

Business Plan
for
HighTech, Inc.

October 2007

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BUSINESS PLANNING PROCESS AND QUESTIONS

Process

- 1) Review the questions below to get a feel for the desired scope, flavor & flow of the plan.
- 2) Insert key concept trigger phrases after each question in all sections
- 3) Fill in all the tables with conservative and highly confident values
- 4) Flesh out the key concepts for each question in all sections with convincing and succinct prose.
- 5) Check all questions and tables for completeness, consistency and complementarity.
- 6) Review the text to reduce redundancy and wordiness that doesn't contribute to conviction and excitement.
- 7) Check the final idea flow, formatting and section breakdowns.

Questions

How does this plan tell a well-researched, credible and compelling story?

How well targetted is the plan to the particular reader?

How does it convey the size and timing of the opportunity, with a unique ability to harvest it?

How thorough, balanced and self-consistent are the categories and their explanations?

How clear and complementary are each sections goals, constraints, tools and measurements?

How well do the planned resources balance with the efforts and rewards of the goals?

How enduring does the strategy, business plan and the company appear to be?

How much committment is there to a clear vision and for the long-haul?

How much raw enthusiasm and expertise is being brought to bear on the project?

How does the plan build and execute a sound strategy for relationships with key players?

This is a general statement about the Company's beliefs in the future of its industry, and its role within

BUSINESS OVERVIEW (ONE PAGE ONLY)

How, when, where and why was the Company formed?

Who are the key team members, and how do they complement each other?

What are the major market size and growth opportunities?

How do the Company products address the market opportunities?

Who are the competition, and how do the Company products compare with their products?

What are the strategic competitive advantages, and how will the Company sustain them?

What will the Company's success profile look like?

What resources in people and capital will it take to achieve success, and when?

How will the investors enjoy the fruits of Company success?

EXECUTIVE SUMMARY (2 PAGE BRIEF)

BUSINESS CONCEPT

Give the most succinct description of the overall Company goals and reasons for success.

MARKET OPPORTUNITIES

What are the market trends and impending events which support your goals?

Who are the customers and why will they buy your products?

What are the growth and penetration opportunities in each of the major market segments?

MARKETING STRATEGY

What are the goals for market success?

How will the Company position itself for maximum market penetration and then execute?

How will the Company add value to their products and get them to market?

COMPETITIVE ADVANTAGES

What are the strategic if not unfair competitive advantages and how will you defend them?

How do these advantages affect the competition?

COMPETITION

What is the profile of the competition, and what makes them so competitive?

What are their strategic market positions, and what are their strengths and weaknesses?

TECHNOLOGY

What is the essence of the technology?

How well-developed is the technology: concept, models, architecture, prototype, products?

Why is this technology better than what exists?

PRODUCTS

What are the key features, strengths and weaknesses of the products?

How do they compare in price and performance with the competition?

BUSINESS DEVELOPMENT STRATEGY

Phase 1 (199X) *Describe the "startup" phase*

Phase 2 (199Y) *Describe the "penetration" phase*

Phase 3 (199Z) *Describe the "growth" phase*

BUSINESS STATUS

What is the current status of the business including: # of customers, # sold, \$ revenues, \$ profits, strategic relationships, key assets gained.

MANUFACTURING/OPERATIONS

How will the products be manufactured and readied for market?

How will product quality be assured, at delivery and later?

PROTECTION STRATEGY

How will the Company protect its market position and intellectual properties as well as expand upon them?

PROFIT POTENTIAL

	<u>199A</u>	<u>199B</u>	<u>199C</u>	<u>199D</u>	<u>199E</u>
Total Market Size (\$M)					
Market Share (%)					
Revenue (\$M)					
Sales Volume (K units)					
Gross Margin (%)					
Net Profit After Tax (\$M)					

FUNDING STRATEGY

How will the Company be funded, and for how much, through each Phase of development?

EXIT STRATEGY

How will the investors become liquid, at what return on capital, and when?

BUSINESS TEAM

Give a brief description of each key member of the business team and how they complement each other.

COMPANY BACKGROUND

Origins

When and where did the company start?

Where did the management team and key employees come from, and what makes them special?

Why was this industry selected?

Mission Statement

What are the primary goals and philosophies of the business?

Current Status

*What significant accomplishments have been achieved?
(marketing, technology, manufacturing, distribution, sales)*

*What resources were required to achieve the current status?
(time, money, people, services)*

How have these accomplishments positioned the company for success?

Growth Plans

*What will the company profile look like in 1, 3 and 5 years?
(employees, sales, profitability, market share, product breadth/depth, position in the market,*

*What key measures of company performance will be used?
(ROI, margins, profits, revenues, turnover, returns,*

KEY GOALS USED TO GAUGE AND MANAGE COMPANY GROWTH

<u>Performance Goals</u>	<u>Startup Phase</u>	<u>Ramp-Up Phase</u>	<u>Growth Phase</u>
Timeframe (year)	1994-1995	1996-1998	1998-2000
Revenue (\$)			
Sales Volume (# units)			
Gross Margin (%)			
Profit After Tax (\$)			
Profit After Tax (%)			
Market Segments (#)			
Market Share (%)			
Customers (#)			
New Customer Rate (per mo.)			
Average Order Size (#)			
Productline Width (#)			
Product Intro Rate (per yr)			
Pricing Leadership (% below)			
Inventory Turns (per yr)			
Yield (%)			

KEY RESOURCES NEEDED TO ACHIEVE THE GROWTH GOALS

<u>Resource</u>	<u>Startup Phase</u>	<u>Ramp-Up Phase</u>	<u>Growth Phase</u>
Timeframe (year)			
Investments (\$M)			
Employees (#)			
Facilities (sq. ft.)			

*What strategies are most critical for achieving the goals?
(management, marketing, technology, manufacturing, distribution, sales)*

Company Excellence

What key tools and criteria will be used to measure and manage company success?

INDUSTRY ANALYSIS

Chief Characteristics

What is the industry nature, size, growth potential and trends?

Participants

Who are the current and future key players in this industry?

What are their profiles of these key players?

Analyst Summaries

Who has said what about your industry, your competitors and your company?

Trend Analysis

Where has your industry come from, and where is it going?

Why is this industry progression inevitable?

How has the company positioned itself to take maximum advantage of the opportunity?

What are the key risks and opportunities?

Industry Rating

What tools & criteria will be used to identify new industry opportunities and gauge their appropriateness? (barriers to entry, technical leverage,

MARKET ANALYSIS

Characteristics and Trends

Is the market a new and undefined, or mature and predictable?

Is the market a fad or a trend?

Is the product a luxury, or a necessity?

Does the product satisfy an existing need, or does it depend upon creating a need?

What economic impact will the products have?

Does the product depend upon other products for its success?

Does the product require the customer to change or learn?

How well is the customer currently being served?

Is there more room available, or to be made in these market segments?

Customer Profiles

*What are the key characteristics of each category of customer?
(size, growth, age, receptivity, distr. channel,*

What response or feedback has been received from customers?

What fraction of your customers represent what fraction of your business?

ESTIMATED NUMBER OF CUSTOMERS RELATIVE TO THEIR PERCENTAGE OF OUR ORDERS

Percentage of Sales->	<u>1-20</u>	<u>10-20</u>	<u>20-30</u>	<u>30-40</u>	<u>40-50</u>
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Number of Customers

What is the distribution of sizes of your customer orders?

PERCENTAGE OF CUSTOMERS IN EACH MKT SEGMENT VS TYPICAL ORDER SIZE

Order Size->	<u>10-100</u>	<u>100-500</u>	<u>500-1K</u>	<u>1K-5K</u>	<u>5K-10K</u>	<u>10K-50K</u>	<u>50-100K</u>
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**Multimedia
Communic.
Inspection
Security**

Size, Growth and Market Share Projections

What are the total, served and shares of market for each segment?

MARKET SEGMENT SIZES

	<u>Multimedia</u>	<u>Communic.</u>	<u>Inspection</u>	<u>Security</u>
Total Available Market	\$	\$	\$	\$
Served Available Market	\$	\$	\$	\$
Share of Market	%	%	%	%

*How is the market segmented, and why?
(application, price, distribution channel,*

FACTORS AFFECTING MARKETS SEGMENTATION

<u>Segmentation Factors</u>	<u>Multimedia</u>	<u>Communic.</u>	<u>Inspection</u>	<u>Security</u>
Price (1K/mo. order)				
Payback (months)				
Sales Channel				
Resolution (K pixels)				
Noise (S/N ratio)				
Color/BW				
Packaging Shape				
Size (example)				
Weight				
Unobtrusiveness				
Flexibility/Controls				
Modularity/Upgradability				
Compatibility w/analog				
Intelligence (Plug & Play)				

What is the history and projections of key market performance factors in each segment?

Why will the company gain the market share it projects, in comparison with traditional factors?

Sales, Distribution and Profits by Product

Is the product ready for the end-user, or how will it be used in/with other products?

Who will you sell to, and how will you get it to them?

Why will they want to buy the product, and why from you?

What seasonal, geographical, political or social factors affect sales and distribution?

Market Excellence**CRITERIA FOR MEASURING MARKET APPROPRIATENESS**

<u>Performance Parameter</u>	<u>Target Value</u>
Market need	identified
Market receptivity / readiness	high
Payback to end-user	less than 1 year
Product life in market segment	2-3 times product breakeven
Market segment life-cycle stage	rapidly emerging
Total market segment sales potential	over \$100 Million
Market segment growth rate	greater than 30% per year
Potential share of market segment	greater than 20%
Gross Margins	greater than 50%
Cost Structure	low-cost provider
Technical synergy and focus	leverages off core competence

COMPETITIVE ANALYSIS

Competitor Profile

*What is the profile of your most significant competitor?
(size, age, sales, location, related products, reputation, management,*

*What makes them competitive?
(size, tradition, responsiveness, relationships, price, delivery, quality,*

*What product vulnerabilities exist, and how could they be exploited?
(price, performance, flexibility, control, interface, packaging, quality, reliability, promotion, support, service,*

*What are their business strengths and weaknesses?
(marketing, sales, distribution, technology, products, manufacturing, service, support)*

What is their history and future prospects?

Barriers to Entry

*What are the barriers to entry in this industry or market?
(capital, technology, manufacturing, economies of scale, relationships, industry resistance,*

What events or trends could affect these barriers?

Product Comparison

KEY PRODUCT COMPARISON FACTORS

<u>Comparison Factor</u>	<u>Our Products</u>	<u>Competitor's</u>
Price (1K/mo. order)		
Computer control over functions		
Power to camera		
Video output format		
Intelligence (Plug & Play)		
Base frame rate control (fps)		
Integration time control		
Electronic shutter control		
Gain control		
Gamma correction		
White balance		
Color saturation		
Field scan modes		
Scan re-synchronization		
Digital audio & info data channels		
Size (example)		
Weight		
Connector at computer host		

Segmentation Analysis

Why are your competitors segmented as they are?

Competitive Excellence

What tools & indicators will be used to measure & predict competitive strengths & weaknesses?

MARKETING STRATEGY

Positioning and Penetration

*What key factors make the company different and better than the competition?
(products, processes, relationships, technology, location, cost structure,*

What real need does the company fill better than anyone else?

Why and how do the products fill a real customer need, and better than the competition?

How do our products match each market segment while leveraging base expertise?

How have our products elevated customer expectations, making us more competitive?

What new needs could the company fill if it identified a new segment?

Advertising, Promotion and Public Relations

*How will new customers be identified and captured in each segment?
(market research,*

*What methods will be used to promote the company and its products?
(shows, ads, mailings, cold calls, referrals, publicity,*

Press Release or Public Event

Quarter/Year

Press Release:

New Product Announcement:

Packaging and Pricing

*How will the product be packaged and labelled?
(integration levels, applications, branding, marking,*

*What is the pricing strategy and elasticity in comparison with the competition?
(direct, dealers, distributors, OEMs, volumes, discounts,*

<u>ORDER QUANTITY</u>	<u>PRODUCT ONE</u>	<u>PRODUCT TWO</u>	<u>PRODUCT THREE</u>
1 - 10	\$	\$	\$
11 - 50	\$	\$	\$
51 - 100	\$	\$	\$
101 - 500	\$	\$	\$

MARKETING

510 - 1K	\$	\$	\$
1K - 5K	\$	\$	\$
5K 10K	\$	\$	\$
1K- 50K	\$	\$	\$
50K - 100K	\$	\$	\$
100K +	\$	\$	\$

Marketing Excellence

What tools and success criteria will be used to measure and manage marketing?

CRITERIA FOR GAUGING MARKETING EFFECTIVENESS

Performance Parameter

Target Value

Sales Forecast

Product	199A		199B		199C		199D		199E	
	Units (K)	ASP (\$)	Units (K)	ASP (\$)	Units (K)	ASP (\$)	Units (K)	ASP (\$)	Units (K)	ASP (\$)

Product One
Product Two
Product Three

Sales and Distribution

What sales methods and tactics will be used to introduce products and close orders?

*What sales organizations will sell the products in each segment?
(direct sales, outside sales, reps,*

*What channels will each segment use to distribute the products?
(direct, distributors, VADs, VARs, OEM,*

*What sales tools will be used to demonstrate the products, get orders and serve customers?
(loaners, apps notes, training, technical assistance, testimonials,*

What will the quotas and commission structures be, and how will they be administered?

*How will product and geographic expansion occur and be managed?
(depth, breadth, domestic/international,*

What is the sales cycle of each segment, and how will it be managed?

*What tools and criteria will be used to measure and manage sales and distribution success?
(contacts, closings, repeat orders, order size, new customers,*

CRITERIA FOR GAUGING SALESPERSON EFFECTIVENESS**Performance Parameter****Target Value**

Sales Volume (\$)
Sales volume (units)
Growth in customer volumes
Growth of customer base

Service and Warranty Policies

What is the warranty policy, and how is it justified and supported?

PRODUCTS

Product Line Description

What is the description of each product and its stage in the product life cycle?

What are the target applications for each product?

What are the potential synergies or conflicts between the products?

How does the product solve the problem or satisfy the need better?

How does the product achieve these advantages?

How does it compare to competing products?

How will the company defend against obsolescence or competitive pressures?

What is the anticipated product life cycle?

What key or unique resources does the product depend upon?

What maintenance, upgrade and service will the product require?

Does the product require consumables, and how will they contribute to profits?

*What critical materials, tools or processes does the product depend upon?
(sourcing, supply/demand, obsolescence,*

Is there a shelf-life or life-expectancy of the product in stock?

Product Liabilities and Exposure

What direct and indirect liabilities might the products incur?

How will the company mitigate them?

Product Excellence

*What tools and criteria will be used to measure and manage product success?
(cost, performance,*

CRITERIA TO GAUGE PRODUCT SUCCESS

Performance Parameter

Target Value

TECHNOLOGY

Concept Development

How and why was the technology developed?

Why is this approach better?

Technical Accomplishments

What significant accomplishments have been achieved thus far?

How and to what degree has the technology been validated, tested and improved?

Future Product Development Plan

How will products and technology be expanded without losing focus of key strengths?

How will the base technology be leveraged from existing to new products?

Will the new products expand current markets, or open up new markets?

What technical breakthroughs are required to maintain margin and remain competitive?

New Technology and Product Milestone

Quarter/Year

Technical Leadership Plan

How will our resources and methodologies be improved to maintain our leadership?

Is the technology a deviation from trends, or an advancement/leverage on existing trends?

Strategic Competitive Advantages

What aspect of our products, processes and relationships make it harder to compete with us?

What fraction of the product is produced or controlled exclusively by the company?

Intellectual Property and Protection

Who owns the rights to the technology, its manufacture and distribution?

How will the integrity, confidentiality and competitive nature of our products be protected?

Technology Excellence

*What tools and criteria will be used to measure and manage successful technology?
(inventions, breakthroughs, product development cycle, product enhancements,*

CRITERIA TO GAUGE TECHNICAL LEADERSHIP

Performance Parameter

Target Value

**New product design efficiency
New product development
New product introduction
Cost reduction of existing products**

MANUFACTURING OPERATIONS

Production Logistics

Where will the product be produced, and why there?

How will capacity, throughput, cost and quality be managed?

How responsive can production be to changes in sales volume and product mix?

Production Cycles and Schedules

What are the critical lead-times and turn-around times of production?

Facilities and Equipment Plan

What key resources and support are required?

Manufacturing Process Plan

How will the product be produced?

What are the key production controls and measurements, and how will they be managed?

What fraction of the product cost does the company control?

How will direct and indirect costs be continually reduced to maintain margin?

Customer Service and Support

How will the products be maintained, upgraded and serviced?

How will the customer service be provided?

Regulatory, Legal and Labor Considerations

What regulatory agencies and codes affect the product and the company?

What legal issues are pending or anticipated, and how will the company protect itself?

What are the labor issues which could impact production?

Economic, Environmental, Safety and Social Impact

What exposures and impacts could the company experience?

How will it avoid, prepare and cope with them?

Production Capacity

EXPECTED EYECAM PRODUCTION VOLUME

<u>Year</u>	<u>Conservative</u>	<u>Optimistic</u>
1995		
1996		
1997		
1998		
1999		

PROJECTED PRODUCT COST AND MILESTONE DATE VS. ACCUMULATED VOLUME

<u>Accumulated Production (units)</u>	<u>Unit Cost (\$)</u>	<u>Milestone based on Forecasts</u>
500		
10,000		
40,000		
100,000		
200,000		
350,000		

Manufacturing Excellence

*What tools and criteria will be used to measure and manage manufacturing success?
(output, yield, returns, rework, inventory turns, stocking levels, spares, mortality statistics, part
obsolescence,*

CRITERIA TO GAUGE MANUFACTURING PRODUCTIVITY

<u>Performance Parameter</u>	<u>Target Value</u>
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MANAGEMENT & OWNERSHIP

Organization

How is the management organized currently?

What will it's profile be at key growth phases, and how will it be developed?

How will access to information and resources correlate with authority, responsibility and experience?

Key People and Experience

What is the profile the key staff members? (industry experience, track record,

Staff relationships with and obligations to current and previous companies?

How will the staff be developed, from where, and why?

Staffing & Compensation Plan

<u>Name</u>	<u>Title</u>	<u>Reports To</u>	<u>Salary 1995</u>	<u>Salary 1996</u>	<u>Salary 1997</u>
	President / CEO	Board of Directors			
	VP Operations	President			
	VP Engineering	President			
	VP Finance/Admin.	President			
	VP Marketing	President			
	VP Sales	President			

TOTAL SALARIES: (\$K)

\$0 \$0 \$0

Ownership Distribution & Incentive Plan

<u>Name</u>	<u>Title</u>	<u>Shares Earned</u>	<u>Shares Vesting</u>	<u>Share Price</u>	<u>Invest -ment</u>	<u>Warrant Grant'd</u>	<u>Warrant Price</u>	<u>Owner-ship</u>
	Pres.							
	VP Ops							
	VP Engr							
	VP Fin.							
	VP Sale							
	Engrs.							
Other Empl.*	Various							
Investors **	Various							
TOTALS:	of 10M							100%

- * These shares are allocated to future employees and special outside contributors
** These shares are allocated to potential private investors.

Management Style & Work Environment

How will the company attract and keep good people?

Board of Directors

How is the current board composed?

How will the board be developed, and from what sources, and why?

Outside Support & Services

What key outside resources are required, and how will they be found, used & compensated?

Management Excellence

*What tools and criteria will be used to measure and manage management success?
(employee turnover, customer satisfaction, share value,*

CRITERIA TO GAUGE MANAGEMENT SUCCESS

<u>Performance Parameter</u>	<u>Target Value</u>
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FINANCIAL

Funding Plan

What is the amount and preferred structure of the proposed financing?

What is plan for stock value growth?

What will the funds be used for?

What will the be the range of returns on investment?

Cash and Cost Control Plan and Assumptions

How will cash be conserved and managed?

What sources of cash will be sought? (loans, advances, NRE, investment, licenses,

Financial Obligations

What are the existing commitments? (licenses, leases, contracts,

Credit and Collections

How much credit will be extended to new and existing customers, and under what terms?

How will collections be expedited?

Liquidity Plan

By what means will the investors become liquid, and in what timeframe?

Financial Excellence

What tools and criteria will be used to measure and manage financial success?

The following tools & criteria will be used to gauge and manage financial efficiency.

CRITERIA TO GAUGE FINANCIAL SUCCESS

Performance Parameter

Target Value

RISK ANALYSIS

Issues and Resolution

What internal and external factors is the company most vulnerable to?

What liabilities might the technology, products or processes incur?

Does the company depend upon an outside entity or event for survival?

Risk Avoidance and Abatement Excellence

What tools and criteria will be used to identify, avoid and deal with risks and problems?

APPENDICES

Strategic Relationships

Customer Lists

Market Analysis and Projections

Competitor Lists

Letters of Intent and Key Contracts

Product Literature & Technical Data Sheets

Published Articles of Interest

New Technology and Product Roadmap

Milestones and Schedules

Resumes of Founders

Organization Chart (thru 1995)

Financial Statements and Projections (see attached)

Profit and Loss Statement

Income and Balance Sheets

Cashflow Statement

Breakeven and Profitability Schedule

Assumptions Used in Financial Statements