

**From:** Jim Davidson  
**Sent:** Friday, April 24, 2015 8:44 AM  
**To:** 'Reisenberg, Jeff'; Michael J. Marocco - Sandler Capital Management (mike@sandlercap.com); Bill Bianco  
**Subject:** RE: attendees for tomorrow  
**Attachments:** [REDACTED] - 2015 BUSINESS PLAN - 040815 v6clean.docx

Below, I pasted in a section of the doc we gave [REDACTED] and attached the full doc. JIM

**From:** Reisenberg, Jeff [mailto:Reisenberg@Evercore.com]  
**Sent:** Thursday, April 23, 2015 8:26 PM  
**To:** Michael J. Marocco - Sandler Capital Management (mike@sandlercap.com); Bill Bianco  
**Cc:** Jim Davidson  
**Subject:** RE: attendees for tomorrow

Here are the topics that [REDACTED] sent across.

I think we talked through all of these, but just to reiterate on his last point (which goes back to "why now"), [REDACTED] helps cure that as it helps everyone share an upside going forward (and I think you should make that point).

Speak to you tomorrow.

-Jeff

As discussed earlier, here are the topics we'd like to cover tomorrow morning.

Introductions and "declaration of [REDACTED]"

What is Sandler's interest in a complete sale vs. retaining a stake (minority or majority)?

Any thoughts on governance if they retain a stake?

Management team's intentions

What's Sandler and Mike's vision for Farelogix and the state of airline distribution?

Longer term, management believes that the Company is ideally positioned to continue to provide significant value to the airline industry and to generate significant revenue and profit for its owners. Airlines will be able to use the Company's next-generation technology to augment or entirely replace outdated legacy systems and distribution processes. Farelogix enhances the competitive landscape and will continue to provide airlines with additional distribution options, creative solutions, and products built on modern, best-of-breed technology. The Company's three main products complement each other and help continue the industry's evolution towards modern retailing. As airlines build long-term strategies for all distribution channels (including the indirect channel and the corporate segment) to differentiate themselves, enhance customer loyalty, and significantly grow revenue, FLX NDC Xpress (with its common NDC XML API) provides the foundation to differentiate the offering and distribution of an airline's product, FLX Merchandise provides the rules based tools to dynamically manufacture offers, and FLX Shop and Price provides the airline with massive transaction volume shopping and pricing capabilities. These three components are critical prerequisites for the modernization of airlines' distribution processes. Farelogix's owners have invested more than [REDACTED] [REDACTED] over the last decade to build this state-of-the-art product and intellectual foundation, and are now ideally positioned, together with the airlines, to benefit from the long-term opportunities that present themselves today.

Any initial thoughts on [REDACTED] as the purchasing entity vs an [REDACTED] vs others purchasing Farelogix?

Why engage Evercore now vs later when the business has grown some more?



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**From:** Reisenberg, Jeff  
**Sent:** Thursday, April 23, 2015 2:53 PM  
**To:** Michael J. Marocco - Sandler Capital Management ([mike@sandlercap.com](mailto:mike@sandlercap.com)); Bill Bianco  
**Cc:** 'Jim Davidson'  
**Subject:** attendees for tomorrow

I also sent you a calendar invite – 9:30 ET tomorrow am.

Dial-in number:  
888-330-1716  
Conference code 3328667

On the [REDACTED] side would be:

[REDACTED]

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PROJECT FOOTBALL - 2015 BUSINESS PLAN AND LONG-TERM PLAN

Farelogix Inc. is integrally involved in the transformation of the airline distribution and merchandising landscape. The company's SaaS Airline Commerce Gateway (the "Gateway") enables airlines to be more flexible, creative, and customer-focused in how they create, package, and sell products and services to both leisure and corporate travelers.

Airlines globally sell approximately 1.3 billion tickets annually. Farelogix estimates that approximately 59% of these tickets are sold directly to consumers through airline websites, call centers, tour operators/charter and host direct (the "Direct Channel") and the remaining 41%, are sold indirectly by travel agencies and major online travel sites (the "Indirect Channel"). Indirect Channel sales are made through the global distribution systems ("GDS"). The three major global GDSs are Sabre, Amadeus and Travelport. This indirect sales channel is uniquely important to most airlines as it is this channel that primarily services the lucrative, high-yielding corporate traveler market.

During 2014, the airline industry continued to shift away from commoditized selling of seat inventory to true product and brand differentiation, resulting in acceleration of airline merchandising. Merchandising strategy is integral to the airline-customer relationship and is a key driver for new revenue generation in today's competitive landscape. During the last seven years, ancillary revenues increased from \$2 billion in 2007, to approximately \$50 billion in 2014. The scope of ancillary revenue has evolved from simple bag fees, to the selling of Wi-Fi, extra legroom, preferred boarding, lounge passes and premium seats, with sophisticated optimization schemes and capabilities being developed by airlines and Farelogix, designed to increase revenue generation through improved product 'take' rates. One large FLX Merchandise airline customer reported a 30% increase in sales of extra legroom seats once optimization was incorporated using the Farelogix merchandising engine.

While many airlines have generally been able to technologically incorporate merchandising in their Direct Channel, including airlines using the Farelogix merchandising product, they have had far more difficulty in the Indirect Channel (GDS/Travel Agency). A primary impediment in the Indirect Channel has been the technological limitations of the GDSs' mainframe based systems, which are inflexible, inefficient and limit the kinds of interactions with their business customers that airlines require to generate increased revenues. It is also common knowledge that the GDSs have heavily resisted airlines from differentiating their products through the GDS channel fearing differentiated airline products would create an unwanted new level of competition amongst the GDSs. Recent public filings in the USAir v. Sabre antitrust litigation expose the extent of this resistance. Protecting the status quo in terms of limiting airline product differentiation through the proliferation of restrictive airline distribution contracts, called Full Content Agreements ("FCAs") has been a general operating model on the part of the GDSs for a number of years. These GDS practices have historically limited and eliminated new entrants into the distribution industry. Farelogix's innovative technology and strategic flexibility has allowed it to survive targeted attempts by GDSs to put it out of business. These restrictive practices, however, have historically affected Farelogix's ability to sell, implement, and scale its overall business model. The changing distribution landscape, driven mainly by the widespread desire of airlines to capitalize on personalized offers to all travelers regardless of distribution channel has placed Farelogix in the advantageous position of having the right set of production-ready products that provide airlines the control and flexibility they need to merchandise through the Indirect Channel.

In an effort to address the technology limitations in the Indirect Channel, the airlines, through their largest trade group, the International Air Transport Association ("IATA"), passed Resolution 787, New Distribution Capability ("NDC"). This measure prescribed a modern industry-messaging standard to allow airlines to distribute new products as efficiently to the Indirect Channel as they are able to do directly on their websites. Farelogix has worked closely with IATA in developing these new technology standards and in 2012 IATA adopted the general technology schemas developed and implemented by Farelogix. It is anticipated that any airline wishing to offer differentiated products and services through the GDS will eventually adopt IATA's New Distribution Capabilities, leading to a sweeping change whereby airlines replace the very dated, costly,

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and inefficient airline connection technology widely used today – EDIFACT - with modern, cost effective, and near-limitless XML connectivity. Today, Farelogix is extremely well-positioned to capitalize on this eventuality by being the largest and most experienced provider of this new airline XML connection technology.

The Farelogix Airline Commerce Gateway is the industry's only comprehensive airline distribution technology platform that is IATA NDC-enabled. The Gateway enables airlines to easily, efficiently, and dynamically deliver content, including custom-tailored product offers, to travelers across multiple distribution outlets. It is designed as a complement to existing airline IT systems and allows an airline to introduce new products and services without the difficulty of multi-year, high cost legacy system upgrades or PSS changes. The Gateway's main components include FLX NDC Xpress (Direct Connect – via GDS pass-through or GDS bypass) and FLX Merchandise, both of which are currently deployed, and FLX Shop & Price, being deployed by the first airline customer in Q2 2015. FLX Shop & Price is a new, next-generation pricing engine based on CUDA and graphics card parallel processing technology. In May 2014 the company was awarded US Patent 8,719,374 B1 "Accessing Large Data Stores Over a Communications Network". FLX Shop & Price's massive transaction processing capability is ideally positioned to meet the challenges of consumers' growing online shopping behavior and the airlines' increasing merchandising offerings. The product will compete with, amongst others, Google's ITA and the GDSs' pricing products which are all based on technology that is at least fifteen years old. Even as the Company completes its full development of FLX Shop & Price, expected Q4 2015, a number of airlines have already expressed serious interest in replacing their current shopping and pricing capability with FLX Shop & Price. This appears to be driven by three main industry conditions: 1) The general uncertainty of how Google will continue to support (and even possibly leverage) the existing Google ITA product; 2) The general desire for airlines to have more operational control and configuration over the shopping, pricing, and availability data and rules – even to the point of having the ability to "host" their shopping and pricing engine; and 3) The significant scale necessary to handle the advance search volume and requirements (at a reasonable cost point) of both NDC and increasing consumer search.

Farelogix has successfully integrated its FLX NDC Xpress (Direct Connect) with leading airlines worldwide, including five of the top ten global airlines. The company's North American customers include five of the largest airlines and represent approximately 75% of the total annual combined North American tickets. In Europe and the Middle East, Farelogix's NDC Xpress (Direct Connect) customers include a number of leading carriers. The company's FLX Merchandise has emerged as a leading merchandising platform in the airline industry. Some of the world's largest airlines have deployed FLX Merchandise and Farelogix is in late stage negotiations with a number of other airlines for this product. Farelogix's current revenue model is based upon recurring [REDACTED] for FLX Merchandise and FLX Shop & Price.

During 2014, Farelogix reported revenue of [REDACTED], an increase of [REDACTED] compared to 2013. During the period, EBITDA increased slightly from [REDACTED]. [REDACTED] remained high. Revenue growth for 2014 primarily resulted from securing new merchandising contracts. Specifically, in 2014, the company secured a merchandising contract with one of the world's largest airlines. For 2015 and beyond, Farelogix believes that it is very well positioned to continue to secure contracts with a number of additional airlines for FLX Merchandise as they continue to strive to expand their merchandising capabilities.

Revenue growth will accelerate in 2015 upon completion of pending integrations of the Farelogix NDC Xpress product (Direct Connect) through the GDSs. Travelport is currently integrating the FLX NDC Xpress (Direct Connect) technology with 3 airlines while Amadeus and Sabre are integrating it with one airline. These integrations are very significant for Farelogix and the airlines because, when completed, the integrated airlines will start reaping significant benefits by being able to "retail" their products in the indirect channel (to the corporate segment) in a manner similar to the retailing that already occurs in the direct channel. Consequently, the integrated airlines will start realizing potentially significant new merchandising revenue streams, in addition to enhanced brand differentiation, customer loyalty, etc., and Farelogix will start realizing significant

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transactional revenue as each booking on these airlines generated by travel agencies using Travelport, Amadeus and Sabre will result in a transaction fee to Farelogix. The airlines' implementation of new merchandising contracts and the recent "breakthrough" agreements between some Farelogix airline customers and GDSs supporting the integration of the FLX NDC Xpress (Direct Connect) technology through the GDSs, while having taken much longer than anticipated, represent a significant milestone for the Company. In addition, a major airline's GDS bypass implementation of a top OTA (which is in addition to the existing relationship of two top airlines' GDS bypass with Priceline) will further support projected growth. Finally, the company expects to sign new merchandising contracts with several new airlines during 2015.

Budgeted revenue for 2015 is projected to increase to approximately [REDACTED] and EBITDA is projected to increase to [REDACTED]. Significantly, on an annualized basis, fourth quarter revenue and EBITDA are budgeted to be [REDACTED] and [REDACTED], respectively. These figures demonstrate the significant positive impact both FLX Merchandise sales and NDC Xpress implementations have on revenue generation and EBITDA. While no revenue has been projected for FLX Shop & Price for 2015, the Company believes that the potential revenue generation from this new product is in excess of [REDACTED] over the next 10 years.

The Company's last funding round was in [REDACTED]. The company's debt principal [REDACTED]. The last debt increase was [REDACTED] and the company has been self-sustaining since then [REDACTED].

As the Company continues to advance the development of its existing products and services, it is also committing significant R&D resources focused on innovating and developing new airline-centric products and services that continue to lessen airlines' dependency on legacy operating systems provided by the PSSs and GDSs today. Specific areas include but are not limited to: dynamic pricing and availability, website widgets designed specifically for enhanced personalization and merchandising, product auction capabilities, core PSS functions of schedule and availability generation, and alliance/code-share product integration, among others.

Longer term, management believes that the Company is ideally positioned to continue to provide significant value to the airline industry and to generate significant revenue and profit for its owners. Airlines will be able to use the Company's next-generation technology to augment or entirely replace outdated legacy systems and distribution processes. Farelogix enhances the competitive landscape and will continue to provide airlines with additional distribution options, creative solutions, and products built on modern, best-of-breed technology. The Company's three main products complement each other and help continue the industry's evolution towards modern retailing. As airlines build long-term strategies for all distribution channels (including the indirect channel and the corporate segment) to differentiate themselves, enhance customer loyalty, and significantly grow revenue, FLX NDC Xpress (with its common NDC XML API) provides the foundation to differentiate the offering and distribution of an airline's product, FLX Merchandise provides the rules based tools to dynamically manufacture offers, and FLX Shop and Price provides the airline with massive transaction volume shopping and pricing capabilities. These three components are critical prerequisites for the modernization of airlines' distribution processes. Farelogix's owners have invested more than [REDACTED] in direct investment and reinvestment of revenues over the last decade to build this state-of-the-art product and intellectual foundation, and are now ideally positioned, together with the airlines, to benefit from the long-term opportunities that present themselves today.