



InvisibleHand Networks Ships Merkato 2.1 The First Platform for Dynamic Bandwidth Pricing and Allocation

Helps IP Network Service Providers Increase Revenue Through Optimized Capacity Utilization

BURLINGTON, Mass. (April 2, 2002) — InvisibleHand Networks, Inc., today introduced Merkato™ 2.1, the industry's only fully automated software platform that helps service providers make more money on their existing infrastructure, by providing a 'real-time' marketplace to dynamically price, sell and allocate IP capacity within minutes. The software ships this week.

According to Thomson Financial, telecommunications companies have borrowed more than \$1.5 trillion and issued more than \$630 billion in bonds to finance huge infrastructure build outs. This debt load puts enormous pressure on IP network service providers who must now demonstrate financial return on these investments. With Merkato 2.1, for the first time, service providers can increase revenue by 45 percent and improve gross margins on bandwidth five-fold by tapping under-utilized IP capacity.

Traditional circuit-based pricing and allocation methods dedicate a fixed portion of each "pipe" or circuit to each customer. The majority of the time customers do not use the full amount of their fixed portion. Merkato enables service providers to aggregate traffic on each pipe and dynamically sell the excess capacity, dramatically increasing network utilization. This new ability to make full use of the network infrastructure improves efficiency, cuts costs and introduces opportunities for additional revenue that contributes directly to the bottom line. The solution has been field-tested by more than 65 bandwidth-intensive Internet businesses through the company's own service, StreamingHand, which serves as a proof-of-concept for the Merkato technology.

"We're just beginning to see the evolution of the physical market for demand-based IP pricing," said Seth Libby, senior analyst at The Yankee Group, a market research firm based in Boston. "InvisibleHand is making real-time IP capacity transactions – buying capacity when you need it, or selling capacity when you have excess – a reality."

Merkato serves three types of service providers. For IP network service providers, Merkato provides a means of pricing IP transit and creates new opportunities to sell excess or off-peak capacity dynamically. For exchanges and co-location providers, Merkato enables the creation of a liquid IP bandwidth exchange, matching multiple sellers and buyers in a neutral, demand-based market. Hosting providers can use Merkato to create bandwidth-on-demand services for their customers – typically content owners with highly variable bandwidth requirements. For all three providers, these capabilities offer significant opportunities to attract new customers and grow revenue.

"With Merkato 2.1, TELEHOUSE can expand its service offerings for customers, with a unique venue where buyers and sellers can connect and negotiate bandwidth pricing automatically, whenever the requirements exist," said Richard Mataka, director of sales and marketing at TELEHOUSE America. "This is an excellent service that provides a new commodities-based

(more)

model to benefit our customers and further enhance our core business model of carrier-neutral co-location.”

Patented Algorithms Enable Dynamic Bandwidth Allocation

Merkato 2.1 leverages game theory, agent technology and patented market mechanisms to automate price discovery and negotiation – identifying the best price available in the current market.

“Game theory makes it possible to design protocols and algorithms that recognize that intelligence and decision making are decentralized,” said Nemo Semret, chairman and CTO of InvisibleHand. “The approach enables fully automated real-time markets that result in optimally efficient utilization of network resources.”

This ‘real-time’ pricing helps service providers meet customers’ intermittent, spontaneous need for substantially more bandwidth with flexible, short-term contracts. This is a sharp departure from the frequently used pricing standard, which requires companies to contractually commit to fixed or ‘95th percentile pricing’ – and pay for near-peak usage for months, even if they generally use only a small portion of the bandwidth.

“We’re helping service providers be the good guys – not only can they make more money, but they can satisfy customers’ demands through optimal pricing for their data services,” said James E. Brown, III, CEO and president of InvisibleHand Networks.

Merkato enables both a “spot,” or real-time, marketplace for immediate allocations and a reservation marketplace that lets buyers reserve capacity in advance. For the spot market, automated software agents represent buyers and sellers to facilitate transactions and allocate bandwidth at fair-market prices in five-minute intervals. Merkato’s design lets these agents execute a wide variety of tasks, from simply transmitting pre-determined bids to using intelligent bidding and selling strategies based on budget or capacity need.

Merkato’s reservation market allows buyers to reserve a specific amount of capacity in advance at a pre-arranged price. This gives buyers additional flexibility to ‘hedge’ their bets, knowing they have a certain amount of bandwidth already set aside.

Merkato is an open and highly scalable platform; interfaces are written in Java and HTML for quick implementation and ease-of-use. The physical architecture places Merkato on the edge of a network, between the provider and customer. An extensible API enables integration with provisioning to routers and switches, allowing for instant allocations of bandwidth into the network. Merkato records all bandwidth transactions in a scalable database, and provides standard formats for export to the most common billing systems.

Merkato 2.1 introduces several new features, including an enhanced Web portal that lets users monitor price fluctuations and track their allocations, traffic levels, and billing information.

Also new in 2.1 is an automated feedback mechanism that uses a customer’s traffic levels to help automatically adjust buying behavior in near real-time more accurately. Pricing of the Merkato platform is based on a choice of licenses, including per-transaction fees, and per-market participant bulk licensing.

(more)

###

InvisibleHand Networks, the InvisibleHand Networks logo and Merkato, are registered trademarks of InvisibleHand Networks, Inc. All other trademarks are property of their respective owners.

About InvisibleHand Networks, Inc.

Founded in 1998, InvisibleHand Networks is changing the way bandwidth is bought and sold. InvisibleHand's innovative software platform, Merkato, enables customers to dynamically price, sell and allocate bandwidth, creating "bandwidth on demand" services coupled with real-time market pricing and instant delivery.

InvisibleHand participates in the Cisco sponsored Service Provider Solutions Ecosystem Program, which helps speed time-to-market of service providers and their solutions. The company is backed by Polaris Venture Partners and the Community Technology Fund at Boston University. InvisibleHand Networks, Inc. is based in Burlington, Massachusetts. For more information, please visit <http://www.invisiblehand.net/>

About StreamingHand

StreamingHand was developed by InvisibleHand Networks, Inc. as a proof-of-concept of the Merkato technology and to demonstrate an alternative solution to current content distribution methods. The service readily accommodates clients with variable bandwidth needs, and provides a flexible and low-cost solution. For more information visit <http://www.streaminghand.net/>

Company contact:
Kristi Williams
InvisibleHand Networks, Inc.
(781) 743-0363
kristi@invisiblehand.net

Media contact
Susan Bassett
Corporate Ink
(617) 969-9192
sbassett@corporateink.com