



Widgets, Inc.

The Final Widget Solution

BUSINESS PLAN

Name

Address

Phone and Fax Numbers

URL and E-mail Addresses

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This business plan is offered merely as an example and illustration of how a business plan is written that contains the elements and language many equity investors look for in business plans. It is offered with the understanding that this plan is not intended to serve as a template or model for an actual business plan as there are many ways in which to present relevant information about any business.

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STATEMENT OF PURPOSE

Widgets, Inc. (the Company) is a start-up technology and manufacturing business that is revolutionizing the widget industry. Until now the widget, absolutely essential for every system manufactured, has been the hardware element consistently subject to failure and expensive replacement. Widgets, Inc. has introduced a totally new technology that virtually eliminates widget failure. The Company has anticipated the demand for the widget and can supply widgets to systems manufacturers and service distributors who currently handle the replacement of the millions of widgets in systems already in the consumer market. Recognizing the huge impact on businesses, governments, universities and other large organizations, the Company proprietary software monitors widgets within a network to notify administrators before widget failure can occur.

The Company is seeking an equity investment of \$10 million to provide working capital for 18 months to continue product development, establish high-profile partnerships, build market penetration, and establish market dominance through the following plan:

- Expand the management, technical, sales and marketing teams
- Accelerate beta testing of Generation II product
- Accelerate branding
- Expand on the marketing plan, advertising, sales and promotions
- Support ongoing operations
- Fund the development of new products and services

The anticipated equity investment and subsequent capital expenditures will provide the financial liquidity for Widgets, Inc. to continue development, achieve corporate goals and provide long-term investor value.

EXECUTIVE SUMMARY

Company Summary

Widgets, Inc. produces the best widget available today and has improved ordering and delivery systems so that our customers can minimize system downtime and maximize business productivity. Widget's patented technology utilizes the strength, durability and adaptability of high-tech composites to produce a full range of standard widgets as well as meet the demand for retrofitting all existing systems with a complete line of snap-in widgets designed to fit all current systems brands.

The "Information Age" is dependent upon reliable communications systems, and keeping the customer connected and on-line 24 hours a day is the critical success factor facing the communications hardware trade. With traditional widget companies spending less than 5% of revenue on finding solutions to the leading mechanical breakdown in sending and receiving voice and data, Widgets, Inc. is first to market and uniquely positioned to dominate this projected \$633 B opportunity. Widgets, Inc. has solved the mystery of why widgets fail. The Widget Master 3.0 can be installed during production of new systems while the Widget Wedge 2.0 can be retrofitted into almost every existing system in use today. Widget Minder even monitors widgets "virtually" to anticipate problems.

The speed and quality of communication are highly valued by Fortune 500 companies, medium and small businesses as well as the home user. Until now, the failure of a widget in the system could stop transactions until a qualified service technician could travel to the location and repair the widget. Widget.Com not only makes a quality widget that virtually eliminates the occurrence of failure, but this widget can be installed by anyone at anytime in any location. Communications downtime and the subsequent loss of productivity has a huge impact on the bottom line for any organization, and Widgets, Inc. has a solution eliminating downtime in over 67% of incidents reported in 2002.

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MANAGEMENT:

John Q. Jones (co-founder), CEO, is a pioneer in composite technology and applying knowledge to improving products already in widespread usage. His research began at Big Labs and his experience at bringing the latest technology to the marketplace was enhanced by his experience at Big Telephone Company and at Systems Builders before becoming CEO of Some Company. Since the acquisition of Some Company by Sharks, Inc., Jones has served as a board member for several corporations. Jones has both an MBA and Ph.D. from The Really Good School.

Mary T. Smith (co-founder), COO/CFO formerly held the position of Chief Operations Officer at A Major Consulting Firm where she was responsible for a 400 person staff of financial analysts. A graduate of Another Good School MBA program, her submission won first place in the 1996 Business Plan Contest. Previously, Smith began as the technology manager before joining the financial operations at Systems Manufacturing Division of Conglomerate, Inc. She earned dual degrees in engineering and business from an East Coast School.

Sally Strong, VP Operations, brings analytical and management experience to the organization. As a Senior Modeling Analyst for the \$6 billion Financial Association, she successfully implemented the design and migration to a total system operated program nearly 10 months ahead of schedule. With a degree in computer science from Another University, she completed her master's degree in mathematics at Tech University last year.

Paul Perfect, VP Technology, brings extensive experience in composite research and development. A leading scientist on the initial technology transfer projects from military to consumer uses of composite models, Perfect worked with Four Stars, Navy Systems and Airplane Makers in breakthrough cost reduction projects. Working independently, Perfect advised Huge Systems, Inc., Biggest Supplier, and Deep Pockets for six years on how to build superb stuff.

TECHNOLOGY:

Widgets, Inc. holds 11 patents on new processes and products that makes it possible to transform sophisticated technology developed for the Defense Program to common consumer items. Recent improvements in filtration and finishing materials have improved compliance of processes to stricter environmental standards (6 patents pending). There are currently three patented and trademarked products in the distribution pipeline: 1) Widget Master as a component of new systems, 2) Widget Wedge ideal for retrofitting existing systems, and 3) Widget Minder to monitor performance of networked system widgets. With manufacturing contracts in place, the business is scalable to meet the demand of this revolutionary widget.

PRODUCTS AND SERVICES:

Widget. Com offers a range of products protected by existing and applied for patents. Three product lines include New Product Widgets, Retrofitting Widget Replacements and Virtual Monitoring Widgets.

Widget Master is designed to meet standard specifications of all the leading systems manufacturers and assemblers as an integral piece of every new system. With supplier agreements in place with three of the top seven system builders in the U. S., the 2004 total of 3.78 million units will be met at the end of Quarter 3. Negotiations continue with three additional system builders.

Widget Wedge is a breakthrough product that makes it virtually interchangeable with replacement widgets for almost all other widget manufacturers. It has been designed to clip in place in any existing system and requires no additional training for technicians. It is so easy to install, that it is now available to the mass market with a two page instruction brochure in easy to read and understand language. Widget Wedge was launched six months ago and is now available on line and through more than 20 mail order catalogs. Widget.Com has focused the marketing efforts on the product at more than 30 trade and retailing events. The product has been featured in the leading publications such as Systems

Guru, The Systems Experts, Business Systems and several trade and mass market newspapers. The 2004 annual sales projections (in units) was met within the first 5.5 months since launching this product.

Widget Minder was launched Jan 2004 and serves to monitor the performance of all widgets in systems of a network. This is made possible through a proprietary software (patent pending). Current plans include posting an interactive version of

the software on the World Wide Web that may be downloaded by home or stand-alone computers. This product is expected to be on-line by year's end.

MARKETING:

Widgets, Inc. will rapidly grow its customer base by signing 4 new distribution agreements with companies assembling new systems no later than Q3 this year. Widget.Com sells directly to four of the 15 largest world wide wholesale parts distributors for the consumer market and will add 3 additional distributors this year. Mass market consumers may order/purchase on-line and 1% if funding will be channeled into mass-market advertising and streamlining product fulfillment. The Widget Minder software is sold (downloaded) almost exclusively on-line.

ENTRY BARRIERS:

Widgets, Inc. has created entry barriers via its proprietary technology and life-of-the-system widget that is at least 24 to 36 months ahead of other devices. Customer satisfaction and name identification will prevent customers from trying competitor's products because of the competition's reputation of widget failure and difficulty in replacement. Widget.Com has replaced the business model utilizing service centers as a profit center for system suppliers. Widget's proven technology for widgets eliminates the need for extensive, expensive and labor intensive service of systems now that it is possible to ensure less than 1% failure rate on widgets.

COMPETITION:

Widget.Com is the only company using composite metallurgy for widgets that is an essential part of every system yet designed. The competitors, Ajax Widgets, Beta Widgets and Snap Widgets have utilized the pored plastic widget for many years without improving the design. Competitors expect failure of the widget every 15 to 18 months in every system, and, in fact, use the requirement for service as a profit center within their companies. Widget.Com charges 18% more per widget, but has eliminated the time and cost of servicing systems for all customers

FUNDING:

Widgets, Inc. (Delaware C-Corp) utilized \$1.5 MM in SBIR technology grant money for initial research in 1995. Seed funding of \$1.1 MM from Big Deals Venture of Phoenix in 1997 assisted Widgets, Inc. to move beyond testing and initiate sales. The company carries a \$500,000 line of credit with Regional Bank. Widgets, Inc. is seeking expansion capital for marketing, additional product development and ramping up a sales staff.

FINANCIAL PROJECTIONS:

Widgets, Inc. financial projections are as follows:

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Gross Revenue | \$0.7MM | \$5MM | \$27MM | \$57MM | \$87MM |
| Operating Expenses | (\$0.9MM) | (\$3MM) | \$5MM | \$61MM | \$22MM |
| EBITA | | | | | |

EXIT:

The company anticipates a public offering within three to five years based on projected growth and diversification of product lines. The company is also an attractive acquisition candidate for a major systems manufacturer consolidating within the industry.

CORPORATE OBJECTIVE AND VISION

Widgets, Inc.'s vision is to set the standard in the systems industry for quality, reliability and customer oriented service. By finding the solution to the number one reason for system failures, Widgets, Inc. is the key to keeping millions of people connected to their systems and productive during their work and recreation hours. Widget has already received enormous and positive market reception based on endorsements from leading scientific and technology experts in the United States and Europe. Widgets, Inc. is capitalizing on that initial product launch by offering new products and channels for distribution that will assure installation of its widgets in newly manufactured systems, replacement widgets for existing systems and on-line monitoring of these devices to anticipate fatigue levels prior to failure. Widgets, Inc.'s unique advantage is that these products are used by businesses of all sizes as well as the mass consumer market through a seamless ordering, delivery and training system made possible by utilizing the very technology the widget is designed to serve.

Widgets, Inc.'s vision is based on becoming the premier provider of these products and creating technological opportunities for system manufacturers and consumers that could not be realized through any more significant breakthrough than enhancing the reliability of system hardware. Widgets, Inc. is positioned as the one company with leading edge composite technology that highly values the customer's needs, efficiencies and opinions. Unlike companies that manufacture and ship products to a few dealer/distributors who put the product in the hands of customers, Widgets, Inc. interacts with its business and consumer customers thousands of times a day. It is the customers who first suggested the Virtual Monitoring product line that Generation II will apply to other key system components. New product ideas generated from the customers allows Widgets. Com to focus on providing new and better tools as market needs arise without extensive research and development (R & D) overhead and administration.

The future ramp-up of the existing products, and the optimism for new products in development is unlimited in the United States and all over the world. Systems technology grows by 42% annually even though roughly two-thirds of the world's population does not have access to infrastructure to support the systems technology nor access to the world wide web (A Research Group report 1998). Many approaches are being utilized to connect even the most remote countries with electronic communication and information. Once these people can be reached either through fiber cable or wireless technology, the demand for rugged, reliable and easily maintained systems will again soar. (Somebody Research predicts the hardware market alone will expand by \$414 billion dollars by 2007 bringing total annual demand for systems world wide to approximately \$20.4 billion per year.) The current Widgets, Inc. three tiered product line will provide Widgets, Inc. a minimum of 10% of the widgets in those markets to bring approximately \$62 billion in sales by 2010.

THE MARKET NEED

A. Consumer Opportunity

As of 2000, 48.7% of U. S. households had at least one system in the home and 22% had more than one operating system (Federal Services Research). By the year 2020, the penetration rate for home systems is expected to reach over 90%, making systems as ubiquitous as the telephone or television.

Most consumers anticipate replacing those systems within five years of original purchase to take advantage of improved technology and to avoid costly upgrading. During the first five years of use, widget fatigue and failure occurs, on average, every nine to thirteen months by moderate system users (less than 20 hours per week). Many consumers are purchasing extended warranties solely to cover widget replacement that averages a cost of \$85.00 per replacement including parts and labor. Servicing takes an average of four to seven days if performed locally; as long as two weeks or more if the system must be shipped to the manufacturer. Until introduction of the composite widget by Widgets, Inc., the industry has utilized only the typical, plastic model widget that is expected to fail again within months.

Widgets, Inc. has made a quantum leap beyond this model by developing and manufacturing the revolutionary composite widget that eliminates the failure and replacement syndrome that has been widely accepted as part of owning and using a system. The Widget Wedge is the first product that carries less than a 1% failure rate over a five year period, virtually eliminating consumer replacement of widgets. (Appendix C: Testing data and two years of full consumer filed use.)

B. Business Opportunity

Since the 1980s, businesses of all sizes, governmental entities, colleges and universities and other large organizations have relied on systems technology to improve efficiencies and productivity with fewer employees. Estimates of the number of systems units currently in use in this environment range from 60 million to 180 million units. No source has an accurate fix on the total systems units today (The Chamber Reports, February 2000). Whatever the exact number is, it is large and getting larger every day. Every single one of those system units has one old plastic model widget expected to fail in less than one year.

Before Widgets, Inc., each of those system units would need a trained technician to replace that widget requiring businesses to maintain either a large staff of technicians or contract for costly system support services. Widget Master is now available for all newly manufactured systems so that purchasing agents are assured the problem has been eliminated in any future systems. The Widget Wedge is now available for retrofitting all existing systems and can be done easily by the user or on a scheduled maintenance plan by the system technicians before widget failure and potential damage to other components within the system. For quality assurance within a networked environment, the Widget Minder continually monitors the fatigue calibrations of each and every widget within an assigned environment to allow for replacement prior to a system crash and collateral damage to other elements of the system or network.

C. The Widgets, Inc. Solution

Widgets, Inc. has solved the problem of widget failure and is only limited by the ability to manufacture widgets fast enough to meet the demand while maintaining absolute quality control of its products. The strategic decision to expand into the manufacturing of widgets by Widgets, Inc. has necessitated slower market penetration but guarantees the company's claims that this is finally the widget that does not fail. The universe of users utilizing systems technology will find this simple widget product is worth the wait, because Widgets, Inc. is the name that represents the ultimate, totally reliable solution to the weakest link in the systems industry.

D. Widgets, Inc. Target Customers

1. Mass Market Consumers

As a mass market consumer product, Widgets, Inc.'s market spans the entire hardware demographic. Any system user who can change a light bulb can replace their current system widget in less than ten minutes. Once done, the system user has eliminated the one component in the hardware that has been the primary source of all problems experienced by system users for more than twenty years. It is especially convenient that one size widget fits all systems. Ordering is simple because model numbers and manufacturer are not necessary. Consumers need only specify either the PC version or the lap top widget through a distributor or via the Widgets, Inc. on-line order center.

2. Business

Widgets, Inc. is equalizing access to improvements in widget technology for businesses that fall into the home office, small, and mid-size category by utilizing on-line order and delivery options 24 hours per day. Large corporations and organizations have the option of participating in the on-line order system or may prefer to work directly with a Widgets, Inc. client representative to coordinate a delivery schedule and phased in monitoring features.

KEY INVESTMENT CONSIDERATIONS

A. Competitive Advantages

Widgets, Inc. is first to market with a complete redesign of the common widget fundamental to the processing capabilities of all systems. The patented composite material replacing all previous versions of the traditional plastic widget has solved the fatigue and failure rate of widgets to less than one per cent (1%) over a five year period. Widgets, Inc.'s patented monitoring system is the first and only product that can anticipate widget failure and remedy the problem on a non-emergency basis.

Widgets, Inc. came to market with a complete line of widgets anticipating the demand for this top of the line widget in new systems manufacture and for retrofitting existing systems. Widgets, Inc. launched its products holding an initial inventory of over 1.7 million widgets, has established manufacturing capability to produce close to one million units per month and has ordering and delivery systems in place to streamline delivery of orders.

Widgets, Inc. fully utilizes the changing business environment complimenting traditional brick and mortar manufacturing with the convenience and time saving advantages of a full service e-commerce site. Utilizing electronic transactions has been integral to the company's business model since inception rather than taking traditional models and imposing the growing e-commerce structure later in the life of the company.

Additionally, since Widgets, Inc. places such a high value on branding its product as "the widget that never fails," the product development and manufacturing is held within the company rather than contracting to outside suppliers. Innovation and quality control are the key drivers of Widgets, Inc.'s approach to this fast-paced and ever changing technology sector.

B. Management Team

The Widget. Com team delivers exceptional research, technology and management experience with high-tech start-ups and major corporations alike. We bring the collective skills that come from working with companies like Big Labs, Big Telephone Company, Systems Builders, Some Company, A Major Consulting Firm, Huge Systems, Navy Systems and Airplane Makers, Biggest Supplier and Deep Pockets. We have also worked with start-ups such as Recent Upstarts, Systems Play, Hot Stuff and Believe-It-Or-Not.Com, all now publicly traded companies. We understand the technology and processes necessary to efficiently build and maintain the highest quality environment to revolutionize efficiency and reliability for the multi-billion dollar systems industry.

John Q. Jones, Chief Executive Officer and Co-Founder

Role/Responsibilities

- Lead group in development of all aspects of Widgets. Com
- Determine overall course for Widgets, Inc.. Drive the strategy, marketing, and determine necessary corrections to the course of the company. Represent the company and lead the public relations and investor development efforts.

Recent Positions

- Vice President for Marketing and Strategic Planning, Sharks, Inc.
- CEO, Some Company acquired by Sharks, Inc.
- Chief of Technology, Systems Builders

Background

- Active in creating and managing new divisions within organizations.
- Pioneered composite technology in early defense projects
- Early leader in applying concept of technology transfer for business and consumer uses
- Extensive systems industry experience where he initiated an overhaul of customer service processes meriting industry-wide recognition
- Provides advice and expertise while serving on boards of directors for Big Brother Industries, Jimenez Enterprises, Inc., and Popular Volunteers Project.

Mary T. Smith, Chief Operating Officer, Chief Financial Officer and Co-founder

Role/Responsibilities

- Manage finance, risk management, tax, accounting and reporting, financial planning and analysis, stock options plan administration. Establish financial policies and act as business partner to the CEO in determining strategy while supervising day to day operations of the company.

Recent Positions

- Chief Operations Officer, A Major Consulting Firm, New York, NY
- Chief Financial Officer, Systems Manufacturing Division of Conglomerate, Inc.
- Technology Manager, Systems Manufacturing

Background

- Supervised over 400 financial analysts while developing the New Method Accounting Model that has been utilized at most Fortune 500 companies.
- Increased AMCF's growth rate to over 28% worldwide (58% in U. S.), while simultaneously streamlining the management of the company. Increased pretax margins by over 8% in three years; increased market value over 300% in the same period.
- Played key role in increasing Systems Manufacturing Division operating profit by more than 75 % on revenue gain of less than 10 percent.

Sally Strong, Vice President, Operations

Roles/Responsibilities

- Lead, develop and manage all on-line capabilities as well as strategy for network and intra-net efficiencies within the company.
- Works in partnership with CFO on all financial operations and daily operations.

Recent Positions

- Senior Modeling Analyst, Financial Association, Washington, DC
- Operations Manager, Not Too Big Corporate Headquarters, Chicago, IL

Background

- Extensive systems background in design and implementation of networks and operating platforms so that Financial Association was seamlessly moved to Oracle based system 10 months ahead of schedule.
- Developed methodology of analyzing tasks that can be automated freeing personnel to be more productive while pinpointing where to deploy human problem solving.
- Decreased Financial Association operating costs by 14% per year for three consecutive years.

Paul Perfect, Vice President Technology

Roles/Responsibilities

- Lead design, assessment and development of processes and staff as necessary to complete cost-effective, maximum quality widget production.

Recent Positions

- Vice President, Product Development at Four Stars, Los Angeles, CA
- Division President, Navy Systems and Airplane Manufacturers, New Groton, CT
- Board of Directors and Advisor to Huge Systems, Inc., Biggest Supplier and Deep Pockets Corporation

Background

- Lead scientist for the research team that patented the first composite materials based on heat sealing non-binding components that was the basis for many defense related projects in the 1980s.
- Following declassification of several formulas and patents, applied technology to other fields particularly the consumer market to improve durability while decreasing weight of products reducing production costs. Popularized the concept of technology transfer from the classified and research centers to private companies for commercialization in variety of industries and many products.

C. Advisory Board

Widgets, Inc. has recruited world renowned members for our advisory board that brings a wide variety of experience from some of the largest and most successful systems and Internet related companies. This advisory board has a deep blend of scientific and manufacturing experience in all areas of business including science, product development, strategy, operations, production investor relations, and finance. The Widgets, Inc. management team combined with the collective experience of our advisory board creates a very powerful force driving the success of Widgets, Inc.

William T. Guru

- Professor Emeritus, Finance and Entrepreneurship at The Really Good Business School
- Member, Board of Directors of Science Systems, Inc., The Travel Giant, UpStart Broadcasting, Huge Systems, Inc. and Publish Everything, Inc.
- Member of the President's Economic Advisory Board, one of three non-government members invited to participate as ex-officio advisors at the Presidential Cabinet level
- Serves as business advisor to non-profit organizations involved with children and relief organizations

Raul Jimenez

- President of Jimenez Enterprises, the largest economic development foundation for communities expanding economic self-sufficiency and growth.
- Retired as highest ranking Latino from the U. S. military after serving one term as Air Force Chief of Staff and one term as Chairman of the Joint Chiefs of Staff.
- Author of a leading book on federally sustained research and development describing how that R & D can stimulate economic growth as the technology comes to the consumer market.
- Ph.D. from High Tech and an MBA from West Coast Big University

A. A. Street

- Former CEO and Chairman of the Board of One Big Stock Broker, Inc.
- 40 years in research, analysis, managing and setting policies in the stock trading field
- Over 20 years featured as lecturer on financial structure and positioning of companies listed on the major stock exchanges
- Wrote a regular column for *Business Stuff* on the trends, events and predictions for the global economy and U. S. investors
- Authored over 50 publications

Belinda Bradstreet

- First woman CEO of a major systems design and manufacturing company during her last six years with Systems Builders
- Co-founded Truth in Systems which was acquired by Systems Builders within six years of beginning operations
- Trained as NASA astronaut after graduate studies at The Technical University. Flew four NASA shuttle missions as systems officer

- Continues to travel as a visiting professor and guest lecturer to a large number of impressive colleges and universities

Widgets, Inc. has been extremely successful in attracting top scientific minds, high-tech talent and professional management from the systems, financial and business application markets. We understand that it will take the right mix of strategic, operational and technical talent to maximize the market opportunity and execute our business strategies. Widgets, Inc. plans to grow our team in the appropriate areas, with a strong emphasis on operational and production staff in the early stages. As the selectively recruited staff is put in place, there will be less reliance on out-sourcing of key functions and tasks.

D. Industry Demand

The Widgets, Inc. story has been covered in print, broadcast media, and Internet coverage around the world. The Big City News, The Daily Planet, and the Big Business Journal have all written feature articles on Widgets, Inc.. Those stories led to numerous follow-on articles in over 67 newspapers throughout the world and coverage by all the real television networks in the last four months. The Non Profit Network credited Widgets, Inc. with developing a solution that equals the impact of miniaturization of the silicon chip. In fact, NPN devoted 4.5 minutes of an hour long original program on changes in society triggered by the growth of the systems industry to the impact of Widgets, Inc. products. The popular press coverage has been enthusiastic and wide-spread, and Widgets, Inc. receives letters and electronic messages daily citing this very positive coverage of the company as the reason why we are being contacted.

E. Growth Industry

The purchase and use of systems still presents a huge growth industry. The industry grew at unprecedented rates for many years as improvements in decreasing size, lowering of cost and geometric increases in system capabilities were occurring in approximately an 18 month cycle. Once the Internet reached critical mass, the demand for systems to access this revolution in communications has skyrocketed. The same growth phenomenon in the demand for systems taking place in the U. S. is mirrored all over the world. The opportunity for Widgets, Inc. is clear—every system ever produced (or is expected to be produced in the next ten years) has the unreliable, guaranteed to fail plastic widget.

Authoritative Research recently published the following statistics:

- Percentage of population currently using systems at home and at work
- Percentage of population that will purchase systems in the next year and the next three years
- Percentage of global population currently with systems
- Percentage of global population that will purchase systems in the next year and the next three years

Powerpoint pie charts or graphs
would help here to convey growth
potential visually

- Percentage of U. S. population currently on-line and for how long
- Breakdown of interest in being on-line and what uses they have for the Internet
- Breakdown of why others will initiate access to Internet

PowerPoint chart or
graph with the
information visually

- Other useful information that illustrates potential in growth in sales either through replacement widgets or new manufacturing potential

PowerPoint chart or graph
with the information
visually is clearly
communicated

F. Growth Potential

Widgets, Inc. intends to dominate the widget replacement and the new system market in the coming years using existing customers and our accessible distribution system as a base for rapid penetration into the widget market. Current demand for reliable, widget failure proof systems is growing as word of our widgets spreads in the systems industry and in the consumer markets. Widgets, Inc. is first to market, and our patented technology advantage ensures fast dominance in this category.

G. Strategic Alliances

Widgets, Inc. has already received unsolicited partnership interest from major companies, principally the major systems manufacturers, who recognize the value in producing a system that eliminates the known widget deficiencies that plague the industry. To date, Widgets, Inc. has not finalized any agreements while analyzing the advantages, and in this case, possible disadvantages to aligning with any one manufacturer.

During the developmental stage of Widgets, Inc., the company partnered with Hot Metal Trends that has become the single supplier of the raw metal ingredients used in the composite technology patented by Widgets, Inc.. Hot Metal Trends has standardized the quality of the metal supplied to Widgets, Inc. so that three purification tests have been eliminated during widget manufacturing process. Negotiations are currently on-going with Environmental Friends to partner with Widgets, Inc. and act as a subsidiary supplier to prevent a dependence on one supplier for all materials.

Widgets, Inc. is poised for greater success, based on market and industry growth and Widgets, Inc.'s growing name recognition among the industry for quality and innovation. In order to capitalize on our early victories, it is imperative that Widgets, Inc. accelerates development, partnership, and marketing now that the company is launched. Widgets, Inc. has the opportunity to become the undisputed leader in this field.

HISTORY AND DEVELOPMENT OF COMPANY

No system yet made will function without widgets, yet that is the one component that has been so unreliable that widget replacement is considered part of the normal routine and operation of all systems. John Q. Jones, a master at seeing deficiencies in products and how to make major improvements, did not accept that any component was built to fail in a matter of months. With the technological advancement in the field of composite metallurgy and restructuring of chemical bonds, Jones had his solution. Mary T. Smith shared that vision during her time at Systems Manufacturing Division of Conglomerate, Inc. when she interacted with customers on all levels. When Jones and Smith met, the partnership was forged to find a solution for the number one problem with all systems.

Mr. Jones realized that finding the right material for widgets was the key to redesigning the widget. Superheated plastic had traditionally be the material of choice because of its weight and ability to be shaped. The plastic widget is subject to wear and cannot be molded thinner than .5mm in a widget. Jones knew the answer was to find the right composite combination that combined the attributes of molded plastic and yet was not subject to expected wear.

Smith assembled a team of experienced industry professionals whom she believed could rapidly test the experimental composite materials and develop a manufacturing process to quickly supply enough widgets for field trials of the most promising materials. With Jones leading the scientific team and Smith setting up the process to initiate trials of each new combination, the team had 17 new composite combinations under scrutiny within nine months. The 17 experimental widget products were subjected to intense testing so that the number of cost efficient and feasible composites was winnowed to three by the end of 1997. Jones and Smith accomplished the entire development of brand new materials, testing and organizing the final competition for best and final material composition within 18 months of their initial agreement to solve the widget problem.

Although the field testing and study of the final three composite combinations continued for many months, the product development and testing team could find no measurable difference in the three products. The strategic decision was made by Jones and Smith to move ahead with the mass production of widgets using three different composite formulas (each differing in combinations of raw materials) so that Widgets, Inc. would minimize pricing changes and production disruptions when there are the inevitable fluctuations in supplies of raw materials.

With the continued leadership of Jones and Smith, the Widgets, Inc. team was assembled as top business and technology leaders heard of this technological breakthrough. The full team agrees to thoroughly assess capital sources and investors selectively based on the overwhelming response from investors, the press, and our target market. Widgets, Inc. continues to develop the product and distribution pending an agreement on additional financing that will facilitate more rapid expansion. Widgets, Inc. is a privately held corporation, incorporated in December of 1995 in the state of Nebraska.

WIDGETS, INC. MARKETS

Widgets, Inc. is marketing its products and services to customers through a combination of targeted advertising, manufacturing partnerships, direct sales contact to systems industry leaders, and public relations. The public relations effort has been especially worthwhile because the product has been featured in at least eight of the most influential mass media business and consumer publications. Within 24 hours of the front-page feature article in the Big Gorilla Business Journal, Widgets, Inc.'s unsolicited telephone inquiries had increased by 547% over the previous day's calls.

Widgets, Inc. serves three distinct markets:

- Systems manufacturers
- Businesses of all sizes
- Consumers

The following details the key benefits and brand associations for those three distinct markets:

A. Systems Manufacturers

There are fourteen major systems manufacturers world wide that account for approximately 68.7% of all systems sold globally in one year. Widgets, Inc. discovered that there is virtually no difference between any of the widgets used from one manufacturer to another. With only minor modification, we have been able to standardize widgets that can be used by any manufacturer. With that accomplishment, Widgets, Inc. has made it possible to maintain an inventory system that has only two standard widgets—the standard desktop version and the standard lap top version, distinguishable only in size for a specified system.

1. Widgets, Inc. Benefits

The standardization and revolutionary composite material used in Widgets, Inc.'s new Widget Master makes it possible for systems manufacturers to simplify their supplier relationships, improve their own reputations for reliable products and downsize their own customer support services. The systems manufacturers will realize considerable savings in their production costs without incurring significant increase in the cost of purchasing the widget component for their products. Additionally, the standardization of the widget simplifies their inventory tracking, training for assembly workers, and improved quality control.

2. Manufacturers Brand Associations

- Reliable
- Standardized product for easy assembly
- Competitive pricing
- Easy to order and use
- Unparalleled quality

B. Businesses

The business to business market is broken into segments based on size of business and quantity of purchases for our ordering purposes. The size of the business does not, however, alter the benefits or brand benefits Widgets, Inc. confers on any business.

Businesses of all sizes have invested a huge amount of their resources in technology to perform every function within an organization from maintaining personnel records to billing to inventory to processing orders to moving shipments to maintaining records of all transactions and every function of running an enterprise. A business, in this case, even applies to non-profit organizations, educational institutions, and government entities at every level. In short, there is almost no activity today that is not impacted at some point by system technology. Every system contains at least one widget that, under the previous manufacturing process using plastic, is doomed to fail repeatedly within months. The best case scenario is that the system will only be out of service for a matter of hours until trained technicians can replace the widgets and test the repair work. The worst case scenario, involves a chain reaction crash of linked networks, losing valuable time and an untold number of documents and records. Preventing such unpredictable system failure decreases down time (and loss of productivity), ensures maintenance of records and documents, eliminates the need for a large trained and ready technical staff or contractors, and keeps processes running at all times. It is difficult to accurately measure the economic impact of a simple widget failure annually, although Business Services, Inc. estimates that U. S. Fortune 500 Corporations alone are impacted by at least \$4.2 billion per year (2000).

1. Widgets, Inc. Benefits

Widget Wedge is the product that will keep business running as old systems are upgraded and the old, unreliable plastic widgets are phased out of use. As that takes place, the Widget Minder can be installed (on a licensed per user basis) to continually monitor and read the system to prevent future breakdowns and failure of systems. The concept that systems will no longer fail unpredictably and with serious loss of time, money and irreplaceable documents cannot be put into dollar amounts. The ease with which the new widgets can be replaced makes it possible for small businesses as well as the corporate giants to benefit equally from this new product. Widget Wedge is leveling the playing field for all businesses to compete in the fast-paced environment spurred by the systems themselves.

2. Business Brand Associations

- Reliable
- Standardized product for easy assembly
- Competitive pricing
- Easy to order and use
- Unparalleled quality
- Peace of mind knowing that monitoring will prevent future crises and losses

- Applies to all business of all sizes and sophistication

C. Consumers

Systems are as much a part of individual consumers lives as they are part of the working environment. Systems regulate and influence everything from the temperature of a home, the operations of an automobile, the financial management of families, recreation and play as well as critical in the delivery of medical and health services. The failure of the widget within any of the systems used to enable all these activities can be a life threatening event or at the least, inconvenient and expensive to the consumer. The Widget Wedge virtually eliminates this threat of widget failure, and can be installed by any consumer at any time for a reasonable price per unit. Elimination of this worry of failure has a tremendous impact of the way consumers live their lives and organize their activities. The Widget Minder has been adapted for single system use to provide the consumer with the peace of mind of knowing that they will no longer be impacted by unexpected widget failure. This special adaptation of the proprietary software that is the heart of Widget Minder was developed in response to the overwhelming demand of consumers who had knowledge of the original product in the business environment.

1. Consumer Brand Associations

- Reliable
- Standardized product for easy assembly
- Competitive pricing
- Easy to order and use
- Unparalleled quality
- Peace of mind knowing that monitoring will prevent future crises and losses
- Unique product that will lead to greater acceptance and use of systems in daily living

MARKETING STRATEGY

Widgets, Inc. will market to three distinct constituencies:

Manufacturers

Businesses

Consumers.

Although Widgets, Inc.'s products have already gone to market, the primary focus of the marketing effort is on the manufacturing sector. Additional funding will allow us to equalize the marketing efforts so that sales and distribution will be more equal by Q-3 of 2001. Even more critical is ensuring that production and delivery channels are in place prior to increased marketing efforts take place so that Widgets, Inc. may meet the expected 687% increase in demand that is projected in the next 12 months. Our goal is to make sure our marketing and fulfillment of orders are synchronized so that all customers are 100% satisfied with every interaction with Widgets, Inc.

In many ways, Widgets, Inc. will apply the concept of "viral marketing" from the Internet and e-commerce. To date, the best marketing we have had is from satisfied customers who share information with their contacts and increase demand without direct effort from Widgets, Inc.. Widgets, Inc. recognizes and appreciates the power of satisfied customers who communicate with other consumers, especially in the technology sector where computer owners tend to use systems to connect to the World Wide Web and utilize electronic communications to talk up products and services that enhance or improve their ability to stay connected with well operating systems.

Widgets, Inc.'s marketing efforts will continue to build on momentum in deploying additional sales teams on a regional basis. Those teams are developing partnerships with manufacturer's representatives, retail supply houses and retail outlets. Additional partnerships include on-line shopping sites that already have fulfillment organizations in place that will eliminate the need for Widgets, Inc. having to develop additional fulfillment locations and services. Initial meetings have been productive in the selection of Madison Avenue Advertising, Inc. as the agency to develop an aggressive, nationwide campaign to launch the products of Widgets, Inc.. The campaign is planned to debut with new and innovative ads first seen during the first half of the Super Bowl at the end of January. Following that Sunday evening broadcast, the full advertising campaign will be rolled out over the following three months. Prior to the Super Bowl, all sales and marketing staff will be in place and functioning for at least two months in preparation of the increased interest and activity resulting from the advertising launch.

PRODUCT

A. The Widgets, Inc. Solution

Widgets, Inc. offers three distinct product lines that will be launched simultaneously. The products are Widget Master, Widget Wedge and Widget Minder.

Widget Master is designed to meet standard specifications of all the leading systems manufacturers and assemblers as an integral piece of every new system. With supplier agreements in place with three of the top seven system builders in the U. S., the 1999 total of 3.78 million units will be met at the end of Quarter 3. Negotiations continue with three additional system builders.

Widget Wedge is a breakthrough product that makes it virtually interchangeable with replacement widgets for almost all other widget manufacturers. It has been designed to clip in place in any existing system and requires no additional training for technicians. It is so easy to install, that it is now available to the mass market with a two page instruction brochure in easy to read and understand language. Widget Wedge was launched six months ago and is now available on line and through more than 20 mail order catalogs. Widgets, Inc. has focused the marketing efforts on the product at more than 30 trade and retailing events. The product has been featured in the leading publications such as Systems Guru, The Systems Experts, Business Systems and several trade and mass market newspapers. The 1999 annual sales projections (in units) was met within the first 5.5 months since launching this product.

Widget Minder was launched last month and serves to monitor the performance of all widgets in systems of a network. This is made possible through a proprietary software (patent pending). Current plans include posting an interactive version of the software on the World Wide Web that may be downloaded by home or stand-alone computers. This product is expected to be on-line by year's end.

B. The Technology Improvement – Composite Materials

The development and use of composites developed in defense related industries, but was allowed to migrate to the consumer market in recent years. Initial product development was disappointing for consumer goods as the cost of goods was increased rather than decreased as the automotive industry experimented with the products coming from advances in materials science engineering. Continued refinements have been more successful as automotive engineers introduced vehicles that virtually escape damage in crashes at any speed under 50 miles per hour, significantly reducing the maintenance and repair costs across the industry and related sectors. The composite materials have become more available and suppliers more competitive so that the cost of using the materials for other purposes has continued to decline to the point of using the materials in a wide range of products.

C. The Real Technical Stuff

Here is where the engineering and scientific discussion of what makes a composite material and what are the component materials could be done in some detail. Avoid being too long or too detailed, but let the reader know why Widgets, Inc. has done this way ahead of the competitors and why it will take a long, long time for any other company to get into this particular product line. For instance, Widgets, Inc. has an exclusive supplier contract for the key material that is necessary or that there is a patented process that is the best solution for making the right size or shape or necessary weighting of its widgets.

Patents are important and those can be described here to differentiate why Widgets, Inc. will be able to keep not only its first to market advantage, but patents will allow the company to hold that position for a number of years. In the mean time, additional products using this whiz bang, unbelievable and revolutionary process or technology are in the pipeline so that the company is special because it will be able to use its skills to move into new and untapped areas.

PRODUCT PRICING

Widget Master is produced in sufficient quantity to supply 68% of today's system manufacturing capability. The pricing structure per unit is discounted for those manufacturers who contract for X number of units per month. Additional fees are collected for those manufacturers who use the Widgets, Inc. products as a marketing or selling feature in the market place.

Widget Wedge is priced competitively for the consumer market. The cost per unit is 20% more than the our competitor's plastic widget, but is guaranteed to eliminate the need to repeatedly replace widgets over the life of the system. The consumer market research has shown that the improvements in the widget is well received and the additional 20% price increase is considered a small price to pay to eliminate a persistent problem with systems.

Widget Minder is the monitor on all widgets in a system and is particularly designed for networked systems. The Widget Minder is currently installed either through a licensing agreement for large networks that are hosted outside Widgets, Inc. or one of our partner hosts. Other systems are monitored by Widgets, Inc. for a monthly fee based on the number of units monitored. As this product has been available for less that three months, the pricing strategy is being evaluated and reviewed to find any potential changes that will need to be made within the first six months of deployment.

Additional discussion should be added describing the margins for each product so that the cost of producing the products and the price for which the goods sell is very clear. Widgets, Inc. margins are definitely above 20% or more and is supported by charts or numbers to show that to investors.

REVENUES

Widgets, Inc. currently derives revenue from three sources:

- A. Widget Master
- B. Widget Wedge
- C. Widget Minder
- D. Future Products in Development

A. Widget Master

Here is an additional discussion of current revenue from this product, the anticipated revenues based on the projected number of systems that will be manufactured during the next five years and the number of agreements in place with specific manufacturers to supply widgets. Any additional discussions to put contracts in place for supplying additional manufacturers and how that will impact on revenues would provide the investor with specific information to predict revenue from this product. Projections may be for domestic production as well as for the global market that represents an opportunity for huge increase in sales of this product.

Pie charts, graphs or spreadsheets here would assist in conveying revenues visually

B. Widget Wedge

As a revenue stream, replacement widgets for existing systems will be limited by several factors that should be described. These factors that influence the revenue expected from this product include the number of existing systems with old style widgets, the number of years owners will use old systems before replacement, the use of composite widgets in newly manufactured systems resulting in a decreasing need for this product, etc. Projections of revenues for this product must be realistic considering the declining demand for this product after X number of years.

Pie charts, graphs or spreadsheets here would assist in conveying revenues visually

C. Widget Minder

As this is a new product and/or service, this may be the area where revenues will be expected to grow most rapidly. Discuss whether this will be licensed or sold or specifics on generating revenue from this product. Describe how large organizations and individual consumers will be charged for this product and how the revenue will be sustained over the long haul.

Pie charts, graphs or spreadsheets here would assist in conveying revenues visually

D. Future Products in Development

If new products with specific revenue models are close to a roll-out, it may be mentioned here. This should not be an extensive discussion as the business is not yet generating revenue from products that are not yet in the marketplace.

COMPETITION

Our potential competitors are the traditional companies that currently continue to produce the plastic widget that has been on the market since the earliest production of systems. Widgets, Inc. has patents to protect this new product and is first to market with an advantage of several years before the competition. Specific companies should be mentioned and why the strategic partnerships with systems manufacturers and consumer suppliers are critical to stay ahead of any competitors. Widgets, Inc. can emphasize the advantages of the product, the use of a composite technology to develop new products, and the value of establishing itself as the preeminent innovator in the market. Widgets, Inc. recognizes and evaluates that competition, and then can describe why this company has unique attributes that set it apart from the competition.

FINANCIALS

It is essential that the assumptions used in developing the financial projections for Widgets, Inc., or any company, be included here. The investor is looking for projections for Year 1 and Year 2 to be broken down month by month. For Year 3, Year 4 and Year 5, the projections may be done quarterly. Spreadsheets are the usual format for the financials in the Appendix as long as the assumptions and the basis for the calculations are explained here thoroughly. The investor needs to see that all the variables relevant to operating the company have been taken into account in projecting product development, product deployment and operating costs.

WIDGETS, INC. OVERVIEW

Widgets, Inc. is seeking a capital investment of \$10,000,000 to execute the further development of Generation III products, deploy the planned region-based sales force, and expand manufacturing capability. Widgets, Inc. has a commitment from Big Deals Venture of Phoenix, an early seed investor, to participate in additional investment rounds.