

## 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

	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
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

<u>Valuation</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
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
<b>Revenue</b>						
<b>Hardware</b>						
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	
<b>Software</b>						
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	
<b>Total Revenue</b>	\$ 2,435,532	\$ 18,309,751	\$ 54,002,897	\$ 97,037,332	\$ 173,430,531	
<b>COGS</b>	\$ 283,566	\$ 1,997,588	\$ 5,840,753	\$ 11,668,754	\$ 22,011,382	
<b>Gross Profit</b>	\$ 2,151,966	\$ 16,312,162	\$ 48,162,144	\$ 85,368,578	\$ 151,419,149	
<b>Expenses</b>						
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
<b>Total Exp</b>	\$ 569,188	\$ 2,258,813	\$ 5,587,804	\$ 9,454,838	\$ 13,447,676	\$ 17,365,030
<b>Pre-tax Profit</b>	\$ (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	
<b>Assets</b>														
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
<b>Total Assets</b>	<b>\$ 320,000</b>	<b>\$ 298,438</b>	<b>\$ 10,375</b>	<b>\$ 1,852,313</b>	<b>\$ 1,729,250</b>	<b>\$ 1,580,146</b>	<b>\$ 1,431,042</b>	<b>\$ 1,281,438</b>	<b>\$ 1,131,833</b>	<b>\$ 946,882</b>	<b>\$ 716,328</b>	<b>\$ 565,117</b>	<b>\$ 1,165,596</b>	<b>\$ 1,253,342</b>
<b>Liabilities</b>														
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	\$ -												\$ -	
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 266,500</b>	<b>\$ 136,500</b>	<b>\$ 101,500</b>	<b>\$ 117,000</b>	<b>\$ 117,000</b>	<b>\$ 117,500</b>	<b>\$ 117,500</b>	<b>\$ 123,139</b>	<b>\$ 168,742</b>	<b>\$ 89,399</b>	<b>\$ 90,110</b>	<b>\$ 422,632</b>	<b>\$ 208,787</b>
<b>Stockholders Equity</b>														
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)
<b>Total S.E.</b>	<b>\$ 320,000</b>	<b>\$ 31,938</b>	<b>\$ (126,125)</b>	<b>\$ 1,750,813</b>	<b>\$ 1,612,250</b>	<b>\$ 1,463,146</b>	<b>\$ 1,313,542</b>	<b>\$ 1,163,938</b>	<b>\$ 1,008,694</b>	<b>\$ 778,140</b>	<b>\$ 626,929</b>	<b>\$ 475,006</b>	<b>\$ 742,964</b>	<b>\$ 1,044,555</b>
<b>Total Lia &amp; S.E.</b>	<b>\$ 320,000</b>	<b>\$ 298,438</b>	<b>\$ 10,375</b>	<b>\$ 1,852,313</b>	<b>\$ 1,729,250</b>	<b>\$ 1,580,146</b>	<b>\$ 1,431,042</b>	<b>\$ 1,281,438</b>	<b>\$ 1,131,833</b>	<b>\$ 946,882</b>	<b>\$ 716,328</b>	<b>\$ 565,117</b>	<b>\$ 1,165,596</b>	<b>\$ 1,253,342</b>
<b>CASH FLOW</b>														
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	
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	
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)	
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
<b>Unit Sales</b>						
<b>Hardware</b>						
Consultants Tool		482	5,837	18,056	13,088	4,319
Mass Market Product		3,611	22,559	64,794	156,547	319,320
<b>Software</b>						
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
<b>Wholesale Price</b>						
<b>Hardware</b>						
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
<b>Software</b>						
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
<b>Revenue</b>						
<b>Hardware</b>						
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
<b>Software</b>						
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
<b>Unit Costs</b>						
<b>Hardware</b>						
Consultants Tool	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80
Mass Market Product	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45
<b>Software</b>						
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
<b>Cost of Goods</b>						
<b>Hardware</b>						
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
<b>Software</b>						
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
<b>Engineering</b>						
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
<b>Total Eng</b>	<b>\$ 462,500</b>	<b>\$ 930,000</b>	<b>\$ 637,500</b>	<b>\$ 796,875</b>	<b>\$ 996,094</b>	<b>\$ 1,245,117</b>
<b>Marketing</b>						
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
<b>Total Mktg</b>	<b>\$ -</b>	<b>\$ 216,000</b>	<b>\$ 704,000</b>	<b>\$ 3,030,000</b>	<b>\$ 5,128,000</b>	<b>\$ 5,128,000</b>
<b>Sales</b>						
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
<b>Total Sales</b>	<b>\$ -</b>	<b>\$ 247,495</b>	<b>\$ 1,309,566</b>	<b>\$ 1,112,568</b>	<b>\$ 632,465</b>	<b>\$ 481,136</b>
<b>General &amp; Admin</b>						
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
<b>Total G&amp;A</b>	<b>\$ 42,000</b>	<b>\$ 187,777</b>	<b>\$ 987,488</b>	<b>\$ 2,796,145</b>	<b>\$ 4,971,867</b>	<b>\$ 8,791,527</b>
<b>Total Non-Salary Expenses</b>	<b>\$ 504,500</b>	<b>\$ 1,581,271</b>	<b>\$ 3,638,554</b>	<b>\$ 7,735,588</b>	<b>\$ 11,728,426</b>	<b>\$ 15,645,780</b>