

Assumptions and Summary

Sales Initiate	Sep-98				
First Month Sales:		<u>Cost of Goods</u>	<u>Retail Price</u>	<u>Discount</u>	<u>Wholesale</u>
Consultants Tool	103 Units per month	\$ 80.00	\$ 1,095.00	0%	\$ 1,095.00
Mass Market Product	850 Units per month	\$ 45.00	\$ 599.00	30%	\$ 419.30
Teleconferencing	10% of Mass market product	\$ 25.00	\$ 199.00	40%	\$ 119.40
Web Direct Transcription	30% of Mass market product	\$ 25.00	\$ 199.00	40%	\$ 119.40
Data Management	50% of Mass market product	\$ 25.00	\$ 199.00	40%	\$ 119.40
Developers Tool Kit - 3D	1% of Mass market product	\$ 35.00	\$ 259.00	40%	\$ 155.40

	Year 0 1997	Year 1 1998	Year 2 1999	Year 3 2000	Year 4 2001	Year 5 2002
Annual Sales	-	4,093	28,396	82,850	169,635	323,639
Monthly Growth		5%	11%	8%	5%	5%
Revenues	\$ -	\$ 2,435,532	\$ 18,309,751	\$ 54,002,897	\$ 97,037,332	\$ 173,430,531
Gross Profit	\$ -	\$ 2,151,966	\$ 16,312,162	\$ 48,162,144	\$ 85,368,578	\$ 151,419,149
Total Expenses	\$ 569,188	\$ 2,258,813	\$ 5,587,804	\$ 9,454,838	\$ 13,447,676	\$ 17,365,030
Pre-tax Profit	\$ (569,188)	\$ (106,848)	\$ 10,724,359	\$ 38,707,307	\$ 71,920,902	\$ 134,054,119

Valuation	Year 1	Year 2	Year 3	Year 4	Year 5
Pre-Money Valuation	\$ 7,306,596	\$ 43,124,881	\$ 127,192,804	\$ 228,551,633	\$ 408,480,226
Amount Invested/Worth	\$ 2,000,000	\$ 11,804,371	\$ 34,815,887	\$ 62,560,362	\$ 111,811,369
Post-Money Valuation	\$ 9,306,596	\$ 54,929,252	\$ 162,008,692	\$ 291,111,995	\$ 520,291,594
Percentage Dilution	21.49%	21.49%	21.49%	21.49%	21.49%
V.C. Equity Value	\$ 2,000,000	\$ 11,804,371	\$ 34,815,887	\$ 62,560,362	\$ 111,811,369
V.C. ROI	1.00 x	5.90 x	17.41 x	31.28 x	55.91 x

Investors

* Pre-money valuation = 3 times revenues

Seed Funding	\$ 320,000	Seed Funding received: 10/1/1997
First Round V. C.	\$ 2,000,000	First Round Funding received: 1/1/1998

Equity Plan

Founder's Stock	40%
Investors	40%
Reserved for Employees	15%
Reserved for Directors	5%

Proforma Income Statements

	1997	1998	1999	2000	2001	2002
Revenue						
Hardware						
Consultants Tool	\$ 527,790	\$ 6,391,515	\$ 19,771,320	\$ 14,331,360	\$ 4,729,305	
Mass Market Product	\$ 1,514,092	\$ 9,458,989	\$ 27,168,124	\$ 65,640,157	\$ 133,890,876	
Software						
Teleconferencing	\$ 43,115	\$ 269,354	\$ 773,640	\$ 1,869,171	\$ 3,812,681	
Web Direct Transcription	\$ 129,346	\$ 808,063	\$ 2,320,921	\$ 5,607,514	\$ 11,438,042	
Data Management	\$ 215,577	\$ 1,346,772	\$ 3,868,202	\$ 9,345,856	\$ 19,063,404	
Developers Tool Kit - 3D	\$ 5,611	\$ 35,057	\$ 100,690	\$ 243,274	\$ 496,223	
Total Revenue	\$ 2,435,532	\$ 18,309,751	\$ 54,002,897	\$ 97,037,332	\$ 173,430,531	
COGS	\$ 283,566	\$ 1,997,588	\$ 5,840,753	\$ 11,668,754	\$ 22,011,382	
Gross Profit	\$ 2,151,966	\$ 16,312,162	\$ 48,162,144	\$ 85,368,578	\$ 151,419,149	
Expenses						
Engineering	\$ 505,625	\$ 1,229,958	\$ 1,485,625	\$ 1,055,625	\$ 1,254,844	\$ 1,503,867
Marketing	\$ 21,563	\$ 331,000	\$ 962,750	\$ 3,461,250	\$ 5,559,250	\$ 5,559,250
Sales		\$ 384,057	\$ 1,934,879	\$ 1,854,318	\$ 1,374,215	\$ 1,222,886
Admin	\$ 42,000	\$ 313,797	\$ 1,204,550	\$ 3,083,645	\$ 5,259,367	\$ 9,079,027
Total Exp	\$ 569,188	\$ 2,258,813	\$ 5,587,804	\$ 9,454,838	\$ 13,447,676	\$ 17,365,030
Pre-tax Profit	\$ (569,188)	\$ (106,848)	\$ 10,724,359	\$ 38,707,307	\$ 71,920,902	\$ 134,054,119

Balance Sheet & Statement of Cash Flow

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Assets														
Cash	\$ 320,000	\$ 298,438	\$ 10,375	\$ 1,852,313	\$ 1,729,250	\$ 1,580,146	\$ 1,431,042	\$ 1,281,438	\$ 1,131,833	\$ 946,882	\$ 716,328	\$ 565,117	\$ 406,006	\$ 454,184
Accts Rec.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 561,852	\$ 591,860
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,738	\$ 207,298
Total Assets	\$ 320,000	\$ 298,438	\$ 10,375	\$ 1,852,313	\$ 1,729,250	\$ 1,580,146	\$ 1,431,042	\$ 1,281,438	\$ 1,131,833	\$ 946,882	\$ 716,328	\$ 565,117	\$ 1,165,596	\$ 1,253,342
Liabilities														
Accts Payable	\$ -	\$ 266,500	\$ 136,500	\$ 101,500	\$ 117,000	\$ 117,000	\$ 117,500	\$ 117,500	\$ 123,139	\$ 168,742	\$ 89,399	\$ 90,110	\$ 422,632	\$ 208,787
Bank Loans	\$ -												\$ -	
Total Liabilities	\$ -	\$ 266,500	\$ 136,500	\$ 101,500	\$ 117,000	\$ 117,000	\$ 117,500	\$ 117,500	\$ 123,139	\$ 168,742	\$ 89,399	\$ 90,110	\$ 422,632	\$ 208,787
Stockholders Equity														
Paid-in Capital	\$ 320,000	\$ 320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000	\$ 2,320,000
Retained Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current Earnings	\$ -	\$ (288,063)	\$ (446,125)	\$ (569,188)	\$ (707,750)	\$ (856,854)	\$ (1,006,458)	\$ (1,156,063)	\$ (1,311,306)	\$ (1,541,860)	\$ (1,693,071)	\$ (1,844,994)	\$ (1,577,036)	\$ (1,275,445)
Total S.E.	\$ 320,000	\$ 31,938	\$ (126,125)	\$ 1,750,813	\$ 1,612,250	\$ 1,463,146	\$ 1,313,542	\$ 1,163,938	\$ 1,008,694	\$ 778,140	\$ 626,929	\$ 475,006	\$ 742,964	\$ 1,044,555
Total Lia & S.E.	\$ 320,000	\$ 298,438	\$ 10,375	\$ 1,852,313	\$ 1,729,250	\$ 1,580,146	\$ 1,431,042	\$ 1,281,438	\$ 1,131,833	\$ 946,882	\$ 716,328	\$ 565,117	\$ 1,165,596	\$ 1,253,342
CASH FLOW														
Beginning Cash	\$ 320,000	\$ 298,438	\$ 10,375	\$ 1,852,313	\$ 1,729,250	\$ 1,580,146	\$ 1,431,042	\$ 1,281,438	\$ 1,131,833	\$ 946,882	\$ 716,328	\$ 565,117	\$ 406,006	\$ 406,006
Profit (Loss)	\$ (288,063)	\$ (158,063)	\$ (123,063)	\$ (138,563)	\$ (149,104)	\$ (149,604)	\$ (149,604)	\$ (155,243)	\$ (230,554)	\$ (151,211)	\$ (151,923)	\$ 267,957	\$ 301,592	\$ 301,592
Change in A/R	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (561,852)	\$ (30,008)
Change in Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (197,738)	\$ (9,561)
Change in A/P	\$ 266,500	\$ (130,000)	\$ (35,000)	\$ 15,500	\$ -	\$ 500	\$ -	\$ 5,639	\$ 45,602	\$ (79,343)	\$ 712	\$ 332,522	\$ (213,845)	\$ (213,845)
Change in Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 320,000	\$ 298,438	\$ 10,375	\$ 1,852,313	\$ 1,729,250	\$ 1,580,146	\$ 1,431,042	\$ 1,281,438	\$ 1,131,833	\$ 946,882	\$ 716,328	\$ 565,117	\$ 406,006	\$ 454,184

Sales & Projected Revenue Model

	1997	1998	1999	2000	2001	2002
Unit Sales						
Hardware						
Consultants Tool		482	5,837	18,056	13,088	4,319
Mass Market Product		3,611	22,559	64,794	156,547	319,320
Software						
Teleconferencing		361	2,256	6,479	15,655	31,932
Web Direct Transcription		1,083	6,768	19,438	46,964	95,796
Data Management		1,806	11,280	32,397	78,274	159,660
Developers Tool Kit - 3D		36	226	648	1,565	3,193
Total Units of Hardware		4,093	28,396	82,850	169,635	323,639
Wholesale Price						
Hardware						
Consultants Tool	\$ 1,095.00	\$ 1,095.00	\$ 1,095.00	\$ 1,095.00	\$ 1,095.00	\$ 1,095.00
Mass Market Product	\$ 419.30	\$ 419.30	\$ 419.30	\$ 419.30	\$ 419.30	\$ 419.30
Software						
Teleconferencing	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40
Web Direct Transcription	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40
Data Management	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40	\$ 119.40
Developers Tool Kit - 3D	\$ 155.40	\$ 155.40	\$ 155.40	\$ 155.40	\$ 155.40	\$ 155.40
Revenue						
Hardware						
Consultants Tool	\$ -	\$ 527,790	\$ 6,391,515	\$ 19,771,320	\$ 14,331,360	\$ 4,729,305
Mass Market Product	\$ -	\$ 1,514,092	\$ 9,458,989	\$ 27,168,124	\$ 65,640,157	\$ 133,890,876
Software						
Teleconferencing	\$ -	\$ 43,115	\$ 269,354	\$ 773,640	\$ 1,869,171	\$ 3,812,681
Web Direct Transcription	\$ -	\$ 129,346	\$ 808,063	\$ 2,320,921	\$ 5,607,514	\$ 11,438,042
Data Management	\$ -	\$ 215,577	\$ 1,346,772	\$ 3,868,202	\$ 9,345,856	\$ 19,063,404
Developers Tool Kit - 3D	\$ -	\$ 5,611	\$ 35,057	\$ 100,690	\$ 243,274	\$ 496,223
Total Revenue	\$ -	\$ 2,435,532	\$ 18,309,751	\$ 54,002,897	\$ 97,037,332	\$ 173,430,531
Unit Costs						
Hardware						
Consultants Tool	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80
Mass Market Product	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45
Software						
Teleconferencing	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
Web Direct Transcription	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
Data Management	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
Developers Tool Kit - 3D	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35
Cost of Goods						
Hardware						
Consultants Tool	\$ -	\$ 38,560	\$ 466,960	\$ 1,444,480	\$ 1,047,040	\$ 345,520
Mass Market Product	\$ -	\$ 162,495	\$ 1,015,155	\$ 2,915,730	\$ 7,044,615	\$ 14,369,400
Software						
Teleconferencing	\$ -	\$ 9,028	\$ 56,398	\$ 161,985	\$ 391,368	\$ 798,300
Web Direct Transcription	\$ -	\$ 27,083	\$ 169,193	\$ 485,955	\$ 1,174,103	\$ 2,394,900
Data Management	\$ -	\$ 45,138	\$ 281,988	\$ 809,925	\$ 1,956,838	\$ 3,991,500
Developers Tool Kit - 3D	\$ -	\$ 1,264	\$ 7,896	\$ 22,678	\$ 54,791	\$ 111,762
Total COGS	\$ -	\$ 283,566	\$ 1,997,588	\$ 5,840,753	\$ 11,668,754	\$ 22,011,382
Operating Profit	\$ -	\$ 2,151,966	\$ 16,312,162	\$ 48,162,144	\$ 85,368,578	\$ 151,419,149

Other Operating Expenses

	1997	1998	1999	2000	2001	2002
Engineering						
Tech Supplies	\$ 7,500	\$ 30,000	\$ 37,500	\$ 46,875	\$ 58,594	\$ 73,242
Misc	\$ 15,000	\$ 60,000	\$ 75,000	\$ 93,750	\$ 117,188	\$ 146,484
Licensing MIR	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -
Research & Development	\$ 265,000	\$ 180,000	\$ 225,000	\$ 281,250	\$ 351,563	\$ 439,453
Manufacturing	\$ 75,000	\$ 660,000	\$ 300,000	\$ 375,000	\$ 468,750	\$ 585,938
Total Eng	\$ 462,500	\$ 930,000	\$ 637,500	\$ 796,875	\$ 996,094	\$ 1,245,117
Marketing						
Promotions	\$ -	\$ 56,000	\$ 384,000	\$ 2,640,000	\$ 4,608,000	\$ 4,608,000
Trade Shows	\$ -	\$ 20,000	\$ 20,000	\$ 30,000	\$ 40,000	\$ 40,000
Advertising	\$ -	\$ 140,000	\$ 300,000	\$ 360,000	\$ 480,000	\$ 480,000
Total Mktg	\$ -	\$ 216,000	\$ 704,000	\$ 3,030,000	\$ 5,128,000	\$ 5,128,000
Sales						
Travel (\$3k per emp)	\$ -	\$ 81,000	\$ 321,000	\$ 396,000	\$ 396,000	\$ 396,000
Commission (5% Rev)	\$ -	\$ 166,495	\$ 988,566	\$ 716,568	\$ 236,465	\$ 85,136
Total Sales	\$ -	\$ 247,495	\$ 1,309,566	\$ 1,112,568	\$ 632,465	\$ 481,136
General & Admin						
Rent	\$ 6,000	\$ 24,000	\$ 24,000	\$ 36,000	\$ 48,000	\$ 48,000
Office Machines/Utilities	\$ 6,000	\$ 42,000	\$ 48,000	\$ 60,000	\$ 72,000	\$ 72,000
Legal/Venture Start-up	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -
Warranty Claims	\$ -	\$ 121,777	\$ 915,488	\$ 2,700,145	\$ 4,851,867	\$ 8,671,527
Total G&A	\$ 42,000	\$ 187,777	\$ 987,488	\$ 2,796,145	\$ 4,971,867	\$ 8,791,527
Total Non-Salary Expenses	\$ 504,500	\$ 1,581,271	\$ 3,638,554	\$ 7,735,588	\$ 11,728,426	\$ 15,645,780