

2.0 Company Summary

2.1 Company Description

Wesley Holland, Kirk Strong, Allen Taheri, and Eric Tramel founded Holstaht, LLC in January of 2006 with the goal of providing low-cost wireless Internet radio devices for mobile and home use. Holstaht's signature product is the WiRAD™ wireless Internet radio, a handheld device capable of receiving Internet radio stations over WiFi.

Holstaht is a Mississippi limited liability company. As such, Holstaht enjoys the liability advantages of a corporation. Additionally, the LLC structure avoids the disadvantages of the corporation, such as double-taxation and increased paperwork. Lastly, this structure is consistent with the founding members' desire to stay privately held.

2.2 Company Location/Facilities

Holstaht will lease 1500 square feet of office space in Starkville, MS. These offices will be used for company administration and product development. Space for web hosting and manufacturing will not be necessary, as these functions will be contracted out.

Starkville was chosen for the low realty prices and low cost of living. The proximity of Holstaht offices to Mississippi State University ensures steady supply of engineering talent.

2.3 Company Strategy

Holstaht will begin by selling the WiRAD™ wireless Internet radio exclusively online. This will have the effect of reaching the target audience without the complexity of retail distribution. All advertising will be online through Google AdSense™. This will direct those searching for Internet radio station directories, such as SHOUTcast, to the Holstaht online store.

As revenue increases, capital can be channeled toward development of new products and advertising can be expanded to include commercials on existing Internet radio stations. When the Holstaht product portfolio and shipment quantities have increased sufficiently to justify the expense, the possibility of retail distribution will be explored.

2.4 Start-Up Costs

Table I. shows startup cost accounting.

Table I. Startup costs for Holstaht, LLC

Startup Expenses	
Legal	1,000.00
Prototype Dev	20,000.00
Initial Advertising	50,000.00
Insurance	5,000.00
Rent	12,000.00
Expensed Equipment	5,000.00
Other	1,000.00
Total Startup Expenses	94,000.00
Startup Assets needed	
Cash Balance on Starting date	50,000.00
Startup Inventory	100,000.00
Total Current Assets	150,000.00
Investment	
Angel Investor	100,000.00
Wesley Holland	10,000.00
Kirk Strong	10,000.00
Allen Taheri	10,000.00
Eric Tramel	10,000.00
Total Investment	140,000.00
Current Liabilities	
Accounts Payable	0.00
Current Borrowing	104,000.00
Other Current Liabilities	0.00
Long-term Liabilities	0.00
Total Current Liabilities	104,000.00
Summary	
Total Startup Expenses	94,000.00
Total Assets Needed	150,000.00
	Total Startup Required 244,000.00
Total Investment	140,000.00
Total Liabilities	104,000.00
	Total Investment and Liabilities 244,000.00
Total Investment	140,000.00
Losses at Startup	94,000.00
Total Capital	46,000.00
	Checkline (140,000-94,000-46,000) 0

3.0 Product Description

3.1 Functional Description

Internet radio stations are growing in popularity. The SHOUTcast network has over 15,000 stations, with an average 150,000 listeners at any given time. The major drawback of Internet radio is the requirement that a listener be tethered to an Internet-enabled computer. The WiRAD™ is an inexpensive and portable wireless device for accessing Internet radio stations via the already developed and widely available WiFi networking infrastructure. WiRAD™ functionality is illustrated in Figure 1.

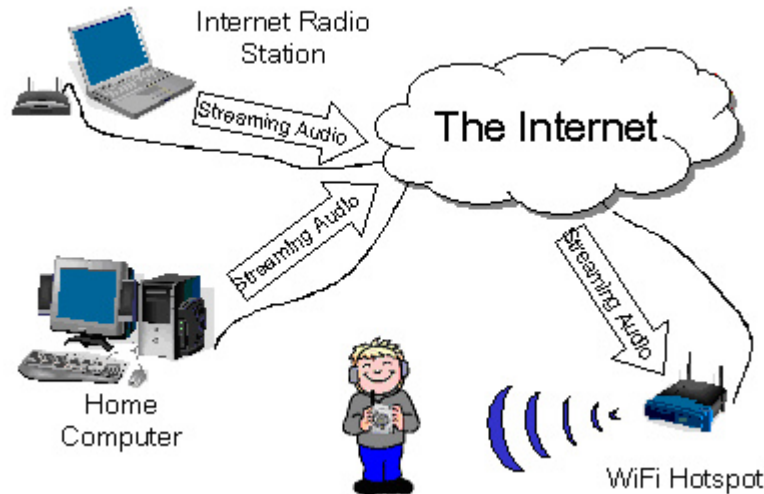


Fig. 1. System overview

The retail cost of the WiRAD™ is approximately \$200. This puts WiRAD™ at the low-end of the iPod price range.

3.2 Customer Needs and Benefits

The WiRAD™ customer might be searching for a solution to a range of needs. A possible use for WiRAD™ is as a replacement for a personal media player. For this purpose, a customer would need specialized software for streaming an audio library from his or her home computer. Another use for the WiRAD™ is as a replacement for conventional radio. In this case, a customer would desire streaming sports scores, news, and weather reports updated in real time. In an industrial setting, WiRAD™ might be used to stream information to employees on a manufacturing line. WiRAD™ might also be used in a tourism setting to create an audio tour-guide.

WiRAD™ fulfills the needs of all such customers through standards compliance. With open streaming-media standards, an abundance of open-source tools exist to customize WiRAD™ for any application.

3.3 Future Products

In the future, Holstaht will leverage its understanding of wireless technologies to develop devices for home media streaming. Future products will include Internet-radio-enabled stereos and alarm clocks, as well as set-top boxes for wireless video streaming.

3.4 Competitive Comparison

Although other portable streaming technologies exist, they are costly and limited in diversity. Cellular service providers already have the infrastructure to wirelessly deliver streaming media and are in the process of deploying devices to process and view such media. So far, these services are available only in limited metropolitan markets. Satellite radio is an alternative wireless streaming technology that is available in all areas. This technology has been primarily concentrated in car-audio and wearable receivers by XM and Sirius Satellite Radio. Both cellular service and satellite radio, however, require monthly access fees and have limited content. Internet radio, accessible via WiRAD™, suffers from neither of these drawbacks.

Portable media players, such as the iPod by Apple and the Zen by Creative, are another alternative to WiRAD™. However, the content of such non-streaming devices is limited to static data, whereas streaming devices such as WiRAD™ are capable of reporting dynamic data like stock quotes, sports scores, and weather information in real time.