

Network Connectivity Company Global Capacity is Improving Efficiency and Reducing Costs of Telecommunication Carrier, Service Integrator and Large Enterprise Network Customers through the Automated One Marketplace Network

Technology Network Connectivity

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Jack Lodge
President

BIO: Jack Lodge is the President of Global Capacity, responsible for all aspects of strategy and execution of the Company. He has over 24 years of experience in information technology and telecommunications. Mr. Lodge served as Global Capacity's COO from 2008 to 2012, and has been a key driver in the development of the Company's industry leading One Marketplace platform. Under his leadership, the number of customers and suppliers participating in One Market-

place has grown steadily, while the Company has achieved significant improvements in gross margin and EBITDA performance.

Mr. Lodge joined Global Capacity in 2006 via the acquisition of CentrePath, Inc., a privately-held network management and engineering company where he served as General Manager, with responsibility for all aspects of CentrePath's managed services business. Prior to joining CentrePath's predecessor company, GiantLoop, Mr. Lodge held several leadership positions in the IT organization at Nortel Networks, where his responsibilities included network architecture and strategy. Lodge joined Nortel via the 1998 acquisition of Bay Networks, where he held a number of IT management positions. At Bay Networks, Mr. Lodge led the IT infrastructure integration following the 1994 merger of Wellfleet Communications and Synoptics Communications that created Bay Networks. Prior to Wellfleet / Bay Networks, Mr. Lodge owned and operated a regional network services and maintenance business, distributing and supporting technology from multiple manufacturers. He began his career with AT&T in 1989 in a sales role.

Mr. Lodge holds a B.A. from the College of the Holy Cross, and an M.B.A. from Northeastern University. He played varsity lacrosse at Holy Cross, and remains active as a youth lacrosse coach. Mr. Lodge currently resides in the Boston area with his family.

About Global Capacity:

Global Capacity is a network connectivity company that improves the efficiency and reduces the cost of net-

works globally. Through its One Marketplace network, the company brings together customers and suppliers in an automated platform that provides ubiquitous access network solutions. Global Capacity delivers its innovative solutions to telecommunication carriers, managed service providers, system integrators and large enterprise customers globally.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Mr. Lodge, would you tell us about Global Capacity?

Mr. Lodge: Global Capacity is a network connectivity company. Our focus is on helping our clients improve the efficiency and reduce the cost of designing, quoting and implementing network connectivity solutions. We are focused on Layer I and Layer II connectivity, rather than higher layer IP services. We focus on two types of clients; wholesale and enterprise. Our wholesale clients fall into two buckets. We work with facilities based providers; people that own their own telecommunications facilities, but who are looking to extend their footprint outside of where they currently have those facilities. We also work with managed service providers, helping them provide ubiquitous network connectivity to support the higher level services that they are providing to their end clients. In the enterprise market we work with clients that have large multi-location network connectivity requirements. We work to deliver them very cost effective, highly efficient network solutions that help them connect all of their remote

locations to deliver mission critical applications and to facilitate content and data transfer between those sites. We provide them flexibility, cost efficiency, and transparency in a private network that gives them the ability to deliver the services that they need within the enterprise.

CEOCFO: Would you give us an example of both the wholesale and the retail?

Mr. Lodge: Let me first answer by telling you about our core platforms, so the examples will make more sense. Global Capacity operates on two fundamental platforms. We have a networking platform and we have an application platform. Our network platform is based on the fundamental premise of an interconnected network state. Global Capacity deploys targeted assets in various points of presence around the country. In those facilities we interconnect with both suppliers as well as customers. We use a network aggregation strategy to intelligently acquire network capacity and then to efficiently match supply and demand in that market and facilitate the most appropriate interconnections between an end customer requirement and the underlying capacity and supplier that has the best facility to satisfy that requirement. The way that we do that is we leverage our application platform. We have invested heavily in an industry leading platform that automates the entire process of designing, quoting, ordering and provisioning a network service. We have over fifteen years of development into the platform understanding what suppliers have what facilities in what markets at what price points. We have customers that put demand through that system at a pace of somewhere north of five hundred thousand quotes a month. That allows us to apply a significant level of intelligence in analyzing what the market demand is, what customers require, what services and what geography that we can map to available market supply. Based on that, we make decisions about which suppliers to interconnect with in which

markets. We then advertise competitive rates to our customers. Through the application platform we facilitate a very efficient marketplace that provides transparency of pricing and capacity to an entire marketplace of suppliers. So from a customer perspective, let us look at a wholesale customer for example. If a facility based wholesale provider is looking to extend their footprint because they have an end customer that requires connections to a building that lies outside of their footprint, by interconnecting with Global Capacity's network platform and utilizing our application platform, we will be able to identify and provision the most efficient network connectivity to get that end user location back to that wholesale providers network through a single interconnection. Therefore, what they get is the ability to simplify their operation and not have to go out

“Global Capacity’s approach to the market is unique. By leveraging both the network platform and the application platform, we are uniquely qualified to help customers improve efficiency, leverage automation, leverage market intelligence and drive to the most cost effective solution in a way that is very simple for them to consume.”- Jack Lodge

and negotiate agreements with tens and potentially hundreds of underlying suppliers. Simply by interconnecting with Global Capacity they have access to the entire marketplace with a very efficient automated front end. From an enterprise perspective, our largest client is an application service provider that operates in the healthcare space. We have built out a very robust private network for them. They serve up their application out of two data centers that are completely redundant. Because of the critical nature of the application that they deliver to their hospital customers, they require completely diverse, redundant, but cost effective connectivity into each and every hospital that they deliver their application to. Global Capacity is the single source provider of network connectivity to that customer, but we utilize an entire marketplace of connectivity solutions to provide the

most diverse route and the most cost effective route with the most efficient delivery. That enables our customer who, ultimately, is selling an application based service, to be very efficient in the network they require to deliver that to their underlying customer.

CEOCFO: What was the biggest challenge in putting that whole technology together?

Mr. Lodge: It is a technology platform that has evolved over time. The biggest challenge, frankly, is the data collection. The global telecomm market is a highly fragmented market with literally thousands of suppliers out there, so not only understanding what suppliers operate in what regions and geographies, but then also understanding specifically what products that they offer, what the pricing algorithms and pricing rules are for each of those services and combing that all into a single platform is a major challenge. At the core of our application is a fundamental knowledge of tariff. In many geographies around the world, including the US, tariff is often the baseline of how you calculate network connectivity pricing. By understanding and automating how you calculate tariff we have been able to crack the code on the pricing algorithms that allow you to effectively price telecomm services in the market. But beyond just the supplier information and the pricing algorithms, there is a tremendous amount of geographic intelligence in the system. All network connectivity needs to arrive at a destination address. Being able to accurately identify what that address is based on the correct geospatial coordinates is core to the ability to accurately calculate price, so that is a critical part of our underlying system. Therefore, we have spent a lot of investment in developing the geospatial capabilities as well as the telecomm specific intelligence and then the pricing algorithms that allow you to deliver what is a market leading pricing intelligence.

CEOCFO: Is there much competition in the pricing intelligence area? It sounds like it has been a monumental effort to put it all together.

Mr. Lodge: It really has. I guess that I will answer it this way. There are many suppliers out there who have invested heavily in developing a pricing tool that would deliver a price for their services to their customers. Global Capacity is unique in terms of its ability to deliver a market based price from a whole marketplace of underlying suppliers. I think the uniqueness of our approach is the multi-vendor nature of how we price. There are some niche products out there that help people to automate how they do pricing. Certainly, most large suppliers have a pricing tool of their own that will help to deliver a price, specifically for their own services. However, the uniqueness of Global Capacity is its multi-vendor nature and the willingness that we have to not only automate a Global Capacity rate based on our marketplace, but also to automate rates that our customer may have negotiated with their preferred suppliers. Therefore, if someone wants to utilize the Global Capacity pricing system, they may have a negotiated rate with supplier A or supplier B, and we will actually implement that automated rate, just as long as we get to compete with the Global Capacity One Marketplace rate alongside of that rate. That is something that is unique to our business. We believe in providing transparency to the market.

CEOCFO: How do you reach potential customers?

Mr. Lodge: We have a combination of a direct sales strategy as well as a channel strategy. We have a direct sales force that has long standing relationships with many of our customers, and we utilize trade shows, direct campaigns, marketing campaigns and social media to try to generate interest in a direct sales engagement with existing customers as well as new prospects. However, particularly in 2013, we have put a significant emphasis on driving channel relationships. Those channels could be traditional telecomm agents

that sell into the telecomm market space. However, they also include other channels, such as value added resellers who operate in and around the space. We have seen a tremendous uptick in interest and activity incoming through our channel program as we have rolled it out.

CEOCFO: When you or when one of your partners is working with a perspective customer what is the "aha moment"? When do they understand that what you are offering is different and better?

Mr. Lodge: I think it generally comes when we do a demonstration of the application platform. When we begin talking to customers about how we can help them solve their network connectivity requirements, maybe early on in the conversation we sound an awful lot like anyone else that might be offering them a network connectivity solution. However, when we describe our application platform and the unique advantages it provides in terms of automating the process that the customer needs to go through and how it drives efficiency and time savings into their process, we start to differentiate ourselves. When we then actually log in and demonstrate how the system works, and we have the customer input actual requirements and see how quickly a marketplace of very competitive solutions is delivered back to them, I think that really is the "aha moment". When they realize that establishing a single interconnection into our network platform will provide them automated access to that entire marketplace of suppliers with very cost effective, simple to use solutions, I think that really is the "aha moment".

CEOCFO: Are companies regularly or actively looking to make changes in their telecomm? What is the impetus for the change and looking at a new company like yours or a different company for them?

Mr. Lodge: I think it is probably a different answer between the wholesale and the enterprise space. In the wholesale space you generally see customers with a high volume of transactional requirements each and every month. Therefore, they are constantly evaluating how they drive

efficiency into their process, particularly as it relates to those requirements that go outside of their network footprint. Clearly, every facility based provider is going to spend a lot of time on how to optimize and maximize the investment that they have made in their own network facilities. However, when a customer requirement forces them to go off of their network footprint, being able to handle that as efficiently as possible is really a critical requirement. That "off-net" process, for a lot of wholesale providers, is a manual, tedious process today. Therefore, when we get in front of a customer in that environment, just being able to demonstrate the efficiency, the simplicity and the ease of use in the overall customer experience that they can achieve by utilizing Global Capacity's application platform and interconnecting with Global Capacity's network platform, that helps to get us involved and ingrained in their ongoing transactional process. On the enterprise side it is probably a little bit different. We typically see some type of project driven opportunity. Whether it is an RFP for new services or whether there is some type of merger or acquisition activity that is causing some consolidation, there is typically some trigger that causes them to rethink and relook at their overall network, and they tend to look at it at a network level, rather than on a transaction-by-transaction level. That is really where the automation of our toolset gives us an enormous advantage. Because we are able to leverage our automation to respond with a very well designed, robust solution in a fraction of the time that it takes many suppliers to respond, given the complexity of some of the customer requirements, we have a real opportunity to differentiate ourselves in the enterprise space. So in summary, for the wholesale folks it is really a matter of getting yourself introduced into their transactional process and for the enterprise folks, it is a matter of getting into their mindshare as they look at new requirements and try to position yourself to be available when those project based requirements come up.

CEOCFO: How is business these days?

Mr. Lodge: Knock on wood, business has been very good. We have been privately held, acquired by a group called the Pivotal Group, a private equity firm out of Phoenix Arizona, just about two years ago. For the past two years we have operated profitably with growth and are looking to grow somewhere in the neighborhood of twenty five percent in 2013 and hopefully even faster than that beyond. We are seeing a significant uptick in mindshare at an accelerating velocity as we get more market traction. Anecdotally, I will share a story with you. We were out at the ITW Show, the International Telecomm Week Show, in Chicago, last week. This is right in our backyard; we are headquartered in Chicago. Over the course of three days we had something north of one hundred meetings. We had six meeting tables in our suite and those tables were going non-stop from eight in the morning until six o'clock at night; dealing with all types of potential customers, potential suppliers and people in the investment community interested in understanding the business. The feedback that we got almost across the board was really very positive. Specifically, we heard that people were really seeing a clear

articulation of the value proposition that is helping them understand where and how Global Capacity may benefit them and they have seen an increase in the competitiveness of our products in the marketplace, which was great to hear. We have focused very significantly on product innovation, and that is being well received. We introduced an Ethernet based product earlier this year, which represents a huge market opportunity, and we just announced recently a new product called "One Hub", which allows a customer to purchase either Ethernet or TDM based services through a single Ethernet interconnection to One Marketplace. One Hub was nominated for an industry award recently, and was a runner-up in the category to AT&T. So overall, it is very encouraging when you go out and speak to customers and suppliers and you get unsolicited feedback on how well received the business and the business model is in the marketplace. That was very encouraging.

CEOCFO: Why should investors and people in the business community pay attention to Global Capacity?

Mr. Lodge: That is a very good question. Global Capacity is an innovative company that operates in a very large global marketplace. Telecommunications is an industry

segment that is growing. Particularly, the data communications portion of telecommunications is experiencing enormous growth with the continuing explosion of cloud based services, online applications, mobile applications and video applications. There is a constant requirement for more and more bandwidth and there is a constant drive to take cost out, to improve efficiency and to make that marketplace more efficient. Global Capacity's approach to the market is unique. By leveraging both the network platform and the application platform, we are uniquely qualified to help customers improve efficiency, leverage automation, leverage market intelligence and drive to the most cost effective solution in a way that is very simple for them to consume. We are very, very focused on the customer experience. I think from a business and investment community, when you see a company that takes an innovative approach to a large market opportunity, solves a problem that is a common problem across the market and does it in an environment where there is significant customer acceptance, marketplace excitement and growth; that makes us a very interesting company from a lot of perspectives.

