage and Delivery	223,144.20	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	\$ 488,144.20
Printing and Reproduction	200,829.78	196,510.86	214,506.36	214,506.36	223,504.11	259,495.11	259,495.11	295,486.11	295,486.11	331,477.11	331,477.11	331,477.11	\$ 3,154,251.24
Rent/Lease	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	\$ 24,000.00
Site Enhancement	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	\$ 60,000.00
Software	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	\$ 6,000.00
Content	-	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	\$ 16,500.00
Auto Expense	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	\$ 18,000.00
Telephone	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	\$ 6,000.00
Travel and Entertainment	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	\$ 60,000.00
Utilities	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	\$ 3,600.00
Total Expenses	\$1,145,140.22	\$932,907.34	\$1,005,101.84	\$1,005,101.84	\$1,043,399.09	\$1,187,368.09	\$1,185,068.09	\$1,329,077.09	\$1,329,077.09	\$1,473,066.09	\$1,473,066.09	\$1,473,066.09	Annual Expenses 3rd year \$14,581,878.96
Net Income/Loss	\$1,086,301.78	\$1,250,546.66	\$1,378,302.16	\$1,378,302.16	\$1,439,779.91	\$1,695,690.91	\$1,698,190.91	\$1,954,101.91	\$1,954,101.91	\$2,210,012.91	\$2,210,012.91	\$2,210,012.91	Annual Profit 3rd year \$20,465,357.04

Uses of Capital



The primary uses of capital over the first three years are reflected in the chart shown above.

Financing Strategy

Management expects several rounds of private investment in the company before the company seeks to complete its initial public offering. It is projected that such a public offering of stock in the company would not occur until after the first two to three years of operation. It is believed that during this time everything necessary will be put in place to maximize initial investor rewards while at the same time positioning the company to dominate its field and prepare it for explosive growth in the future.

It is also conceivable that management may consider other opportunities

including acquisition or merger to provide initial investors with a desirable return on investment.

Return on Investment

While investing in the stock of a developmental stage company is always risky, the officers of Novicitus believe that the value of the company will increase dramatically as its growth continues to accelerate. Management projects that the company will generate over \$26 million in sales in its third year in business and expects a EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) of over \$13 million. Based on current projections, management projects over a huge return on investment after three years of operation.

Summary

Our success depends upon our better mousetrap. The Reading With Giggles & Games Learn-to-Read System has been proven with thousands of students and with families who have suffered the challenge of trying to help their other children to read with other outmoded teaching approaches that have frustrated children for many generations. Every parent and teacher wants to be able to provide effective teaching tools that empower children to learn quickly and easily. Reading With Giggles & Games is the system that the world has been waiting for. Our two affordable ways to buy the system make it attractive for even the most financially challenged families.

Our affordable monthly subscription model for the ever-updated online system and related content provides a compounding revenue model that continues to provide additional income to the company, while giving families and schools ongoing access to learning and reading resources available only from Novicitus. Novicitus empowers families and schools with unique and proprietary learning tools that really work.

With our proven marketing and sales strategies we've created a sales engine that can be ramped up in any of six different ways, based on the efficacy of each marketing initiative that we undertake and it's proven return on investment. We intend to operate a

balanced marketing approach that leverages our marketing investment where we find the best return on our investment.

Novicitus offers a unique and compelling investment opportunity unequalled in vision and scope. We believe that we can deliver a huge return on investment within the first 36 months of operation. We have the people, the technology and the courage to make it happen for our shareholders. We'd love to have you consider an investment in Novicitus.

What drives us?

The founders and officers of Novicitus share a single-minded, passionate vision of teaching children to joy of reading. We want to make our effective systems and tools available to children everywhere. We have the vision, the experience and the energy to make this a reality.

We invite you to join us !



The California Task Force on Reading: Every Child a Reader

In 1995 California declared a statewide crisis in reading. Their NAEP (National Assessment of Educational Progress) reading scores had dropped to dead last. *Every Child a Reader: The California Task Force on Reading* was written based on the recommendations and research of national experts in the reading field. The task force concluded that a balanced reading program should include:

- a strong literature, language, and comprehensive program that includes a balance of oral and written language;
- an organized, explicit skills program that includes phonemic awareness, phonics, and decoding skills to address the needs of the emergent reader;
- an ongoing diagnosis that informs teaching and assessment that insures accountability;
- and a powerful early intervention program that provides individual tutoring for children at risk for reading failure.

The summary of this document states: "The Task Force members were unanimous in their conviction that reading is the most important academic skill and the foundation for all academic learning. If our children cannot read, they are on the road to failure. Teaching children to read must be our highest priority."

Louisa Cook Moats, Ed.D., a "Distinguished Visiting Scholar" at the Center for Improvement of Reading Instruction, Sacramento County Office of Education, has published an article about the educational reform taking place in California. *California Reading Initiative, A Revolution in Education Policy* discusses the legislation passed within the past year for early reading instruction. The legislation has been backed with \$1 billion in funding. California districts must certify that 90% of their teachers in K-3 classes have received training in the specifically targeted elements of instruction that were shown by research to lead to reading success. These elements are:

- phonemic awareness;
- systematic, explicit phonics instruction;
- sound-symbol relationships;
- decoding;
- word attack skills;
- spelling instruction;
- comprehension instruction;
- and independent reading of high-quality books.

California Reading Initiative, A Revolution in Educational Policy and *The Guide to the California Reading Initiative* contain specific definitions, research findings, and analysis of important components of reading success.

***How Johnny Should Read*, by James Collins,
Time Magazine October 27, 1997**

The October 27, 1997 issue of Time Magazine contains a relevant article about reading instruction. It is entitled, *How Johnny Should Read*, by James Collins. Collins discusses the current debate between whole language and phonetic-based approaches to teaching reading.

The statistics he cites are alarming. "According to the most recent National Assessment of Educational Progress, 44% of U.S. students in elementary and high school read below the basic level, meaning they exhibit little or no mastery of the knowledge and skills necessary to perform work at each grade level."

Collins provides an in-depth analysis of whole language, citing Ken Goodman, a professor at the University of Arizona, as the leader of the whole-language movement. Frank Smith, a cognitive psychologist, and Goodman have determined that "readers rely on context to guess an upcoming word rather than using the word's spelling." Also, "readers did not see every letter in a word or every word in a text. If they did and if they tried to translate what they saw into sounds, it would be too cumbersome." Whole language stresses using children's books, and the student is encouraged "to take risks without fear of being corrected."

He discusses the history of reading instruction for the past 20 years. "In the 1970's, when students filled in endless phonics work sheets and read inane basals, whole language exercised a strong attraction. By the 1980's, it had come to dominate the teacher's colleges and was strongly influencing publishers. The counterrevolution began in 1990 with the publication of the landmark book, *Beginning to Read: Thinking and Learning About Print*, by Marilyn Adams, a cognitive psychologist." Adams, after reviewing countless studies of reading instruction, came to the conclusion that "reading programs that included systematic phonics instruction led to better readers than programs that did not. Programs that combined systematic phonics instruction with a meaning emphasis seemed to work best of all." She stressed the importance of phonemic awareness and concluded that, "in order to read, a person must understand that the sounds in a word can be broken up; it must also be understood that letters represent these sounds."

The National Institute of Child Health and Human Development at the National Institute of Health, directed by Reid Lyon, Ph.D., has also confirmed the importance of phonemic awareness in their studies. "Researchers have found that problems with phonemic awareness correlate closely with reading failure." Studies at the NICHD have "reaffirmed the conclusions reached by Jeanne Chall and Marilyn Adams--that programs with some systematic phonics instruction lead to better outcomes."

The article concludes with the concept of balance in reading instruction. "It would be tragic if the shift to phonics went to extremes and if the genuine contributions of whole language were abandoned, so this embrace of moderation is welcome.... There are elements of phonics instruction, though, that cannot be diluted; it must be systematic and explicit, if the full benefit is to be derived from it. To deprive children of that benefit is destructive."

Short History of Hooked on Phonics

In 1987, its first full year in operation, Gateway generated \$100,000 in revenues, but that number would begin to grow exponentially as Shanahan increased his marketing budget, spending heavily on radio and television. According to the Network Radio Marketing Guide, Gateway was the 16th biggest spender on radio by 1990. A year later the company's total radio and television budget topped \$41 million, split equally between the two media. In 1992 Shanahan began producing 30-minute infomercials. The media saturation paid off, as **sales reached \$150 million by 1994**. Along the way he made changes to the Hooked on Phonics system and added new products, including Hooked on Math; a Hooked on Phonics Writing Kit; the Hooked on Phonics Classic Achievement Series, which used well-known stories to be read in a family setting; the "We the People" history and civics lesson; and foreign languages programs (German, French, Italian, Japanese, and Spanish) produced with Passport Books. In addition, Shanahan established the Gateway Prison Literacy Project to teach reading to California prison inmates, who experienced a high illiteracy rate. He also made a stab at the retail trade by opening a Hooked on Phonics Store in the heart of Los Angeles' inner city, where he also sold educational toys from Sesame Street, Fisher-Price, and Playskool.

Ownership Change: 1996

Shanahan sold Gateway to buyout firm Rosewood Capital, LLC in 1996 and turned his attention to other endeavors, in particular a radio network he set up and a half-interest in a media buying agency. He scored another hit by launching the radio talk show of Dr. Laura Schlessinger.

Rosewood was founded in 1986 by Chip Adams as a traditional venture capital firm that began investing in buyouts. A former employee of Bain & Co., a high-powered consulting firm, Adams was familiar with the Hooked On Phonics system because it helped his son, Doug, to learn how to read. Adams liked the product but thought it could be improved. The company became Gateway Learning Corporation and the Hooked on Phonics program was redeveloped with the help of educators and others. In the meantime, phonics received a boost when a study sponsored by the National Institute of Child Health & Human Development at the University of Houston contended that not only did phonics work, it was the best way to teaching reading. In June 1996 *Forbes* called the findings "a slap in the face of the education establishment." The magazine reported that in California, where the whole language approach had had a long history in the public schools, parents "were shocked by recent test results that placed their kids last among the nation's students, tied with Louisiana." As a result, California ordered that phonics be taught in every first- and second-grade classroom. Educational publishers and others now began developing their own phonics-based materials.

The new Gateway unveiled its revamped Hooked on Phonics *Learn to read* Program in 1998. It was well received, quickly earning the National Parenting Center Seal of Approval. A year later the company introduced a new Hooked on Math edition, which included games and other activities. Hooked on Phonics was revised further in 2000 when the company brought out the new Hooked on Phonics Classroom Edition. A year later a Deluxe Edition was offered that included an interactive CD-ROM. Also in 2001 Gateway forged an alliance with KinderCare Learning Centers to offer Hooked on Phonics tutoring programs at KinderCare locations across the country. That same year, Gateway expanded beyond basic reading and math, releasing Hooked on School Success to help teach children reading comprehension, study skills, and test-taking strategies.

Rosewood sold Gateway to Baltimore-based Educate Inc. in January 2005. Educate was formed from the tutoring portion of Sylvan Learning Systems. In 2003 the kindergarten-through-12th-grade tutoring businesses had been sold to insider R. Christopher Hoehn-Saric, who then became Educate's chief executive officer and chairman. What made Gateway attractive in addition to the Hooked on Phonics brand were the company's 600 reading centers in KinderCare and other daycare centers. Gateway was subsequently renamed HOP, LLC, and folded into the Educate operation. The company's new corporate parent decided to expand the retail distribution of Hooked on Phonics products, turning to such outlets as Wal-Mart, Target, and Amazon.com. It also began to add to the Hooked on Phonics product offerings. In December 2005 the company unveiled Hooked on Phonics "Get Ready to Read," a program aimed at the preschool market of three to five-year-olds.