6.0 Strategy and Implementation Summary

6.1 Sales and Market Strategy

WiRAD™ sales and advertisement will start out exclusively online. This makes sense from a sales standpoint, as it allows sales efforts to be targeted at the population that has the largest likelihood of buying the product. Online advertisements will include Google AdSense™ banners, as well as audio commercials on existing Internet-radio stations.

While most revenue will be derived from WiRAD™ itself, secondary revenue can be derived from the software and hardware peripherals related to WiRAD™. Any of the following could be bundled with the WiRAD™ or sold separately:

- Software allowing streaming of personal music libraries from home computers
- Software plugin including text-to-speech linking to email program allowing streaming of emails from home computer inboxes
- Service providing user-customizable audio streams such as weather forecasting, stock monitoring, sports announcing, etc.
- Backup battery
- AC adapter
- USB cable

6.2 Pricing Strategy

WiRAD™ will be priced at $250. This will allow a $150 return on each unit sold, while still staying within the retail pricing range of competing products, such as the Apple iPod and the Microsoft Zune.

6.3 Distribution Strategy

WiRAD™ will be distributed via FedEx in conjunction with Holstaht's online ordering system. Consumers will pay shipping costs.

6.4 Milestones

The first notable milestone was the completion of the first WiRAD™ prototype. This milestone was reached in December of 2006, when a device with minimum WiRAD™ functionality was demonstrated. The second milestone is the refinement and consolidation of the WiRAD™ prototype. This milestone will be reached in March of 2007. The next milestone is the completion of testing and verification upon the WiRAD™ prototype. This milestone will be reached in April of 2007. The fourth milestone is the sale of the first WiRAD™ unit. The last noteworthy milestone is Holstaht's first breakeven point. The time of completion of these last two milestones is undetermined.

7.0 Financial Plan

7.1 Profit and Loss

Table III shows Holstaht's profits and loss.

Table III. Profit and loss

	Year 1	Year 2	Year 3
Sales	$2,500,000.00	$12,500,000.00	$125,000,000.00
Contracted Manufacturing (Cost of sales)	$1,000,000.00	$5,000,000.00	$50,000,000.00
Gross Profit	$1,500,000.00	$7,500,000.00	$75,000,000.00
Gross Profit (%)	60.00%	60.00%	60.00%
Recurring Salaries	$250,000.00	$430,000.00	$1,370,000.00
Legal	$250,000.00	$500,000.00	$1,000,000.00
Rent	$24,000.00	$24,000.00	$24,000.00
Utilities(Elec/Gas/Phone)	$600.00	$600.00	$600.00
Insurance	$6,000.00	$6,000.00	$6,000.00
Bldg Maintenance	$2,000.00	$2,000.00	$2,000.00
Travel	$5,000.00	$5,000.00	$5,000.00
Advertising	$24,000.00	$100,000.00	$400,000.00
Bank Finance Charges	$12,000.00	$12,000.00	$12,000.00
Capital Expenditure	$24,000.00	$24,000.00	$24,000.00
Loan Payments	$104,000.00	$0.00	$0.00
Research and Development	$100,000.00	$500,000.00	$2,000,000.00
Depreciation	$1,400.00	$1,400.00	$1,400.00
Total Operating Expenses	$803,000.00	$1,605,000.00	$4,845,000.00
Operating Profit	$697,000.00	$5,895,000.00	$70,155,000.00
Net Profit (before tax)	$697,000.00	$5,895,000.00	$70,155,000.00
Taxes	$209,100.00	$1,768,500.00	$21,046,500.00
Net Profit (after tax)	$487,900.00	$4,126,500.00	$49,108,500.00
Net Profit/Sales	19.52%	33.01%	39.29%

7.2 Projected Cash Flows

Table IV shows Holstaht's projected cash flow.

Table IV. Projected cash flow

	Year 1	Year 2	Year 3
INCOME (cash in)			
Sales	$2,500,000.00	$12,500,000.00	$125,000,000.00
Capital Received/Loans			
Other Income (investments)			
Total Inflow	$2,500,000.00	$12,500,000.00	$125,000,000.00
EXPENDITURE (cash out)			
Contracted Manufacturing (Cost of sales)	$1,000,000.00	$5,000,000.00	$50,000,000.00
Recurring Salaries	$250,000.00	$430,000.00	$1,370,000.00
Legal	$250,000.00	$500,000.00	$1,000,000.00
Rent	$24,000.00	$24,000.00	$24,000.00
Utilities(Elec/Gas/Phone)	$600.00	$600.00	$600.00
Insurance	$6,000.00	$6,000.00	$6,000.00
Bldg Maintenance	$2,000.00	$2,000.00	$2,000.00
Travel	$5,000.00	$5,000.00	$5,000.00
Advertising	$24,000.00	$100,000.00	$400,000.00
Bank Finance Charges	$12,000.00	$12,000.00	$12,000.00
Capital Expenditure	$24,000.00	$24,000.00	$24,000.00
Loan Payments	$104,000.00	$0.00	$0.00
Misc	$100,000.00	$500,000.00	$2,000,000.00

7.3 Projected Balance Sheet

Table V shows Holstaht's projected balance sheet.

Table V. Projected balance sheet

	Startup	Year 1	Year 2	Year 3
Current Assets				
Cash Balance	25,000.00	514,300.00	12,500,000.00	125,000,000.00
Merchandise Inventory	0.00	0.00	0.00	0.00
Subtotal	25,000.00	514,300.00	12,500,000.00	125,000,000.00
Capital Assets (can be depreciated)	7,000.00	7,000.00	5,600.00	4,200.00
Depreciation		1,400.00	1,400.00	1,400.00
Subtotal	7,000.00	5,600.00	4,200.00	2,800.00
Total Assets	32,000.00	519,900.00	12,504,200.00	125,002,800.00
Liabilities				
Current Liabilities	104,000.00			
Long Term Liabilities	0.00			
Total Liabilities	104,000.00	0.00	0.00	0.00
Capital, aka Net Worth	-72,000.00	519,900.00	12,504,200.00	125,002,800.00
Total Liabilities and Capital	32,000.00	519,900.00	12,504,200.00	125,002,800.00

7.4 Breakeven Analysis

Table VI shows Holstaht's breakeven analysis, which specifies the number of sales necessary to break even for a given year.

Table VI. Breakeven analysis

	Year 1	Year 2	Year 3
Total Expenses	1,553,000	6,105,000	53,845,000
Breakeven Revenue	1,553,000	6,105,000	53,845,000
Number of units at breakeven	6,212	24,420	215,380