

FunDynamics



Business Summary: FunDynamics is the first company to utilize remote control technologies to create a genre of competitive multiplayer entertainment. Their initial product offering is SoccerMotion™, a two-player tabletop remote controlled soccer game. All manufacturing, packaging, distribution, and customer service will be contracted to third parties. Products will be sold through major discount retailers as well as independent hobby and game stores. FunDynamics will also provide direct sales at its website, FunDynamics.com.

Technology Summary: Recent advances in electronics have drastically reduced the cost of miniature remote control technologies. This technology is currently mass-produced in China by a number of manufacturers. The SoccerMotion™ product will utilize this core technology and all current manufacturing processes. A number of inexpensive plastic injection molded parts will also be used for the SoccerMotion™ product. Future FunDynamic products will likely utilize similar technology, substantially minimizing the cost of new product development.

Product: There currently exist few remote controlled entertainment products that provide users a competitive and goal-driven experience. SoccerMotion™ is a two-player product that fills this entertainment void. Gameplay is a fusion of modern videogames and traditional board games. Each user remotely controls a miniature “player,” approximately the size of a MatchBox® car, on a field created with included plastic sidelines. At each end of the field is a plastic goal and net into which users attempt to knock a small ball. The gameplay is extremely fast-paced and dynamic. The “players” need to be recharged every four minutes.

Markets: SoccerMotion™ appeals to a wide range of young consumers. However, FunDynamics has specifically identified three target market segments: videogame players, remote control car buyers, and soccer fans. In 2003 the videogame market totaled \$10 billion and represents the largest customer based for FunDynamics. In 2000, sales of radio- and remote-controlled vehicles totaled \$412 million. The wide appeal of the SoccerMotion™ product allows for future expansion into other entertainment markets.

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Industry: Interactive Entertainment

Closest Competitors:

- Mattel- www.mattel.com
- Hasbro – www.hasbro.com

Financial Projections	2005	2006	2007	2008	2009
Revenue	\$0	\$144,950	\$619,800	\$1,039,275	\$1,686,750
Expenses	\$5,800	\$235,400	\$330,900	\$455,400	\$527,900
EBIT	\$(5,800)	\$(132,450)	\$144,900	\$346,875	\$833,850
Net Income	\$(3,480)	\$(79,470)	\$86,940	\$346,875	\$833,850
Net Cash Flow	\$20,200	\$45,557	\$161,096	\$256,856	\$645,889
Ending Cash Balance	\$20,200	\$65,757	\$226,853	\$483,709	\$1,129,598



FunDynamics

Confidential Business Plan
January 12, 2005

FunDynamics Management

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I. Products and Services

Statement of Purpose

FunDynamics will introduce the SoccerMotion™ product line to deliver a fun and fast-paced game that targets a wide demographic of young consumers. FunDynamics aims to be the first company to create a new genre of games that utilize inexpensive remote-control technology.

A. Product Line

The SoccerMotion™ product has been fully prototyped and feasibility-tested in a focus group consisting of the target demographic. Development is complete, and distributor negotiations have commenced. Secondary market research and follow-up target questions are planned to aid in the refinement of marketing strategy. No risks exist until manufacturing commences.

Market competition exists from the general RC car market as well as a limited number of remote-control (RC) sports games. SoccerMotion™ is unique in the competitive and fast-paced gameplay it creates. It incorporates the social aspects of board games with the action of videogames for a unique and innovative entertainment experience.

(i) Product Features

SoccerMotion™ is a dynamic entertainment product that forms an exciting modern mix of popular entertainment media such as video games, miniature RC cars, and board games. Two players compete in a head-to-head, fast-paced soccer game, each controlling an agile RC soccer player attempting to push the ball into its team's goal before the player's stamina is depleted. Features include:

- Fast-paced, miniature, agile, remote-controlled soccer players
- Easy ball control using specially designed players
- Small physical size for convenient product storage
- Fast setup on areas as small as a kitchen countertop
- Easy for all ages to learn yet skill-based
- Fun for two-player competition and single-player practice
- Included sideline barriers keep ball on field
- Recharging device uses common battery sizes
- Two players simultaneously recharge
- Four unique radio frequencies, allowing up to four simultaneous players
- Innovative aesthetics provide unique style
- Simple product setup and storage

(ii) Technical Description

SoccerMotion™ players are controlled by a handheld remote that allows for forward/backward movement as well as left/right steering. The operator can stand up to twenty feet away from the player and still retain control. The playing field is approximately 4x3 feet constructed with plastic sidelines, a board mat, rounded corners, and two goals each fitted with netting. The base of each RC player is approximately 2 inches wide, 1.25 inches long and 0.75 inches high. A plastic top snaps onto the base. A soccer ball dome comprised of hexagonal faces fits atop the base and provides a distinctive style from traditional RC cars. Each player's "jersey number" is printed in black on one of the faces of the plastic top. The player number and radio wave frequency used to communicate with the player are equivalent, providing a simple method for resolving frequency conflicts. Each RC player is driven by a large capacitor that is recharged using the included player recharger. The player recharger and the handheld remote control both use standard batteries.

B. Contractor Responsibilities

The following production, distribution, and maintenance requirements will be contracted to third-party providers:

- **Manufacturing** – order parts based on need; determine and execute assembly process of RC soccer players; make plastic moldings and plastic accessories
- **Packaging** – package product components
- **Warehousing** – store inventory until shipment
- **Shipping** – transport product between manufacturing and distribution centers
- **Call center** – phone and email product support, phone orders, credit card processing
- **Design** – provide advertisement design and construction; product boxing design and artwork; design website and e-commerce

C. Future Product Plan

FunDynamics' future plans include further penetration into the toy market with additional RC based toys, beginning with expansion of the SoccerMotion™ product line. By prefixing every product line with the company name, then brand attention and affinity will be increased among the consumer base. This tactic has been shown to work successfully for software companies such as Microsoft.

Two new soccer player models will be released as individually packaged and competitively priced additions to the SoccerMotion™ product. The player models will

function on separate radio frequencies and provide a four-player expansion to the original product. Further, the SoccerMotion™ concept can be easily adapted for use in similar products. FunDynamics aims to be the first company to create a genre of games that utilize inexpensive RC technology.

After a successful United States product launch, FunDynamics will consider other global markets for the SoccerMotion™ product. Specifically, opportunities exist in the European and South American markets where the popularity of soccer is much greater than in the United States. The global market represents the largest potential to boost sales volumes.

D. Focus Group

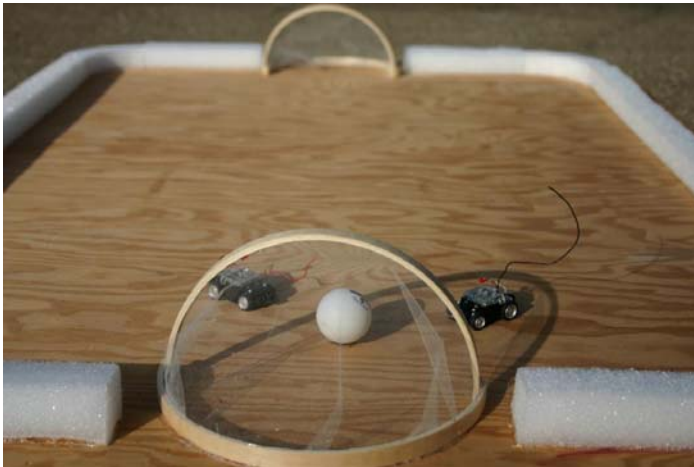
FunDynamics conducted a focus group on January 5, 2005 consisting of four participants in the target demographic, aged 15 to 17. The participants had no prior knowledge of FunDynamics or its products, and had never met the focus group moderators. On this occasion, all participants were male.



Following a brief demonstration of a SoccerMotion™ product prototype by the group moderators, participants formed a circle and a discussion was held regarding the product and the participants' initial assessments. The discussion was guided by the script reproduced in Appendix B. Participants were then provided the product and asked to use it for approximately ten minutes. During this time participants were encouraged to voice opinions and reactions to the product. All four participants were vocal and participated equally, and all appeared enthusiastic about the concept, before and after use of product. The session summary below represents suggestions that reached participant consensus. An active effort existed to minimize moderator influence.

The prototype used two commercially-available mini-RC cars that cost approximately \$10 each at retail stores. The aesthetic exteriors were modified. The playing field was constructed using custom-cut Styrofoam borders and wooden goals.

Participants strongly noted that product customizability is important. For instance, detachable bumpers and other side accessories can transform the players and accompanying accessories into a new theme (suggestions included hockey and golf). Most thought that the cars were difficult to control precisely enough to hit the ball. Participants also had fun colliding the RC players into each other in a manner similar to bumper cars or BattleBots. Thus, bumpers were recommended to increase contact area. A ball larger than ping-pong sized may be required as well.

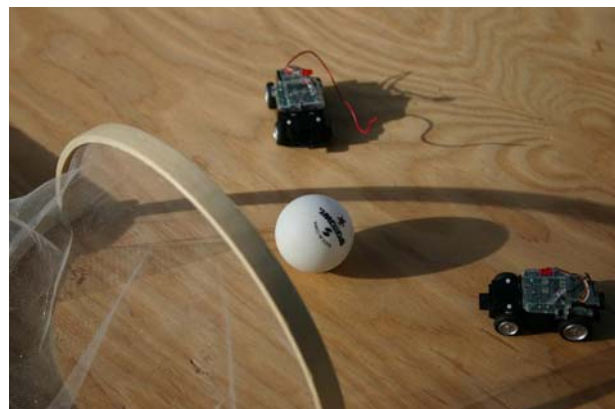


All of the participants shopped on-line. They said that on-line, they would first look for the product on popular sites such as ebay.com or amazon.com. Some participants said they would first enter the product name into a search engine. Most stated that price was the primary factor regarding where to purchase the product, but also that the website's reliability/reputation would affect their parent's

choice. After independently imagining a reasonable product price, one participant arrived at a \$30-40 range and three said a \$35-\$40 range. If additional players were sold, they would expect to pay \$10-\$15 per player, or \$20 for a double pack, with each player including accessories such as decals. Most would not purchase the product themselves, but would instead ask for it as a gift.

Participants said they would primarily play the product with friends. They said it would be "cool" in a dorm room, and they described the product as most similar to foosball, although noted it is cheaper and more portable. They also thought it was more similar to hockey than soccer. Participants also believed the game would be more popular than board games. Each predicted that someone most likely to purchase the product would be a normal videogame player or competitive person, and that soccer players would find little additional appeal. Everyone thought that a soccer endorsement would not yield additional revenue, instead saying that the product was more tailored to racing endorsements such as NASCAR.

No one thought that requiring users to recharge the players negatively affected the game (they generally shrugged when asked), stating that it is natural for cars to make "pit stops," and that the pause could provide a natural break in gameplay. Participants recommended a charger that is capable of simultaneously charging both players. Offering a four-player version of the game was said to be adequate, although it was recommended that additional players could be purchased for use with the main product. Participants also suggested that controllers have frequency-controlling switches to allow for universal controllers that could operate any player. Participants continually referred to the snap-on pieces idea as



favorable, and a few mentioned that build-your-own custom-assembly players would be interesting as well.

The name “SoccerMotion” was said to be interesting, but not original – “somewhat cool.” Participants stated that they could not picture what product the name would represent, saying that a mental picture should optimally be formed. It was also mentioned that each player should feature different properties – not only different aesthetics, but different handling and speed. Participants said that increasing the maximum number of simultaneous users would make the game more fun, and suggested four and eight-player versions. Further, it was agreed that the board size of the prototype was acceptable for play.

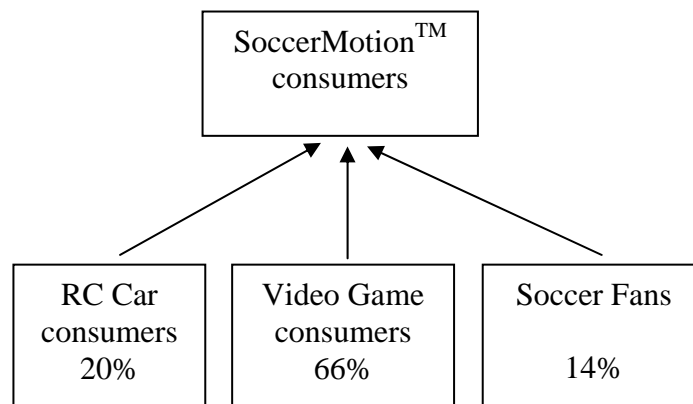
II. Market Summary

A. Market Segmentation

Today's entertainment market is extremely expansive and consists of a large number of very separate submarkets. These include but are not limited to: film, television, music, books, traditional games and toys, gambling, video games, and the Internet. The nature of SoccerMotion™ creates entertainment similar to video games, traditional board games, and toys.

According to the Toy Industry Association, sales of traditional toys in 2003 totaled \$20.7 billion and sales of video games represented \$10.0 billion. In the traditional toys category, "vehicles" represented \$2.0 billion, and "games/puzzles" represented \$2.4 billion. In 2000, specifically radio and remote controlled vehicle sales totaled \$412 million (2001-2002 Toy Industry Fact Book). While SoccerMotion™ will not directly compete in these subcategories, the sales numbers serve as a basis for consumer demand of similar products.

Initial FunDynamics consumer base composition:



Target Market Segmentation

Initially, FunDynamics will target the North American market. The target market consists primarily of two established demographics:

1. *Electronic game players aged 10-22*

Primarily young males, these consumers are traditional buyers of RC Cars, video games, and other interactive entertainment products. They play interactive games with friends in social atmospheres. SoccerMotion™ will appeal to the dynamic gaming environments these consumers already experience.

2. Soccer fans and players

This market contains a heavy female demographic. As the most popular sport in the world, soccer is gaining in popularity in the United States. Soccer fans and players will be actively seeking more soccer-related entertainment as the sport's presence increases. SoccerMotion™ will satisfy this new market demand.

Market growth will be targeted to a number of areas. Traditionally games such as SoccerMotion™ have been marketed to demographic #1 described above; therefore FunDynamics expects initial product acceptance to be highest in this group. The largest growth potential thus exists in demographic #2. Females have traditionally represented a smaller share of the market and represent an exciting growth sector for SoccerMotion™. It is expected that sustained growth will be largest for this demographic.

FunDynamics can also expand its geographic target demographics. SoccerMotion™ can easily be expanded to include world markets in Europe, South America, and Asia. In most world markets, the sport of soccer is more popular than in the U.S. and can provide additional growth among the soccer fan demographic.

B. Market Need Theory

The market for dynamic entertainment products is constantly expanding. Electronic games provide fast-paced action that is atypical of many traditional entertainment products. To create similar dynamic play, traditional games often require a large amount of physical space. However, games such as foosball and air hockey are often too large, expensive, and limited for potential consumers. In recent decades, video game systems such as those by Nintendo, Sony, and Microsoft have largely replaced earlier entertainment options. After the initial investment for the console, new games typically cost \$40-\$60. These price points are generally above the cost of SoccerMotion™. However, SoccerMotion™ is differentiated from videogames in a number of areas.

Video game users typically interact with every game using the same control devices. Therefore, individual games are limited in underlying originality by their constraint to a given television and a given controller. There always exists a television-reality barrier that limits "real world" player interaction. Games that have broken this screen-reality barrier have been extremely successful. One such example is a game in which players stand on a mat that functions as a control device. During the game, players are asked to move their feet in certain patters to imitate dance moves. In a classic game inspired by duck hunting, players use a pistol shaped controller to "shoot" at the television screen. The player's arm movement affects the game performance. The reason these games are successful is that they provide dynamic entertainment combined with a "real world" component. Similarly, SoccerMotion™ provides this dynamic play completely absent of the imposed disconnectedness of television-based entertainment.

Videogame consoles require users to be seated in front of a television and largely immobile. Users are unable to utilize the products in other locations, and thus they lose many of the freedoms associated with board games. A large portion of young entertainment consumers has grown up playing video games. SoccerMotion™ is designed to provide the same exciting entertainment in a new and versatile package. Until recently, the technology required to create such dynamic and simple products was largely unavailable or too costly.

In recent years, video game sales have reached \$5.8 billion. Entertainment is a major sector, and the market for interactive games is growing. SoccerMotion™ is a component of the larger entertainment segment. Traditional board games are incorporating electronic components into their features. Hasbro's Electronic BATTLESHIP board game is an example of the technological advancement of traditional games. Consumers are constantly looking for new and innovate entertainment opportunities.

D. Competition

Competition consists primarily of similar entertainment products. The products can be divided into two categories:

1. Interactive Entertainment Companies

These companies consist of electronic entertainment software and hardware companies. The companies are primarily focused in the console videogame market and will not serve as direct competitors, but they contain likely SoccerMotion™ consumers:

- Nintendo
- Sony
- Microsoft
- Sega

2. Toy Companies and RC Car Brands

These companies represent the largest direct competition for the SoccerMotion™ product. Because these companies currently manufacture similar products, they represent the biggest threat of future market takeover. The RC car manufactures utilize the same technology and have the potential to develop a similar product. In addition, these companies have established relationships with major retail outlets beyond those initially available to FunDynamics:

- Mattel
 - Hot Wheels brand
 - Tyco brand

- Premier remote-controlled vehicle brand
 - Extremely recognizable brand name
 - Well-established distribution channels
- Hasbro
 - Milton Bradley
 - Parker Brothers
 - Tiger
- Kenner Toys
- LEGO Group
- MGA Entertainment

Competitive Advantage

There is one similar product currently available on the market. MGA Entertainment makes a product called RC Soccer 2™. SoccerMotion™ is differentiated in a number of critical areas.

Comparison of SoccerMotion™ and RC Soccer 2™ products:

	SoccerMotion™	RC Soccer 2™
Visual aesthetics	High-tech, sleek players, appeals to wide age range	Cartoon characters, appeals to young children
Control technologies	Radio frequency, line of sight not required, highly reliable control	Infrared, line of sight required
Power technologies	Capacitor driven players that are quickly recharged on base station between matches.	9V battery driven players
Form factor	Small, lightweight players	Large, heavy players
Accessories	Sidelines, goals, balls, charger	Goals, balls
Expansion	Optional expansion to four player game	Only two players
Retail Price	\$34.95	\$39.97

SoccerMotion™ provides a more comprehensive package than RC Soccer 2™. The technology utilized by SoccerMotion™ creates a more dynamic and exciting game experience. The RF control and capacitor driven players are better suited for the dynamic play experience expected by customers. Additionally, the aesthetics are more appealing to modern young consumers interested in such entertainment.

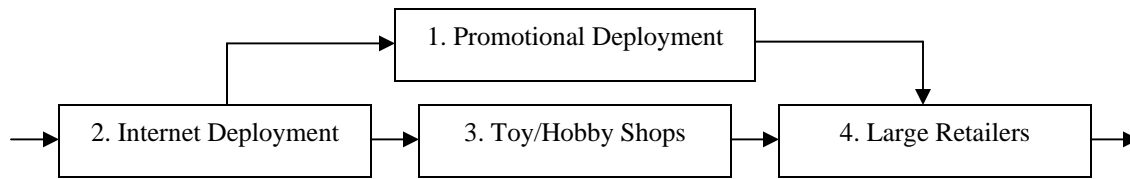
FunDynamics must also account for future competition from products that may more closely resemble SoccerMotion™. Competition will be greatest from established toy and

remote controlled product companies. Because the SoccerMotion™ technology is widely available in the industry, FunDynamics must plan for potential competitors. There are two major steps to prepare for this competition:

1. Gain early brand and product recognition
2. Acquire endorsement from official soccer organization

By obtaining official soccer organization endorsement, SoccerMotion™ has the option of gaining immediate recognition from potential customers. Current examples are prevalent in the video game industry. Two such examples are Electronic Art's FIFA Soccer 2005™ and UEFA EURO 2004™ video games. Because SoccerMotion™ will be the first serious competitor in its market segment, FunDynamics will have the opportunity to negotiate endorsement agreements with a wide range of soccer organizations.

III. Strategies Summary



SoccerMotion™ Deployment Phases

A. Phase I – Promotional Deployment

Rationale

Sending free-of-charge review products to magazines and toy industry publications enhances industry recognition and facilitates product launch in established channels. Depending on response, this deployment phase enhances relations with industry and allows further target market channel determination.

Market Challenges

If product reviews are not favorable, SoccerMotion™ could be impacted negatively. Since FunDynamics is a new company, its initial product offering may be overlooked by reviewers; thus, the free-of-charge samples would cost FunDynamics for production yet yield minimal return.

Deployment Area

In general, SoccerMotion™ samples will be shipped free to companies with the intention of reviewing the product, announcing the product, or selling the product. Typically, these include toy industry trade magazines and smaller independent and regional hobby and toy stores. The product will also be shown at toy fairs to attract buyers from large retail companies such as Target, Wal-Mart, and similar discount retailers.

B. Phase II – Internet Deployment

Rationale

The Internet provides simple, inexpensive distribution channels for initial product deployment. The target demographic frequently makes Internet purchases, and this trend is predicted to grow. By selling SoccerMotion™ directly on the Internet, profits may be increased due to absence of a retail middleman. Sales from FunDynamics.com result in

larger profit margins due to the absence of retail profit. Additionally, accounts at many merchant sites are easy to set up and have low maintenance requirements.

Market Challenges

Effective advertising to large groups is difficult on-line. Customer trust is also difficult to establish, and a portion of the target demographic does not shop on-line. Without having the product available in stores, customers will not see the product before the purchase and not be able to assess quality.

Deployment Areas

FunDynamics' primary product placement emphasis is FunDynamics.com which contains e-commerce components designed by an independent website contractor. A separate address, SoccerMotion.com, links to the SoccerMotion™ product portion of the site. Other targeted Internet sites include general on-line stores such as Amazon.com and on-line specialty toy stores where customers find innovative goods.

Targeted Advertising

The primary advertising mediums in this phase are on-line advertisements targeted at consumers and trade magazine advertisements targeted at retail buyers. FunDynamics will also advertise on toy trade magazine websites to attract retail buyers to promote product placement in retail operations.

C. Phase III – Toy/Hobby Shop Deployment

Rationale

According to the U.S. Census Bureau, retail establishments under the U.S. North American Industry Classification System title of hobby, toy, & game stores numbered 10,824 in 1997 (NAICS code 451120). FunDynamics will initially target these stores for retail sales of SoccerMotion™. Smaller toy and hobby stores often offer larger inventories of new and largely unknown products to appeal to a certain customer base. Smaller shops can also provide data on sales and customer buying habits useful for convincing larger corporations to adopt the product. Initially offering SoccerMotion™ in smaller stores allows more contact with retail owners as well as a chance to test supply chains in an easier-to-enter environment than well-established retail chains with market dominance.

Market Challenges

Local toy and hobby businesses are disadvantageous due to their small customer base, sometimes a single store. Hobby shops are often too generalized to appeal to FunDynamics' target demographics of electronic entertainment players and soccer players. Further, the smaller shops often do not appeal to our demographic age range, making them less appealing.

Deployment Area

Small locally owned toy shops often appeal to consumers by stocking more unique inventories than traditional retail outlets. Success at local stores provides evidence for a likely choice of larger retail outlets which contain more target demographic customers.

Targeted Advertising

Promotional activities such as offering stores free product for the creation of interactive displays serves as advertising material for FunDynamics and the retail store. Exploring different product placements is easier in small stores; for instance, placing SoccerMotion™ next to classical non-RC cars and tracks may be beneficial to sales rather than placing the product with traditional RC cars.

D. Phase IV – Retail Chain Deployment

Rationale

Large retail chains such as Wal-Mart and Target are FunDynamics' ideal partners. SoccerMotion™ target demographic customers shop more often at mainstream all-purpose stores rather than at specialized stores. Further, because large retail chains frequently have dense national (even international) store locations, FunDynamics' initial product would be recognized as a widespread product of interest and thus generate revenue from locations across the world.

Market Challenges

Because large volumes of product are required, lower profits per unit may be garnered. Further, more complexity in management practices would be required with more potential for error. To distribute products globally, SoccerMotion™ would also require translation into various languages and updating of product packaging and instructions updated accordingly.

Deployment Area

Product would likely be shipped to large retail chain warehouses where the retail operation would finish shipping procedures to individual stores. Large, well-established retail companies will be targeted with national or international operations to ensure brand name exposure.

Targeted Advertising

With large-scale distribution requirements, FunDynamics would require a larger staff that devotes more time to advertising its products to consumers rather than to potential retail buyers. Depending on profits, advertising media would include traditional channels such as periodicals, the Internet, and TV advertising.

E. Advertising

Advertising is a major part of FunDynamics' strategic plan. Potential customers must hear about FunDynamics' products, and advertising serves as the primary mechanism. Advertising is accomplished through traditional media such as periodicals and the Internet, but FunDynamics also has unique strategies such as giving free-of-charge product samples to reviewers, retail stores, promotional events, fans at soccer tournaments, and through official soccer-league endorsements.

(i) Techniques

Internet

The Google Adwords™ program will be one on-line advertising avenue utilized. By scanning for customer keyword queries such as “soccer,” “RC car,” and “video game,” Google displays target ads on search result pages. Other search companies offer a similar program that would be beneficial to investigate. This type of advertising is inexpensive and scalable depending on the budget, but it may not be as effective as more direct banner advertisements due to the lack of graphic art, and because customers often ignore text advertisements when performing searches. Although the Adwords™ program only requires payment upon advertisement impression (mouse clicks), the advertisement may not be noticed by as many viewers, leading to less brand name awareness.

Another Internet advertising opportunity is direct banner advertisements. These can include images highlighting the product, and they are often targeted at specific websites which attract certain customer demographics.

A third popular Internet opportunity is targeted e-mailing. FunDynamics can buy e-mail lists from popular magazines that are read by the FunDynamics target demographic.

Periodicals

Traditional advertising outlets such as toy magazines appeal to industry buyers and consumers alike. Toy trade magazines could give FunDynamics an outlet to seek retail stores interested in FunDynamics' products. Mass-market magazines which appeal to families and children reach demographics that would likely correlate with the target. Further, periodicals contain more legitimacy than Internet offers, and a substantial portion of our target demographic does not shop on-line.

Periodicals also offer a chance for product review. By sending free product samples to magazine reviewers, FunDynamics' products have a chance to receive favorable ratings, attracting customers to the brand.

Public Relations

FunDynamics will initially target buyers at industry trade shows such as the annual American International TOY FAIR™ in New York. Because FunDynamics does not

currently have extensive industry connections, heavy emphasis will be placed on trade shows and conferences. Industry buyers will also be targeted through advertisements in trade publications and industry websites. To encourage product sales, FunDynamics will also make press releases to attract the news media.

(ii) Advertising Effectiveness

Effectiveness of advertising is difficult to measure, but several avenues exist. For instance, when customers purchase a product on-line, a brief questionnaire can be given which asks where they heard of the product. Further, although product sales naturally grow by word-of-mouth, periods after an advertising campaign may result in increased sales. If retailer purchasing increases are monitored, advertising effectiveness in general can be determined.

F. Pricing Strategy

Each SoccerMotion™ product is expected to initially cost \$7.00 for manufacturing and packaging. Comparison to competitor product prices and focus group response suggested consumers may believe \$34.95 to be a reasonable price, while an upper-bound may exist at \$39.95. The Toy Industry Association's 2001-2002 Fact Book says, "TIA estimates that a retailer's gross profit averages 28 percent on toy industry products." At a manufacturer profit of 28 percent, to sell the product for \$34.95 retail requires FunDynamics to sell the product at \$25.20. To cover overhead and shipping expenses, this price is reasonable, being a 3.6x mark-up from the purchase expense. From predictions, approximately 23% of revenues go toward the product cost and 24% of revenues go toward other expenses; thus, approximately 53% of the \$25.20 asking price is profit.

Initially, FunDynamics expects that retailers will ask for a higher mark-up than 28 percent to justify the increased risk of selling a new product, and this has been incorporated into assumptions by assuming an initial selling price of \$22.00 and then increasing the cost to retailers until the industry average mark-up is reached in 2008.

Products sold on FunDynamics' website will make a larger profit margin. To avoid under-cutting retail stores, the product will be priced at \$34.95, the suggested retail price. This price is 5x cost compared to 3.6x for retail sales, giving additional revenues of \$9.80 per product. This price will stay constant. Consumers are expected to utilize our website, although they may have reservations since FunDynamics.com may not be as trusted as more familiar on-line retail venues.

Internet retailers take similar middleman percentages of sales as physical retailers. Thus, these retailers are included in the standard retailer category for calculating revenue per product sold.

IV. Management Team Summary

See Appendix B for management team members' resumes.

A. Management Team Biographies

Bryan Stroube is an undergraduate at Purdue University in West Lafayette, Indiana where he is pursuing a B.S. degree in electrical engineering and a B.A. degree in English literature. In 2003 he co-founded Stroube Design, a web and graphic design company based in Evansville, Indiana. In 2004, Bryan spent six months studying engineering, culture, and language at Shanghai Jiao Tong University in Shanghai, China. At Purdue he has been active in many organizations. He was founder of the Purdue RoboCup Team, and was a member of the Dean's Undergraduate Engineering Council. He is currently serving as an official ambassador for the College of Engineering where he assists in fundraising, recruitment, and state relations. He recently began research in the Weldon School of Biomedical Engineering at Purdue.

Daniel Wilhelm studies Computer Engineering at Purdue University as a junior. He is Secretary and Software Lead of Purdue's RoboCup Team. He has aided the club in building a team of autonomous soccer-playing robots by leading weekly software meetings, designing and developing the software framework, and by participating in long-term team planning. He currently works part-time as an undergraduate research assistant in Prof. Hong Tan's Haptic Interface Research Laboratory in Purdue's School of Electrical Engineering. For the past two summers, Daniel was funded by NASA and the NSF to participate as a Summer Undergraduate Research Intern in Nanotechnology at Purdue where he continued research in Dr. Tan's laboratory and attended numerous seminars and academic functions about Nanotechnology. In the lab, Daniel has completed several projects regarding Human-Computer Interfaces, most notably UDP communications with a custom-built haptic device and carbon nanotube buckling simulations using force-feedback devices. Daniel has written computer software since sixth grade, and he continues the hobby today as a member of the Purdue Game Development Club. Daniel also enjoys hiking, chess, and voice acting.

B. Personnel Plan

A full-time office assistant will be hired in 2007 to help cope with increased product demands. Since revenues are predicted to be greater than \$500,000 and because of the complexities of organizing manufacturing runs, the assistant will maintain good relationships with retail stores, answer office phones, call organizations, and fill out paperwork as necessary. An ideal candidate will have experience in accounting for small businesses.

In 2005, FunDynamics will rent offices located in a small business center. Such centers provide common business services:

- Conference rooms
- Basic telephone answering service
- Office equipment (copiers, fax, etc.)
- Mail sorting/pick-up

V. Financial Plan Summary

A. Financial Overview

FunDynamics predicts that after receiving funding in 2006 for initial manufacturing and shipping expenses, the company will turn a profit in 2007. This is predicted due to the toy market's ease of entry, the founders' experience with Chinese and rapid product development, the founders' volunteering for the remainder of 2005 to complete product design and administrative issues, and the increasing interest among consumers in novel miniature RC products.

The following financial estimates only include FunDynamics' initial product offering, omitting possible future product additions. Broader plans are detailed in previous sections. Below are the key findings of the analysis. The assumptions used include all costs believed necessary (see Appendix A). See attached for the full financial analysis (see Appendix D).

B. Income Statement

	2005	2006	2007	2008	2009
Total Revenue	\$0	\$144,950	\$619,800	\$1,039,275	\$1,686,750
COGS	\$0	\$42,000	\$144,000	\$237,000	\$325,000
Operating Expense	\$5,800	\$235,400	\$330,900	\$455,400	\$527,900
Income (before taxes)	\$(5,800)	\$(132,450)	\$144,900	\$346,875	\$833,850
Net Income (after taxes)	\$(3,480)	\$(79,470)	\$86,940	\$208,125	\$500,310

C. Balance Sheet

	2005	2006	2007	2008	2009
Total Assets	\$20,200	\$82,590	\$292,976	\$593,851	\$1,298,554
Total Liabilities	\$(2,320)	\$(46,460)	\$75,986	\$167,736	\$371,129
Total Equity	\$26,520	\$(52,950)	\$33,990	\$242,115	\$742,425

D. Cash Flow

	2005	2006	2007	2008	2009
Cash Inflow	\$30,000	\$185,000	\$161,096	\$256,856	\$645,889
Cash Outflow	\$9800	\$139,443	\$0	\$0	\$0`
Net Cash Flow	\$20,200	\$45,557	\$161,096	\$256,856	\$645,889

E. Revenue Sources

FunDynamics will release its product through two modes of distribution – directly through on-line orders at approximately 4.4x cost, and indirectly from retailers at approximately 3.5x cost (see Pricing Strategy, section III). Sales are not made in 2005 to allocate time for completion of product design and for contacting manufacturers and distributors.

	2005	2006	2007	2008	2009
Retail Sales	\$0	\$110,000	\$480,000	\$882,000	\$1,512,000
Internet Sales	\$0	\$144,950	\$619,800	\$1,039,275	\$1,686,750

F. Major Expenses (as % of Revenue)

	2005	2006	2007	2008	2009
COGS	0%	29%	23%	23%	19%
Advertising & Marketing	0%	25%	10%	9%	6%
Travel	0%	33%	8%	5%	3%
Warehouses	0%	12%	4%	3%	2%
Customer Service	0%	14%	5%	3%	3%

COGS decrease slightly per year as FunDynamics becomes more established in the industry and develops good relationships with manufacturers. Travel is initially a large expense due to presentations at national toy fairs and potential retailers. Once major distributors are found travel expenses will decrease. Warehousing and customer service

costs are proportional to product demand, although warehouse costs are low in general due to the low-maintenance requirements of storing toy products.

G. Funding Requirements

To meet predictions, FunDynamics is seeking funding of \$185,000. This will ensure sufficient capital for the first manufacturing run of products. Upon sale of product, enough income will be generated to fund subsequent runs. Much of the funds (37.8%, \$70,000) will be used to fund the first manufacturing run of 10,000 units at \$7.00 each. The remainder will be used to fund FunDynamics' first-year expenses such as warehousing, advertising, and travel.

Appendix A. Financial Assumptions by Category

Per Unit Price:

See Pricing Strategy in section III.

Number of Units Sold:

The SoccerMotion™ product will be sold retail and at FunDynamics.com. Direct on-line sales will initially account for a large percentage of total sales volume; however, direct sales will decrease as the number of retail chains carrying the product increases. A natural growth rate is assumed due to advertising and aggressive marketing to industry buyers.

Expenses:

- **Cost of Goods Sold**

Price estimates are based on the following assumptions:

1. Mini-RC car technology and controllers (initially \$4.00)
Initial estimates for the cost of mini-RC car technology and remote controllers are based on quotes from Chenghai Pengcheng Toy Company in Guangdong, China. After calling the factory, FunDynamics was given an initial quote of \$2.10/unit on an order of 50,000 units. Because two units are used in each SoccerMotion™ product, estimates for a pair of players total \$4.00.
2. Plastic Parts and Accessories (initially \$1.00)
After the initial cost to create plastic molding, production cost will decrease in subsequent years.
3. Packaging and paper printing (initially \$1.00)
Once production increases, cost of packaging and paper printing will drastically decrease.

Because of low volume production during the first year, costs are expected to be approximately \$1.00/unit more than when in full production in subsequent years. Therefore,

Total 2006 cost to begin production: \$7.00/unit

After two years of production, increased volume, and better relationships with suppliers, in 2008 it is expected that FunDynamics will be able to reduce the cost of goods to \$5.00/unit.

- **Advertising and Marketing**

Advertising will focus on two demographics: industry buyers and consumers (See Advertising in section III). The advertising and marketing budget in 2006 will be \$36,000 and by 2009 reach \$108,000. It will initially focus on industry buyers,

and as more markets are breached, FunDynamics' advertising will place more focus on consumers.

- **Research and Development**

\$12,000/year will be dedicated to research and development. Research will focus on new technologies that may be applicable to FunDynamics current and future products.

- **Travel**

In addition to trade shows and conferences, meetings with individual retail buyers will also be required. Transportation, lodging, and client entertainment is estimated at \$1000 per trip. During the startup period it is estimated that four trips per month will be required, totaling \$48,000/year. Once major retail buyers have been assured, costs will decrease.

- **Rent Expense**

See Personnel Plan in section IV. A 406 sq. ft. office in the Evansville, Indiana Small Business Center rents for \$382/month. Therefore, \$600/month is allocated for office rent.

- **Utilities**

FunDynamics will require the following utilities:

- High-speed internet line: \$40/month
- Telephone lines: \$30/month
- Long-distance and overseas telephone service: \$30/month

Total utilities: \$100/month

- **Insurance**

Basic insurance is estimated to be \$3,000/year in 2006.

- **Office Supplies**

Basic supplies for a two-man office are estimated at \$100/month.

- **Legal/Accounting Expense**

Legal fees are estimated at \$7,000/year. FunDynamics requires legal assistance in drafting contracts, business practice consulting, hiring employees, and other situations.

- **Customer Service**

Customer service will be provided through a third-party call center. The nature of the SoccerMotion™ product allows for simple training of customer service representatives. The call center will resolve basic customer telephone inquiries as well as e-mail support. Cost is initially estimated at \$20,000/year. After sales volume increases, customer service costs are expected to reach \$50,000/year.

- **Internet Presence**

FunDynamics.com and SoccerMotion.com will serve as information gateways for potential consumers as well as customer service hubs for current customers. In addition, FunDynamics.com will offer an on-line store for direct purchasing. FunDynamics.com will feature an on-line shopping system that has the ability to process credit card transactions through a third-party. The cost of hosting and maintaining the website and electronic commerce system by a web design company is estimated at \$6,000/year.

- **Warehousing**

After the product is packaged in China, it will be shipped to warehouses in the United States. The nature of the product requires only basic warehousing service (limited climate control, limited security, etc.). Warehousing costs are estimated at \$1,500/month initially and are expected to rise as the number of units sold increases.

Appendix B. Focus Group Script

January 5, 2005

(Read to participants) Thank you for attending our session this afternoon. We will be showing you a new product and would like to get your opinion. The information that you provide will assist in developing a useful product and help us learn how consumers might utilize the product. Our product is still in development and therefore the information that we will be sharing is confidential.

First, we will describe the product and give a brief product demonstration.

Note to moderator: Hold up product and give one-minute introduction. Select two volunteers to play game for three minutes. Follow-up with the following questions:

THE USER

- In what setting do you see yourself using this product?
- Describe a friend who you believe would like this product.
- Who would you likely play the game with?
- How would you feel using this product? (cool, silly, etc.)
- Would you play this product in place of video games?
Under what conditions would you play this game instead of video games?
- What type of packaging is best for this product?
What packaging would attract you most?
- If you wanted the product, what features would most convince your parents to buy it?
- How would you improve this game?
- Would you read the rules included in the game or make your own rules?

PURCHASING THE PRODUCT

- Who would purchase this product? (you, parents, grandparents, friends, etc.)
- Where would you expect to buy this product? (type of store, online, etc.)
- Would you consider giving this game as a gift?
- If searching for this product in a retail store, where would you first look?
- Do you currently shop online?
- If you wanted to purchase this product on-line, which Internet sites would you first visit?
- What are you willing to pay for this product?

THE PRODUCT

- Do any of you play soccer?
 - Would soccer players be especially interested in this product?
 - Would a soccer sponsorship make you more interested in the games?
- Do you would any final thoughts that might help us develop and sell a successful product?

Thank you for your assistance.

Appendix C. Management Resumes

Bryan K. Stroube

bstroube@purdue.edu

1012 West Stadium Ave.
West Lafayette IN, 47906
(765) 495-2457

8811 Whispering Tree Ln.
Evansville, IN 47711
(812) 401-8504

EDUCATION

PURDUE UNIVERSITY, August 2002–present, 150 credits, 3.6 GPA

Seeking Dual Degrees with expected graduation of May 2006:

- BSEE, Electrical Engineering
- BA, English

SHANGHAI JIAO TONG UNIVERSITY, People's Republic of China, January 1 – July 15, 2004.

- First Participant in Purdue ECE exchange program
- Electrical Engineering and Chinese Cultural Studies, Intensive Language Study

HARLAXTON COLLEGE, Grantham, Lincolnshire, England, May – June 2003

- Courses in Engineering Economics and British Theatre

CARNEGIE MELLON UNIVERSITY, Pittsburgh, PA

- Summer School 2001, Calculus and Engineering Physics

CENTRAL HIGH SCHOOL, Evansville, IN

- 2002 Graduate, 3.9/4.0 GPA

TECHNICAL EXPERIENCE

Purdue RoboCup Team, Founder and member, 2002-2004

Crossroads Magazine – contributor to the national student publication of the Association for Computing Machinery. Published three articles since 2000.

Computational Chemistry Research - involving the modeling of polymer catalysts, with Dr. Jeff Seyler, University of Southern Indiana, 2001 - 2002.

- Coauthored and presented research at poster session at the August 2001 American Chemical Society National Meeting in Chicago.
- Coauthored paper 2001 Butler University Undergrad Research Conference.

Independent Computer Consultant - upgrades, repairs, software and hardware installations, networking and web development. 1998-present.

Computer Skills - C, C++, Assembly Language, Python, KornShell, Linux, Mac OS X

HONORS/AWARDS

Merit Scholarships

- Lilly Endowment Scholarship, Full Tuition, Fees, Books, four years
- The Indiana Resident Top Scholar Award, Equivalent to Full Tuition, four years
- Purdue University Academic Success Award Scholarship, four years
- Cisco Systems Scholarship Recipient, 2003

Engineering Ambassador, 2004-present

Nominated by ECE department and selected as one of eighteen students from all engineering disciplines. Act as official liaison in public relations and advancement regarding alumni, legislative, and development efforts. Attend yearlong weekly course in leadership skill development.

Dean of Engineering Students Advisory Council, Member 2003-2004

- Worked on projects and issues affecting Purdue Engineering undergraduate students.

Daniel Karl Wilhelm

dwilhelm@purdue.edu

School Address:

817B Shreve Hall
1275 Third Street
West Lafayette, IN 47907
(765) 495-5589

Home Address:

6078 Leatherback Dr.
Columbus, IN 47201
(812) 342-1360

Education:

Purdue University, West Lafayette, IN Bachelor of Science in Computer Engineering
Expected Graduation: May 2006 GPA: 3.83 (Major: 4.00) Minors: Mathematics, Biology, Psychology

Employment History:

- NASA/NSF Summer Undergraduate Research Intern in Nanotechnology [Summer 2003 and 2004]
 - o Funded by NASA/NSF, nanotechnology workshops, seminars, research in HIRL (below)
- Research Assistant, Haptic Interface Research Laboratory (Prof. Hong Tan) [Summer 2003-Present]
 - o Carbon Nanotube (CNT) buckling simulation – Authored visual and haptic simulation software that modeled the buckling of a CNT on an Atomic Force Microscope tip
 - o Efficient UDP haptic device communications – Designed and developed a low-level SDK for controlling a newly-developed 3-DOF force-feedback device developed in the lab
 - o Haptic marble maze game – Independently authored software where users attempt to roll a marble out of a virtual enclosed wooden maze only using their sense of touch
 - o Controlling users' perception of haptic forces – Aided with the development and running of an experiment in controlling a user's perception of haptic forces
- Independent Website Contractor [2001-2002]
 - o Developed websites for childrens' museum, photography company, high school
- Photography Assistant [Summer 2002]
 - o Assembled orders, digitally edited photos, interacted with customers
- Usher/Concessions Worker [Summer 2001]

Technical Experience:

Highly proficient: C/C++, Visual Studio, Windows SDK, HTML (9 years programming experience)

Skilled: Java, Linux, DirectX, MATLAB, OrCAD, SPICE, Scheme

- Authored extensive DirectX wrappers used to teach introductory high-school C++ class
- Authored two complete C-linkable assembler graphics libraries (VESA banked mode, Mode 13h)
- Project manager and cofounder of high-school computer club that developed two computer games
- Designed/Implemented real-time digital photography viewing system for county fair

Extracurricular Activities:

- Leadership Development Activities
 - o ENGR 100H Peer Mentor (led introductory freshman engineering class) [Fall 2003]
 - o Leadershape Attendee (week-long college leadership camp) [Summer 2004]
 - o Emily Mauzy Vogel Leadership Development Conference Attendee [Fall 2003]
- Secretary, Software/AI Team Leader, Purdue RoboCup (autonomous robotic soccer) [2002-Present]
 - o Software/hardware architecture design and implementation for F-180 and Simulation leagues
- Lead Programmer, virtual team developing 3D computer game "0 A.D." [2001-2004]
 - o Managed eight programmers, made procedures for asset management and team communications, held weekly development meetings, designed and implemented early game engines
- Member, Purdue Game Development Club [2003-Present]
 - o Freshmen Engineering Student Advisory Council Member [2002-2003]

WORKPAPER A

FunDynamics

2004 Strategy Business Plan

Pro-Forma Financial Projections

Assumptions

	Fiscal Year Ending					
	2005 not selling	2006	2007	2008	2009	
Income Statement Assumptions						
Revenue						
Per Unit Price	\$ 22.00	\$ 22.00	\$ 24.00	\$ 25.20	\$ 25.20	
Number of Units Sold	-	5,000	20,000	35,000	60,000	
Retail Product Sales	\$ -	\$ 110,000	\$ 480,000	\$ 882,000	\$ 1,512,000	
Per Unit Price	\$ 34.95	\$ 34.95	\$ 34.95	\$ 34.95	\$ 34.95	
Number of Units Sold	-	1,000	4,000	4,500	5,000	
Internet Product Sales	\$ -	\$ 34,950	\$ 139,800	\$ 157,275	\$ 174,750	
Total Revenue	\$ -	\$ 144,950	\$ 619,800	\$ 1,039,275	\$ 1,686,750	
Expenses: (as a percent of Revenue) 2006						
Cost of Goods Sold	7/unit	0%	29%	23%	23%	19%
Advertising & Marketing	2000/mo	0%	25%	10%	9%	6%
Research & Development	12000/yr	0%	8%	2%	1%	1%
Travel	48000/yr	0%	33%	8%	5%	3%
Leased Equipment	0.00	0%	0%	0%	0%	0%
Rent Expense	600/mo	0%	5%	1%	1%	0%
Utilities	100/mo	0%	1%	0%	0%	0%
Insurance	3000/yr	0%	2%	0%	0%	0%
Office Supplies	100/mo	0%	1%	0%	0%	0%
Legal/Accounting Expense	7000/yr	0%	5%	1%	1%	0%
Customer Service	20000/yr	0%	14%	5%	3%	3%
Internet Presence	6000/yr	0%	4%	1%	1%	0%
Warehousing	1000/mo	0%	12%	4%	3%	2%
Tax Rate (Federal and State)		40%	40%	40%	40%	40%

WORKPAPER B

FunDynamics

2004 Strategy Business Plan
Pro-Forma Financial Projections
Assumptions

	Fiscal Year Ending				
	2005	2006	2007	2008	2009
Salaries and Benefits					
Partner	2	2	2	2	2
Annual Salary	\$ -	\$ 20,000	\$ 25,000	\$ 50,000	\$ 60,000
Total	\$ -	\$ 40,000	\$ 50,000	\$ 100,000	\$ 120,000
Administrative Assistant	0	0	1	1	1
Annual Salary	\$ -	\$ -	\$ 27,000	\$ 32,000	\$ 35,000
Total	\$ -	\$ -	\$ 27,000	\$ 32,000	\$ 35,000
Chief Information Officer (CIO)	0	0	0	0	0
Annual Salary	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Force	0	0	0	0	0
Annual Salary	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Engineers	0	0	0	0	0
Annual Salary	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Staff	0	0	0	0	0
Annual Salary	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Hourly Workers	0	0	0	0	0
Annual Salary	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Total Salaries	\$ -	\$ 40,000	\$ 77,000	\$ 132,000	\$ 155,000
Benefits (as a percent of Salaries)	35%	50%	50%	50%	50%
Total Salaries and Benefits	\$ -	\$ 60,000	\$ 115,500	\$ 198,000	\$ 232,500

WORKPAPER C

FunDynamics

2004 Strategy Business Plan
Pro-Forma Financial Projections
Assumptions

	Fiscal Year Ending				
	2005	2006	2007	2008	2009
Balance Sheet Assumptions					
Assets					
Days of Inventory on Hand	-	60	60	60	60
Days Sales Outstanding (Accounts Receivable)	-	25	25	25	25
Other Assets (e.g., pre-paid rent)	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment and Buildings	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Expected Life of Equipment and Buildings	5	5	5	5	5
Liabilities					
Days to Pay Bills (Accounts Payable)	30	30	30	30	30
Short Term Debt (less than 1 year)	\$ -	\$ -	\$ -	\$ -	\$ -
Long Term Debt	\$ -	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000
Interest Rate	8%	8%	8%	8%	8%
Equity					
Total Contributed Capital (outside money invested)	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Is additional Contributed Capital or Long-Term Debt necessary?	No	No	No	No	No
How much?	\$ -	\$ -	\$ -	\$ -	\$ -

EXHIBIT 1

FunDynamics

2004 Strategy Business Plan
 Pro-Forma Financial Projections
 Income Statement

	Fiscal Year Ending				
	2005	2006	2007	2008	2009
Total Revenue	\$ -	\$ 144,950	\$ 619,800	\$ 1,039,275	\$ 1,686,750
Cost of Goods Sold	-	42,000	144,000	237,000	325,000
Gross Margin	-	102,950	475,800	802,275	1,361,750
Operating expenses:					
Salaries and Benefits	-	60,000	115,500	198,000	232,500
Advertising & Marketing	-	36,000	60,000	96,000	108,000
Research & Development	-	12,000	12,000	12,000	12,000
Travel	-	48,000	48,000	48,000	48,000
Leased Equipment	-	-	-	-	-
Rent Expense	3,600	7,200	7,200	7,200	7,200
Utilities	600	1,200	1,200	1,200	1,200
Insurance	-	3,000	3,000	3,000	3,000
Office Supplies	600	1,200	1,200	1,200	1,200
Legal/Accounting Expense	-	7,000	7,000	7,000	7,000
Depreciation	1,000	1,000	1,000	1,000	1,000
Interest Expense	-	14,800	14,800	14,800	14,800
Customer Service	-	20,000	30,000	30,000	50,000
Internet Presence	-	6,000	6,000	6,000	6,000
Warehousing	-	18,000	24,000	30,000	36,000
Total Operating Expenses	5,800	235,400	330,900	455,400	527,900
Income Before Taxes	(5,800)	(132,450)	144,900	346,875	833,850
Taxes	(2,320)	(52,980)	57,960	138,750	333,540
Net Income	\$ (3,480)	\$ (79,470)	\$ 86,940	\$ 208,125	\$ 500,310
Net Income Margin	N/A	-54.8%	14.0%	20.0%	29.7%

EXHIBIT 2

FunDynamics

2004 Strategy Business Plan
 Pro-Forma Financial Projections
 Balance Sheet

	Fiscal Year Ending				
	2005	2006	2007	2008	2009
Current Assets					
Cash	\$ 20,200	\$ 65,757	\$ 226,853	\$ 483,709	\$ 1,129,598
Inventory	-	6,904	23,671	38,959	53,425
Accounts Receivable	-	9,928	42,452	71,183	115,531
Other Assets (e.g., pre-paid rent)	-	-	-	-	-
Total Current Assets	20,200	82,590	292,976	593,851	1,298,554
Long-Term Assets					
Equipment and Buildings	5,000	5,000	5,000	5,000	5,000
Accumulated Depreciation	1,000	2,000	3,000	4,000	5,000
Net Long-Term Assets	4,000	3,000	2,000	1,000	-
Total Assets	24,200	85,590	294,976	594,851	1,298,554
Current Liabilities					
Accounts Payable	-	4,020	13,214	20,736	27,901
Accrued Wages	-	2,500	4,813	8,250	9,688
Short-Term Debt	-	-	-	-	-
Tax Payable/(Saving)	(2,320)	(52,980)	57,960	138,750	333,540
Total Current Liabilities	(2,320)	(46,460)	75,986	167,736	371,129
Long-Term Debt	-	185,000	185,000	185,000	185,000
Contributed Capital	30,000	30,000	30,000	30,000	30,000
Retained Earnings	(3,480)	(82,950)	3,990	212,115	712,425
Total Equity	26,520	(52,950)	33,990	242,115	742,425
Total Liabilities and Equity	\$ 24,200	\$ 85,590	\$ 294,976	\$ 594,851	\$ 1,298,554

EXHIBIT 3

FunDynamics

2004 Strategy Business Plan
 Pro-Forma Financial Projections
 Statement of Cash Flows

	Fiscal Year Ending				
	2005	2006	2007	2008	2009
Cash Flow from Operations					
Net Income	\$ (3,480)	\$ (79,470)	\$ 86,940	\$ 208,125	\$ 500,310
Depreciation	1,000	1,000	1,000	1,000	1,000
Decrease/(Increase) in Inventory	-	(6,904)	(16,767)	(15,288)	(14,466)
Decrease/(Increase) in Accounts Receivable	-	(9,928)	(32,524)	(28,731)	(44,348)
Decrease/(Increase) in Other Assets	-	-	-	-	-
Increase/(Decrease) in Accounts Payable	-	4,020	9,194	7,522	7,165
Increase/(Decrease) in Accrued Wages	-	2,500	2,313	3,438	1,438
Increase/(Decrease) in Short-Term Debt	-	-	-	-	-
Increase/(Decrease) in Taxes Payable	(2,320)	(50,660)	110,940	80,790	194,790
Total	(4,800)	(139,443)	161,096	256,856	645,889
Cash Flow from Investing					
Sale/(Purchase) of Long-Term Assets	(5,000)	-	-	-	-
Total	(5,000)	-	-	-	-
Cash Flow from Financing					
Long term debt	-	185,000	-	-	-
Issue of equity	30,000	-	-	-	-
Cash flow from financing	30,000	185,000	-	-	-
Net Cash Flow	20,200	45,557	161,096	256,856	645,889
Beginning Cash Balance	-	20,200	65,757	226,853	483,709
Ending Cash Balance	\$ 20,200	\$ 65,757	\$ 226,853	\$ 483,709	\$ 1,129,598

EXHIBIT 4

FunDynamics

2004 Strategy Business Plan

Pro-Forma Financial Projections

Financial Ratios

	Fiscal Year Ending				
	2005	2006	2007	2008	2009
Income Statement					
Sales Growth	N/A	N/A	327.6%	67.7%	62.3%
Gross Profit Margin (1)	N/A	71.0%	76.8%	77.2%	80.7%
Operating Expenses (Net of Interest) (1)	N/A	152.2%	51.0%	42.4%	30.4%
Interest Expense (1)	N/A	10.2%	2.4%	1.4%	0.9%
Net Profit Margin (1)	N/A	-54.8%	14.0%	20.0%	29.7%
Balance Sheet (2)					
Cash	83.5%	76.8%	76.9%	81.3%	87.0%
Inventory	0.0%	8.1%	8.0%	6.5%	4.1%
Accounts Receivable	0.0%	11.6%	14.4%	12.0%	8.9%
Other Assets (e.g., pre-paid rent)	0.0%	0.0%	0.0%	0.0%	0.0%
Equipment and Buildings	20.7%	5.8%	1.7%	0.8%	0.4%
Accumulated Depreciation	4.1%	2.3%	1.0%	0.7%	0.4%
Accounts Payable	0.0%	4.7%	4.5%	3.5%	2.1%
Accrued Wages	0.0%	2.9%	1.6%	1.4%	0.7%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Payable/(Saving)	-9.6%	-61.9%	19.6%	23.3%	25.7%
Long-Term Debt	0.0%	216.1%	62.7%	31.1%	14.2%
Contributed Capital	124.0%	35.1%	10.2%	5.0%	2.3%
Retained Earnings	-14.4%	-96.9%	1.4%	35.7%	54.9%
Profitability Ratios					
Return on Assets (3)	-14.4%	-92.9%	29.5%	35.0%	38.5%
Return on Investment (4)	-69.6%	-1589.4%	1738.8%	4162.5%	10006.2%
Return on Equity (5)	-13.1%	150.1%	255.8%	86.0%	67.4%
Activity Ratios					
Asset Turnover (6)	-	1.69	2.10	1.75	1.30
Days of Sales Outstanding (7)	N/A	25.00	25.00	25.00	25.00
Days to Pay Bills (8)	N/A	30.00	30.00	30.00	30.00
Liquidity Ratios					
Current Ratio (9)	(8.71)	(1.78)	3.86	3.54	3.50
Quick Ratio (10)	(8.71)	(1.63)	3.54	3.31	3.35
Leverage Ratios					
Debt Ratio (11)	-	2.16	0.63	0.31	0.14
Interest Coverage Ratio (12)	N/A	(7.95)	10.79	24.44	57.34

Notes:

(1) As a percent of Total Revenue

(2) As a percent of Total Assets

(3) Net Income / Total Assets

(4) Net Income / Equipment and Buildings

(5) Net Income / Total Equity

(6) Total Revenue / Total Assets

(7) (Accounts Receivable / Total Revenue) * 365 Days

(8) (Accounts Payable / Purchases) * 365 Days

(9) Current Assets / Current Liabilities

(10) (Cash + Accounts Receivable) / Current Liabilities

(11) Debt / Total Assets

(12) (Gross Profit - Operating Expenses) / Interest Expense

EXHIBIT 5

FunDynamics

2004 Strategy Business Plan
 Pro-Forma Financial Projections
 Valuation

		Fiscal Year Ending					Terminal
		2005	2006	2007	2008	2009	
Income Before Taxes		\$ (5,800)	\$ (132,450)	\$ 144,900	\$ 346,875	\$ 833,850	
Interest Expense		-	14,800	14,800	14,800	14,800	
Earnings Before Interest		(5,800)	(117,650)	159,700	361,675	848,650	
Taxes @	40%	(2,320)	(47,060)	63,880	144,670	339,460	
After-Tax Cash flow		(3,480)	(70,590)	95,820	217,005	509,190	
Depreciation		1,000	1,000	1,000	1,000	1,000	
Decrease/(Increase) in Net Working Capital		(2,320)	(60,973)	73,156	47,731	144,579	
Capital Expenditures		(5,000)	-	-	-	-	
Free Cash Flows		(9,800)	(130,563)	169,976	265,736	654,769	667,865
Terminal Value Factor (growth @)	2%						3.03
Discount Factor @	35%	0.7407	0.5487	0.4064	0.3011	0.2230	0.2230
Present Value of Cash Flows		\$ (7,259)	\$ (71,639)	\$ 69,085	\$ 80,005	\$ 146,022	\$ 451,342
Sum of Present Values		\$ 667,556					
Debt		185,000					
Value of Equity		\$ 482,556					