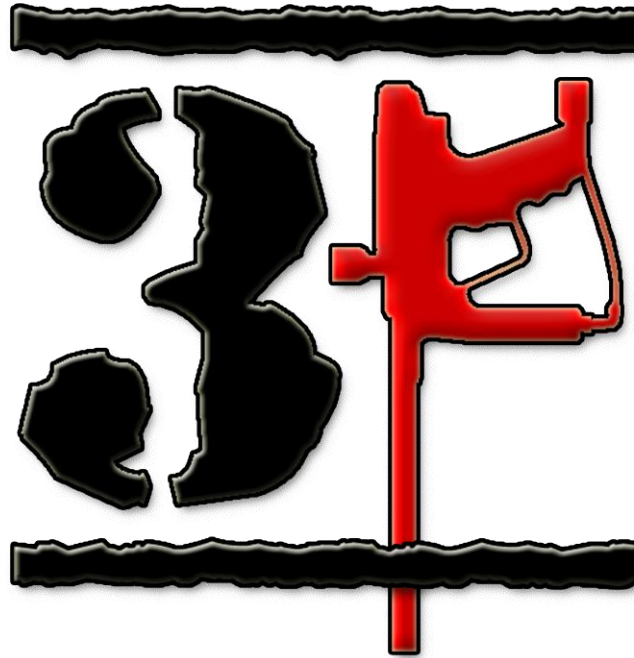


Business Plan



FRIENDLY FORCES FINDER

“See Your Team”

3F – Friendly Forces Finder

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I. Table of Contents

I.	Table of Contents.....	2
II.	Executive Summary	3
III.	General Company Description	5
IV.	Products and Services.....	8
V.	Marketing Plan	9
VI.	Operational Plan.....	188
VII.	Financial Plan	211
VIII.	Appendices	29

II. Executive Summary

The necessity to locate entities that are not in line-of-sight is a detrimental paintball need. The current technology that exists, which facilitates the tracking of teammates while enhancing the layman's operational capability, is currently the governor of a professional's operational tempo. The aspect of current technologies which limit operational capability is that these devices such as GPS navigation systems, walky-talkies, maps and compasses are hand-held. Meaning they tie-up their users' hands while they fidget with such devices. To caveat off of that aspect, such devices also take your eyes and focus off of the over-all objective, thereby, increasing the risk of mission failure.

The purpose of Smart Specs LLC is to provide a hands-free device that can facilitate teammate tracking, data sharing and inter-team communication. The 3F project enables real-time location data to be displayed in the user's regular field of view, as well as enhance communication amongst the team through a built in hands-free radio. Smart Specs wirelessly provides viable information to multiple users who are on the same net, thus eliminating the need for other methods of communication.

Our strategy is to sell the 3F product to paintball fields across the country and to create a new paintball game scenario. We will start off by traveling across the country, starting in the Midwest, heading southeast, and finally making our way clockwise to the remainder of the country. This plan has been constructed for us to hit the hottest paintball spots first. The van we will be traveling in will be decked out with Smart Specs logos, and we will hit up as many paintball stores along the way in order to spread the word of our product.

The target market is paintball, specifically the scenario based paintball market. Players in this segment tend to be ages 16-30, and also have flexible incomes. These players will spend top dollar for vanity and any advantage. These players will typically spend \$1,020 on gear very quickly. Scenario paintball players have also developed many games, which include capture the flag, siege the base, hostage rescue, and many more. Our product will introduce them to a new scenario. At first they will be able to see each other, but the future of our product will be very broad. Our technology will be able to simulate UAVs (spot enemies for a period of time), object locator (see the flag), indoor blueprints, ammunition meter, and many other possibilities. The current and future functionality of our product will create a new, fun scenario that will make players feel like they are living in a video game.

Paintball fields are the primary target for our product. There are roughly 1,500 fields in the U.S., with the majority located in the Midwest and Southeast. We plan on visiting many of the top fields in order to get our game scenario started. 50 units will allow for a 25 man team scenario for paintball fields. 50 units will cost roughly \$30,000; however, by renting each unit for \$15 per day and 8 days per month, the entire \$30,000

will be recovered in 5 months just off renting. Owners will also gain a peripheral return, which includes new customers, the new field setup, and a new game.

Our operations will be on the road for the first 4 months, with our company being located in a 3,000 square foot facility, which will hold our office, R&D lab, and warehouse. At the start, we will have 100 units as safety stock. We will be distributing out of our warehouse, handling business and orders in the office, and doing R&D for future technological and product upgrades in the lab. We will have 3 employees, which will consist of two engineers and one business savvy leader. The first two years will net each employee \$24,000 annually in order to push our company into the correct direction.

The startup costs are roughly \$400,000. All of the investment will be needed immediately. \$60,000 will be needed for initial product, which will consist of a starter 50 unit batch plus 50 units of safety stock. We will need \$5,000 for initial R&D, \$33,000 for marketing, \$35,000 for initial capital, \$36,000 for salaries, and an extra ~10% for contingencies. \$100,000 is needed for field testing, patent filing, lawyer's fees, etc... The rest of the investment is needed for miscellaneous corporate expenses and warehouse equipment and furniture.

Our company provides a unique technology into an existing market, but we are creating a new segment. We are categorized as high risk, but we will have a return-on-investment of 40%. In other words, we will return 10 times our investment in 5 years. The breakeven has been calculated to be roughly 18-19 months. This is the amount of time it will take for us to recover the first year losses from startup and fixed costs, and the variable costs of the first 18 months. Our 3 year estimates suggest our company to have made over a million dollars in revenue by year 3.

III. General Company Description

Business Description:

Smart Specs stands alone as the paintball industry's sole heads-up-display (HUD) provider. Smart Specs target customer is made up of paintball field owners and teams. We provide these clients with state of the art electronics designed to give them the edge over their opponents. Our flagship product 3F provides its user with real time hands-free teammate tracking and data sharing. 3F will revolutionize the way in which paintball is played and we plan to take full advantage of this revolution for years to come.

Mission Statement:

Our mission is to provide our paintball clients with state of the art, useful technology, designed to give its user the advantage over their opponent in combat scenarios.

Company Goals and Objectives:

Our goals include durability, reliable, and any other traits our products need in order to maintain good customer satisfaction. Our product augments modern paintball tactics and techniques giving our user an extreme advantage. In order to maintain that advantage we will release new accessories, software upgrades as well as design multiple scenarios in order to keep customer interest and facilitate our customers need. Our initial financial goals are to distribute our product to 50+ paintball fields within the United States, and continue to spread throughout the nation. We will strive to develop more than one optical device to ensure our customer base maintains growth in size and satisfaction.

Business Philosophy:

"If we can't find a way, we'll make a way." Innovative and effective solutions that facilitate the needs of our clients stand atop all other priorities. Our business philosophy is rooted in the advancement of entertainment and customer satisfaction. We also recognize the fallible nature of equipment in extreme conditions which is why if any customer that is unhappy with our product will have tech support available as well as a mobile tech team that will visit our clients annually or upon request. We will also provide our customers with the ability to send in damaged units for repair or replacement. Our company aims to be a well-known and respected business in the paintball community, and perhaps other markets in the future.

Business Model:

Our business model is to sell our product in bundles to paintball fields located around the nation. We will start with the most popular and weather friendly regions and work our way around the country. We will have a company van with our logo all over it, which will allow us to visit the fields we intend to do business. Our product will be attached to a thermal mask, and will have any necessary pieces of equipment for upgrades, repair, or use along with it. Product promotion will take place as we visit individual fields and stores during our trip around the nation.

Target Market:

Our target market lies within the paintball industry, specifically scenario based paintball (also referred to as woods ball.) Scenario based paintball has a slightly higher population than speedball, which is the other paintball market. Woods ball recreates real-world battlefield conditions as closely as possible. Scenario based teams usually have ranks assigned to each team member, they execute practiced maneuvers, they engage and defend their enemy and territory, all of which mirror military operations. Our product would provide a perfect fit within woods ball as it provides each user with real time data transfer, the ability to see their own teammates whether or not they happen to be within or out of line of sight. Woods ball players have expendable income. They are players who will spend top dollar to gain the advantage over their opponents. The current capability and future upgrades to our product fit perfectly within the woods ball market.

Fratricide regularly occurs in paintball and our product 3F addresses and dramatically reduces that occurrence. Our current product coupled with future upgrades enables us to create an entirely new market segment in the paintball industry where people would go to fields specifically for the use of 3F.

Industry Description:

The paintball industry has been around for many years. In fact, the industry has grown 80% in the past 4 years. The potential for continued growth in the paintball industry is high, and with the introduction of 3F, we believe the paintball industry will experience a greater rate of growth. Our company can take advantage of the recent and potential growth by establishing our product as a trusted addition to the paintball community. With the introduction of new gaming scenarios, software upgrades and game enhancing accessories, our system will gain popularity for years to come.

Company Strengths:

Our company's greatest strength is our Smart Specs team. The Smart Specs team is comprised of a breath of engineering, business, and industrial technology backgrounds assimilated into one team with the same philosophy: "if we can't find a way, we'll make a way." Our product is unique, innovative and will prove to be a dependable augmentation for any paintball team. Our product offers outstanding interchangeability between standard paintball masks, which prevents further cost incursion. Once we have established our product within the paintball industry, customers will know that the implementation of our product means success in the field.

Competitive Advantage:

Without any direct competition currently in the paintball arena, our indirect competitors are hand-held devices such as radios, GPS, and the utilization of maps and compasses. Our initial prototype (to be beta tested) eliminates the need for hand-held radios, GPS devices, and extremely slow map and compass techniques. Our prototype has the capability to facilitate all three of those devices and best of all, it will do so in a hands-free manner enabling your hands to stay on your marker (paintball gun), and your head in the game. Our product will create never before possible game scenarios, as well as bring realistic combat communication to the paintball field. The ability to incorporate teammate identification, inter-team communication, and data sharing all in real time will make it tough for these indirect competitors to compete on the paintball field against teams using our product.

Legal form of ownership: Limited liability corporation (LLC)

A LLC puts the liability on the company, rather than the individual employees. As a LLC, we can only have 75 employees and 100 investors, but there are benefits. Our company does not need more than 75 employees, and we would like to keep the liability on the company instead of on individuals. Single taxation is a key benefit, which means the company gets taxed; however, employee salaries do not get taxed.

IV. Products and Services

3F is a unique product intended for the paintball industry with the potential for many upgrades and uses. Our product securely attaches to the standard paralleled slot vents atop the paintball mask. 3F's minimal weight, low profile and impact resistant resin makes it an ideal piece of equipment for a strenuous sport like paintball. The 3F system locates team members throughout the paintball field by showing a red dot on the screen along with a distance. (See **Appendix A**) Our product integrates GPS with WiFi to provide real-time mapping of teammates which is displayed through a micro thin LCD screen. The HUD's create a net through a command node which is maintained by the team commander. This net referred to hence fourth as Battle Net facilitates the transfer of data packets between the HUD's.

Our product is superior to alternatives, because of its functionality, durability and hands-free nature. Our technology will combat fratricide, enable real-time data sharing, and enhance the operational capability of any team equipped with our product. Our product will be the first to create a game scenario that simulates an unmanned aerial vehicle video feed (Allows a player to see the other team) similar to that of modern day warfare and battle simulation video games.

Future additions to our product could include:

1. Wrist-top texting user interface device
2. Voice activated radio system
3. Ammunition meter
4. Full field UAV simulator
5. Overhead multi-map views
6. Software upgrades for optional color displays
7. Clear OLED displays
8. Protective mask inner lens displays
9. Weapon mounted range finder for spotting enemy locations
10. Indoor usability

V. Marketing Plan

Economics

The Market:

The paintball industry currently consists of roughly 10 million players. The average player is between the ages of 13 and 25; however, some players will start as young as 10 and play as long as 60. Paintball is the number 1 growing sport in America and about \$720 million dollars was spent on paintball related products and services in 2008.

Supply and Demand:

Fratricide and maneuverability are major concerns in the paintball market, and gaining the advantage is a primary reason why players will spend the extra dollar for equipment. The remaining percentage is motivated by vanity. Our product not only gives a team a tactical advantage, but it also provides a psychological advantage of making its user look more combat effective. Therefore, the demand for our product will be high enabling our ability to cover our initial investment by way of supplying that demand.

Market Trends:

In the past 4 years, paintball has experienced an 80% growth. A major reason for this is the current economic crisis. An effect of the crisis results in people not spending money on vacations but, making up for the lost vacation time with local entertainment. Paintball proves to be a less expensive way to step out of everyday life with the added benefit of being much closer to home. Our product will enter a growing market and will prove to expand the market further also assisting Smart Specs in recouping our investment payoff very quickly. Once we have established our product in the industry and create our own game scenario, our product will continue to be successful through future inflations or recessions.

Potential Growth:

Our product's unique functionality and the current growth and size of the paintball industry allows for a lot of potential growth for our company. Added features and technological upgrades will allow our company to be successful with our product at many paintball fields world-wide. At first, we plan on

demonstrating through leasing our product to the top 10 fields located in what we have divided into five major regions of the United States. We plan to seed the market for what we have evaluated to be a viral demand.

Entry Barriers:

There are several barriers to entry to consider. The first factor is dependability. The entire premise of success or failure teeters on our ability to increase our end user's operational capability. Without a dependable device the market will lose faith in our ability to provide a worthwhile product. Our second hurdle will be start-up cost. A project of this sophistication which integrates so many high-end technologies will have high up-front costs. We have estimated our initial start-up investment at \$400,000 to cover final R&D, manufacturing consulting, patent costs, marketing, salaries, start-up equipment, and other incidental expenses. We will experience weighty production costs initially because we will only be producing in batch which means a higher per unit manufacturing cost. However, our unit costs will fall as production increases. Another major entry barrier is consumer acceptance and brand recognition. Our product will rely on people giving our equipment a try and spreading the word. So long as people are willing to try the 3F system, they will recognize the increased operational capability our product provides and will spread the word to other consumers. Another barrier to entry is the way in which we have assimilated our technology and the way in which it functions. The 3F system is a unique product; therefore, a patent will be needed to make sure our company has some intellectual property protection.

Overcoming our barriers can be done in several different ways. Our product will be beta tested in extreme conditions, and necessary measures will be taken to overcome any shortcomings we may find through testing. This will lead us towards a more dependable product helping us mitigate Battle Net and product failures. Founders and key employees will defer much of their salary to keep initial costs down and appeal to investors. Overcoming consumer acceptance should be one of our primary tasks as that is what our success hinges upon. To ensure acceptance we will provide a dependable product that will undoubtedly improve our users' operational readiness and enhance their capabilities. We heavily depend on our products reliability and unique ability to increase our users' effectiveness to foster word of mouth promotion. We have also decided to take a look into purchasing tradeshow booths during our initial market run to bolster our products identity and boost sales. A portion of our start-up capital will be spent on filing a patent.

Features and Benefits:

Our product's main feature resides in its hands-free ability to identify teammates. 3F provides the ability through the integration of a micro thin LCD screen attached to the front of the mask over the user's non-dominant firing eye. The LCD has the appearance of a thin sheet of glass; however, red dots identifying the positions of teammates as well as an approximate distance to the other users appear on the screen. This feature helps eliminate fratricide on the paintball field, which has been identified as a very common error. Currently, most paintball field owners use an armband to determine who is on what team, and if members of the opposite team are wearing similar clothing and the identifying cloth is tied on the arm which is not in your line of sight you will have a distinct advantage over the opposite team. The feature also allows players to know how many people are left on their team. When someone is shot they can turn off their 3F and eliminate their red dot on other people's 3F systems.

The benefit of our product is the advantage it gives a user. Instead of having to inspect a person on a field to see if he or she is an enemy, a user can act on what we call "red dot reflex." Our product also gives the benefit of allowing people to feel as though they are in a video game and provides an experience into new game scenarios they never would have fathomed to be possible.

Our company will give after-sale services that include repairs, warranties, and refund-policies. We will only producing in batch to start, be we want to make sure they work properly in order to expand our game's popularity. Therefore, we will service any of our products that do not work properly, because we will only be distributing a small amount at the start. Another reason we'll initially produce in batch is because we want to get end user feedback to make any final adjustments before we launch the product for full scale manufacturing this is to avoid the release of a faulty product. A batch will consist of fifty 3F systems. We will also provide a warranty, because every item in the paintball industry must be durable and last through many battles, as a beta product, we foresee a possible need for return. A refund policy will also be given. If any product does not satisfy a user or field, we will refund them and re-distribute our product. Since we will have a limited supply of demonstration units, we want to make sure our products are at fields that accommodate lots of players, which will increase our brand visibility in the paintball community.

Customers

Paintball Field Owners & Teams:

To best establish market research for these consumers one must analyze the people who comprise their customer base, the players themselves.

Paintball Players:

Paintball players are usually between the ages of 13-25, with a minimum age of 10 and some players have been seen at the age of 60. Paintball players in scenario based games tend to be in the ages of 15-25; however, most woods ball players are in their 20s and spend a good amount of money on equipment. Scenario players will spend cash on equipment that gives them the greatest advantage, and they will spend money on vanity.

The first and most important piece of equipment is the paintball gun, also called a marker. The average marker goes for around \$500; however, they can range from \$150-\$1500. Many players will buy a circuit board for their marker, which allows them to switch between firing modes. These boards go for an average of \$100. Electronic hoppers will also be bought more often than not, because of ball breakage. The electronic hopper feeds the marker paintballs at a constant rate, which prevents paintballs from jamming and breaking in the gun. These hoppers range from \$65-\$150, with an average of \$65. Non-electronic hoppers go for \$20, which explains why the average hopper is at the low end of the spectrum. Masks, which are essential for our product, go for an average of \$40, with a range of \$20-\$100. The reason for the expense is the anti-fogging lenses in the masks. Fogging is a big problem, because of the amount of exhaling a player will do in battle. Barrels are the first piece of equipment many paintball players upgrade. Barrels go anywhere from \$35-\$200, most players end up spending \$200 on multiple barrels. Players will also spend \$100-\$300 on other miscellaneous items such as stocks, remotes, and pads. The average player usually starts with around \$600 worth of equipment, but can end up spending \$1,000 after a few times playing. Paintballs are also a major expense in the market. Most tournament teams go through 10-15 cases of paint a day, which is roughly \$5000-\$7500. Paintball players spend a lot of money, whether it is on equipment or for paint. (See **Appendix B** for a player's cost image)

Scenario based paintball has recently undergone an increase in players while speedball (The other market of paintball) has seen a drop in participants. We attribute this to a multitude of factors, since we are a nation at war we find more participants want to replicate real-world combat in a safe manner, we also recognize that our country is currently in an economic recession and the fact that people want to maximize the spending power of their dollar means that paintball players will spend more money on longer scenario based paintball bouts than speedball is due to the short duration of the games, cost of field rental, and cost of expensive markers, without such expensive equipment it puts the paintball player at an egregious

disadvantage. The variety offered through woods ball supersedes that of speedball making enabling the game to differ exponentially. Paintball equipment and game scenarios are mainly heard of via the internet or through word of mouth. Scenario playing fields have maintained popularity through recent years, and offer a great place for the 3F system to enter the industry.

Paintball fields are located all around America in what we have divided into five different regions. The regions are the Southeast, Midwest, Northeast, Northwest, and Southwest. They are also listed in order from the most fields to the least fields per region. (Southeast leading with 417, and Southwest with the least at 182) See **Appendix C** for a list of states for each region, top 10 fields in each region, and the top 10 states.

Competition

Our product has no current direct competition, because of how unique and new the 3F technology is to the market. However, we do have indirect competitors such as radios or GPS devices. Many paintball teams use radios, which are typically \$40 per unit. Our product offers greater versatility and functionality when compared to our closest competitors. The problem created through the utilization of existing technologies is that they require the use of at least one hand and take your eyes off the battlefield to utilize the device rendering its user combat ineffective. Our product is superior to those other means of communication and positioning systems because 3F offers its user the full use of his other equipment as well as the ability to keep their eyes on the paintball field. The hands-free approach will give us an advantage over the indirect competition by way of functionality. A table comparing our product with other forms of indirect competition can be found in **Appendix D**. The following table rates our product versus radio and GPS on a scale of 1-3, 1 being the best and 3 being the worst. For the Importance to Customer column, 1 is very important and 3 not as important.

Table 1: Competitive Analysis

FACTOR	3F Product	Strength	Weakness	Radio	GPS	Importance to Customer
Products	1	Use of Hands	-	2	3	1
Price	3	Advanced Technology	Need Multiple Units	1	2	3
Quality	1	Advanced Technology	-	3	2	1
Service	1	Repairs and Warranty	-	3	2	1
Reliability	1	Good Battery Life	-	2	3	1
Ease of use	2	Easy to Learn	-	1	3	2
Location	1	At Fields	-	2	2	3
Appearance	1	Small and Appealing	-	2	3	2
Advertising	1	Fields and Online	None in Retail	2	2	2
Image	1	New Game Scenario	New to Market	2	2	2

Niche

Our niche is the new game possibilities our product brings to the paintball market. Paintball fields that purchase our product can create new gaming scenarios, augment their sponsored teams, and facilitate a revolution in the paintball industry. Future additions to the functionality of the 3F will keep our consumer hooked to the product. Players will use our product to turn their average paintball games into real-life combat scenarios, as well as brings video games to life.

Strategy

Our strategy is to develop fifty 3F units and take these fifty units around the country. We will start out in the Southeast Region where the weather permits the playing of paintball year round. We will hit the 20 most popular paintball fields over a two month period starting in January and ending in early March. We will lease the product for the day to the paintball field owners and collect our product up at the end of the day. As we leave each field we will take customer orders and facilitate the channeling of those orders to our manufacturer who will produce and send them to our company headquarters who will distribute the systems accordingly. In March the mobile demonstration team will hit the Southwest region traveling to the ten most popular paintball fields and will again lease the systems to field owners, collect orders, send them to the manufacturer and once produced distribute them to the fields. We will continue to hit a region a month until we have lightly saturated all five regions. We will have a website of which orders can be placed and a mobile demonstration team who thereafter can be requested to deliver the demonstration bundle for field owner evaluation. We intend on this method of initial entry to spread information about our product via word of mouth facilitating the advertisement and sale of enough 3F systems to cover our initial start-up loan in a reasonable amount of time. We intend on reaching the international market prior to our investment payoff benchmark. The Southeast region is the most paintball dense region therefore by releasing initially in the Southeast during a time where few other fields are open around the country we can maximize our brands visibility prior to the start of the nationwide paintball season.

We also plan to construct fields for our product. Our product would work best on a large field with dimensions no less than a square kilometer and is optimally suited for a multi-objective game play. For example, imagine a wooded area 1-square kilometer where visibility was limited by dense vegetation. This would impair your ability to visually track your teammates. Now imagine a capture-the-flag scenario where each opposing force had to capture multiple flags and return them to their home base. Since visual recognition would be hindered, the ability to follow your teammates in a direction or the ability for a teammate to mark a position would provide an undeniable advantage for any team using the HUD device. Any field where the terrain visually impairs a team handicaps game play. If we were to build a field that was designed specifically for the purpose of our equipment, it would be no less than 1-square kilometer, varying elevations of terrain, patches of moderate-to-high vegetation (shrubs, trees, etc.); it would have gullies and trenches, as well as a plywood village to synchronize urban and rural combat environments. Since the purpose of our product is to provide the user the ability to see his teammates, whether they're in his line of sight or not, we believe this particular type of field best suites our product. **(See Appendix F for the field)**

Promotion

We plan on promoting our product using several different methods. We will use a van with our logo on it to go around the country in order to sell our product to fields. We will also stop at paintball stores and hand out banners, posters, and brochures describing our product's functionality. We will stop at major paintball events such as tournaments or trade shows. Trade shows and tournaments will introduce us to bloggers, which will help spread our brand name on the internet. We will start in the Midwest and head to the Southeast, because those are the most popular paintball areas in America. We can also hold sponsored events at perspective paintball fields, which would feature our product and introduce it into the market.

Some of the ads we have ready will be previewed in the appendices. We have an arrival-date banner that will not only have our logos, but will give a calendar date of where we will be on certain days. That ad will be in **Appendix G**. We also have a wall poster for field pro shops and paintball stores, which can be seen at **Appendix H**. We also have a banner that can be viewed in **Appendix I** and a Facebook ad that is in **Appendix J**.

Pricing

Our pricing strategy is based off a cost-plus-profit model. We will be determining how much we need to make in order to cover our costs and make our product better in the future. We also aim to maximize our revenue. We are able to use this method, because of no direct competition and we offer a new, innovative game into the market.

Place

Proposed Location:

We will have a distribution center located in Chicago, because that is where our founders currently reside. We will handle our orders online via our website and by phone. Fields and players will have our website's URL and distribution center's phone number readily available from banners, brochures, posters, and other forms of promotion we hand out. Our van will also have units of our product available. We will be selling our product as we travel across the country.

Distribution Channels:

Our primary distribution channels will be online and by phone. We will take orders online and by phone, and send our units from our distribution center, or deliver them ourselves. We will be traveling across the country in our company van, which is a method of distribution and promotion.

Sales Forecast:

After 4 months of initial promotion and sales, we expect to lease out 50 units to 32 different fields. That is 8 fields per month and each unit will be rented at \$25 apiece. After our entry we will sell 50 units a month the first few months, and then through popularity and progression our sales should increase by 100% very quickly. At the very minimum we will be able to cover our debts and startup expenses; however, we expect to have large growth during the first year or so.

VI. Operational Plan

Production

Our intent is to initially produce 50 units, in batch, and do so locally within the Chicago land Region. We will do this for two reasons: it will enable us to have more control during the manufacturing process as well as to reduce logistic cost. However, we do intend to seek out a large scale manufacturer to better facilitate the production of larger quantities. We are not looking internationally for this as we will try to protect our product from being cloned as for as long as possible. The manufacturer we are speaking with as estimated the production costs of our 50 units to total \$300 per unit. This is an exceptional figure compared to our first quote of \$750 per unit.

Location

We plan to run our company in a building that can facilitate as a base of operations. In this building we will have to make additional security enhancements to better facilitate our security needs. The facility that we choose to run our operations out of will have to be large enough to facilitate our office, research and development, maintenance, as well as warehouse operations. Some basic features of our facility will have to include office space for processing orders as well as personnel management and company conferences. Our R&D/Maintenance area must be large enough to encompass a work bench, multiple desktop computers, electronics testing equipment, storage for common parts as well as all tools we will need to conduct maintenance on our equipment as well as to add any additional features we may need. (See **Appendix E** for a detailed picture of the facility)

Our warehouse must have the capacity to store 500 units of our product, have a shipping and receiving dock, environmental controls to protect our product from humidity and excessive heat climate control, and a packaging station so we can ship larger orders as well a shipping processing station to print labels and track shipments. As far as utilities, we will primarily need power and water. One great feature about our product it is small enough to utilize UPS, FED-EX, and DHL. Due to box size and weight we do not feel the need at this time to use heavy cargo third-party shippers.

Personnel

Smart Specs will start off with three full time employees for the first three years. We will each make \$24,000 per year, which is enough to live on for the first 2 years. During the first four months, all three of us will be going on the road show trip in order to sell and promote our product. We can also take orders from the road, which eliminates the need for any of us to be home. After 4 months, we will be working in the warehouse and all three of us will be full time. Our three employees will be handling operations, finance, marketing, and anything else the company needs. We will also handle R&D for our product, which will be feasible with a couple of our employees being engineers.

R&D

R&D will be handled in the facility next to the office. Our engineers will be creating prototypes of our product with new features. For instance, we plan on implementing a grenade like technology for our product, which will allow the user to turn off opposing teams' 3F products for a short period of time. Our team will use the facility and the money budgeted for R&D to make new technology such as this available for our product.

Inventory

As for parts and units on hand, we intend on servicing all equipment in house. This means we will have to have casings, processor boards, OLED displays, and cables on hand at all times. We expect to maintain a ratio of 5% of replacement parts to parts sold.

For the first four months of business we will not be storing any compete units on hand. Rather we will have them shipped directly from the factory to the consumer, however, after the four month period and in order to keep up with demand, we expect to move completely into our permanent base of operations. We plan on storing an initial 100 units as safety stock.

Once our business picks up around the 4 month mark we will be using our warehouse at a fully operational level. We foresee a 60-90 day lead-time therefore to keep our customers happy we will need to build up a small surplus to satiate initial demand. We expect the initial demand to be no greater than 200 units for the first six months. However, after the first year between the months of October and March we will have to triple our inventory to prep for high sales between April and September.

Suppliers

We have one main supplier who we purchase the parts for our 3F unit from. Newegg a computer parts supplier based in City of Industry, California. Their website is www.newegg.com. Newegg has been supplying computer parts for just under a decade and currently service 13,000,000 individuals and businesses. Newegg generally has 5-7 business days lead-time for part delivery and their customer service is unparalleled with 24 hours of availability.

VII. Financial Plan

Startup Costs

The initial investment we need is roughly \$400,000. We need pretty much all of it immediately, because only about \$50,000 will be used 6 months down the road. The rest will be used instantly. Initial capital will take \$50,000 and will include a corporate van, trailer, and the building we will rent. We will need about \$30,000 for equipment and other things within the warehouse. \$105,000 of the investment will be needed for patent filing, lawyer's fees, R&D, field testing, and other miscellaneous necessities. Our marketing costs will be roughly \$35,000 to start, which will include not only promotion, but also the little road trip we plan to use to enter the market. \$60,000 for initial production and another \$30,500 for contingencies finish up what the initial investment will be used for in the first 6 months.

Return on Investment:

Our product is a high risk investment, but there is an existing market that can generate a good ROI. We are making a new product using relatively understood technology, and we plan on creating our own little market segment in the paintball market. We estimate at minimum a 40% return-on-investment for our product, which will return investors 10 times their money back in 5-7 years.

Our exit strategy would be to minimize our losses and sell off capital equipment in order to pay off our debt. However, our company would be a strategic purchase for popular paintball equipment companies like Tippmann or Angel. Tippmann is huge in the scenario paintball segment, which would make it easier for them to create a new segment featuring our product's functionality. Angel is more popular in Speedball, but they have the reputation and funds to create a new market segment with our product.

For the paintball fields we have estimated a 3 month period to cover the costs of our product. 50 units of our product will cost \$30,000. If fields rent the units for \$15 apiece and rent each unit once per day, they will be making \$750 per day. Since paintball fields tend to do business on Saturdays and Sundays it will take 5 months to completely cover the costs of our product. ($8 \text{ days} * 5 \text{ months} * \$750 = \$30,000$) Owners will also be gaining a peripheral return, which will be because of the new fields. The new fields will attract more customers, which will increase their average daily output, and also expand the paintball market.

Break Even Analysis

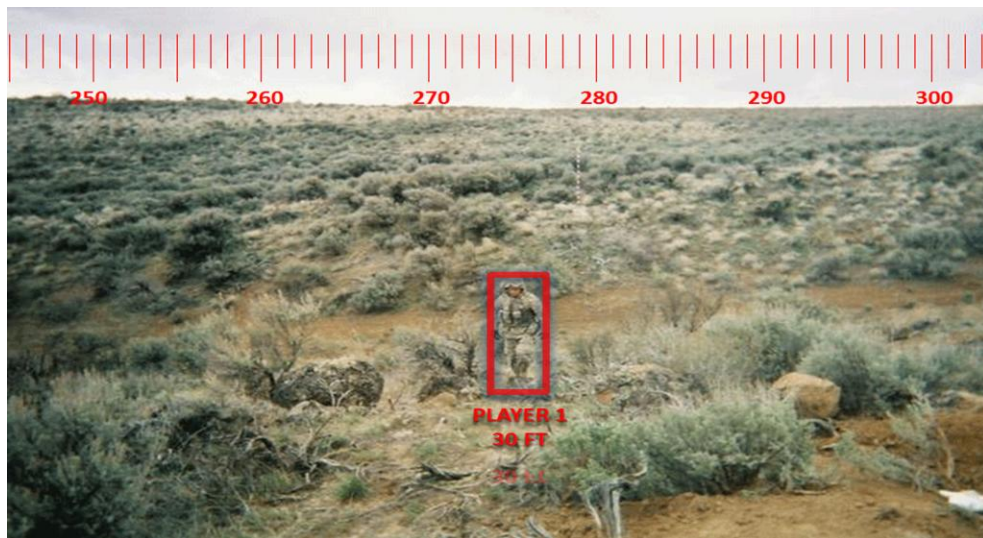
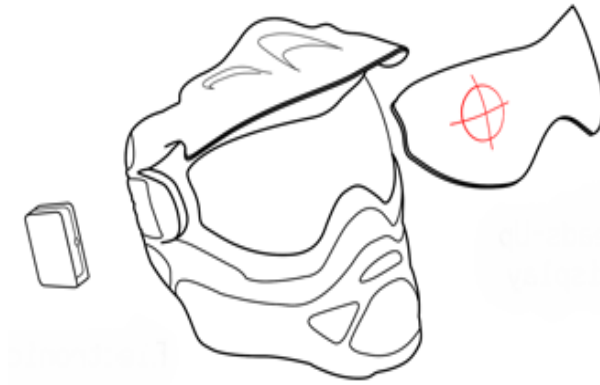
Our break-even point has been calculated to be 18-19 months after startup. The break-even has been calculated using our projected 3 year cash flow and 3 year income statements, which follow this section. Our 1st year income statement projects us to be \$126,018 in the negative. Our contribution margin per 50 units is \$15,000. At the end of 18 months, we will be \$7,018 in the negative due to marketing and R&D costs. However, after 6-7 months in the 2nd year, we will have sold 36 batches of 50 units which would completely cover the total amount of debt. Therefore, after 18-19 months, each 50 unit batch of our product will start giving us a profit.

3 Year Cash Flow Projection / 3 Year Income Statement

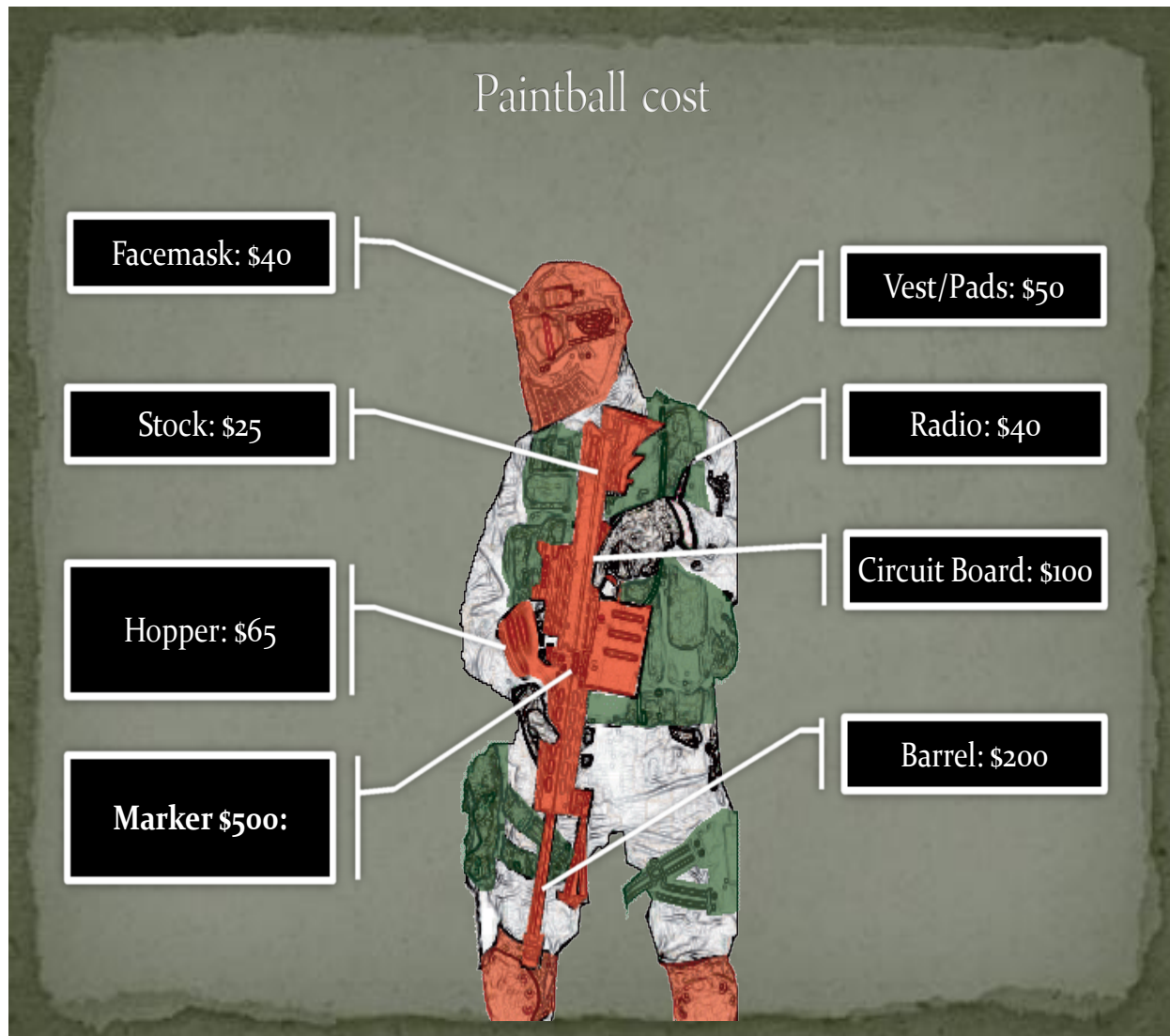
The following pages consist of the 1st year outlook and breakeven, 3 year cash flow projection, followed by the projected income statements for the first 3 years and details of the costs.

VIII. Appendices

Appendix A:



Appendix B:



Appendix C:

Paintball Areas:

Area 1:

States: Arkansas, Louisiana, Mississippi, Alabama, Georgia, Florida, Tennessee, Kentucky, West Virginia, Virginia, North Carolina, South Carolina

417 fields

Top 10: (Field name, state)

Orlando Paintball, Florida

Nitro Paintball, Georgia

Rocky Creek Paintball, Florida

Hogback Mountain, Virginia

Skyline Paintball, Virginia

Paintball Atlanta, Georgia

Orbital Paintball, Florida

Jungle Games Paintball, Florida

Ruff n Tuff Paintball, Florida

Hurricane Paintball Park, Florida

Area 2:

States: Arizona, New Mexico, Texas, Oklahoma, Hawaii

182 fields

Fun on the run Paintball, Texas

Predator Paintball, Texas

Twisted Texas Paintball Games, Texas

DFW Adventure Park, Texas

Cow town Paintball, Arizona

Xdrenalin Paintball, Texas

D-day Adventure Park, Oklahoma

Official Paintball Games of Texas, Texas

Texas Paintball, Texas

Survival Games of Texas, Texas

Area 3:

States: Alaska, California, Nevada, Utah, Colorado, Wyoming, Idaho, Oregon, Washington, Montana

220 fields

SC Village, California

Hollywood Sports Park, California

Conquest Paintball, California

American Canyon Paintball Jungle, California

Jungle Island, California

Camp Pendleton Paintball Park, California

Action Paintball Games, California

California Paintball Park, California

Doodlebug Sports, Washington

Portland Paintball, Oregon

Area 4:

States: North Dakota, Minnesota, Wisconsin, Michigan, Ohio, Indiana, Illinois, Iowa, Missouri, South Dakota, Nebraska, Kansas

415 fields

CPX Sports, Illinois (Very close)

Badlandz Paintball, Illinois (Very close)

Fox River Games Paintball, Illinois (We interviewed)

I-70 Paintball, Ohio

Bushwalkers Paintball, Missouri

Jaegers Paintball, Missouri

Fort Knox USA, Indiana

Rush Paintball, Ohio

Silver Spur Splat Paintball, Indiana

Hell Survivors, Michigan

Area 5:

States: Vermont, New Hampshire, Maine, Maryland, Rhode Island, Connecticut, New Jersey, Delaware, Massachusetts, Pennsylvania, New York, Washington D.C.

268 fields

Skirmish USA, Pennsylvania

Fox 4 Paintball, Massachusetts

Matt's Outback, Connecticut

Hornet's Nest Paintball, New York

Fireball Paintball, New Jersey

ABC Paintball, New Jersey

Liberty Paintball, New York

Friendly Fire Paintball, Massachusetts

Boston Paintball, Massachusetts

Outdoor Adventure Bowie, Maryland

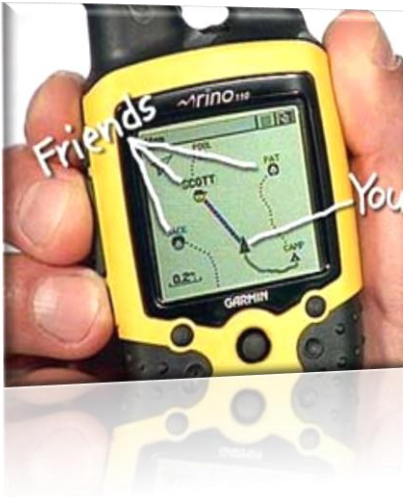
Top 10 States:

Texas, Florida, New York, California, Ohio, Michigan, Pennsylvania, Georgia, Illinois,

Wisconsin

Appendix D:

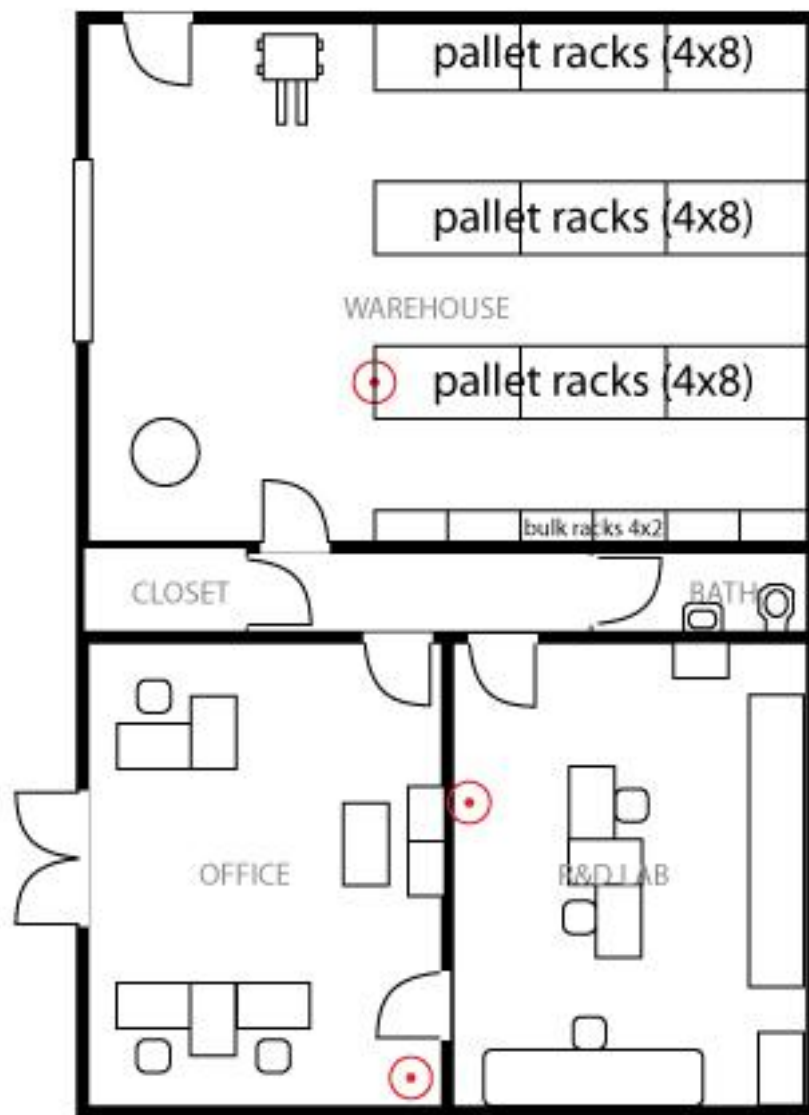
	Smart Specs (3F)	Hand Held GPS	Map and Compass	Walkie Talkie
Hands-Free	X			X
Location Identification	X	X	X	
Real Time Communication	X			X
Portable	X	X	X	X
Easy to Use	X	X		X
Friendly Forces Identification	X			



(Hand Held GPS)

Appendix E:

SMART SPECS



Appendix F:



Appendix G:

SEE YOUR TEAM...



...LIKE NEVER BEFORE



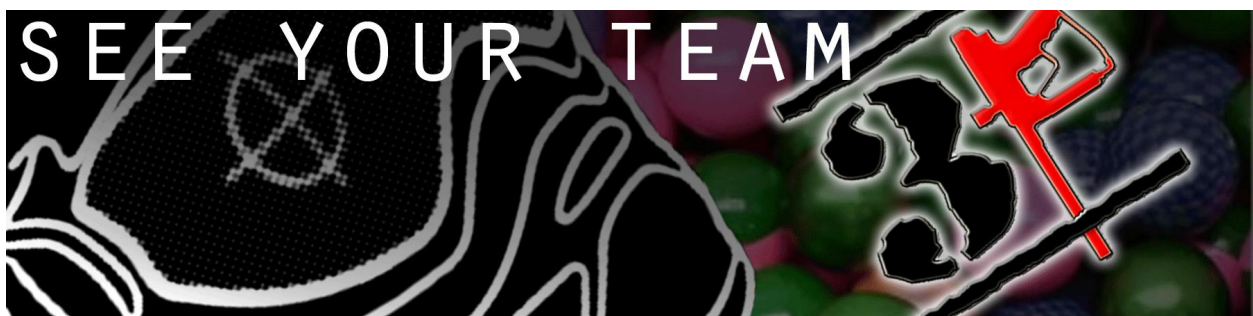
THE 3F TEAM WILL BE HERE ON:



Appendix H:



Appendix I:



Appendix J:

