

**Sales Plan**  
**for**  
**DistribX, Inc**

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## ***1.0 The Strategy***

### **1.1 Summary**

Our mission is to provide products that will simplify the design effort and reduce development costs for new data/telecommunication products or to improve operational efficiencies for businesses using local area networks.

We offer a communications controller for new product developers (system integrators just below the very large tier of companies) in the communications industry and a LAN system integrator for small to midsize businesses across all industries.

We will be competing with major companies such as Motorola, Texas Instruments, 3COM, Compaq and Alcatel as well as numerous smaller companies. Our objective is to capture a 15% to 20% market share for both of these products within the next two years.

The sales process involves a considerable amount of hand holding with the prospect as they make their purchase decision. This will be done using distributors for the LAN\_PORT-200 product and in-house sales representatives for the LW\_CONT-200 product.

### **1.2 Mission Statement**

Our mission is to provide products that will simplify the design effort and reduce development costs for new data communication and telecommunication products or to improve operational efficiencies for businesses using local area networks.

### **1.3 Product/Service Description**

**LW\_CONT-200** is a communications controller that, when coupled with supported microprocessors, provides functionality to allow access from a user's local area network (LAN) to the wide area network (WAN). Features of the controller enables data routing between Ethernet and various WAN technologies, such as ISDN, T1/E1, T3/E3, Frame Relay and xDSL.

LW\_CONT-200 is the "new kid on the block" and thus will have to prove itself. Our objective is to work with product designers and achieve a 70% design win record over the next year. The extensive feature set, ease of integration and compatibility across multiple technologies will be the factors that make our objective possible.

We assign an engineer to each design project who is available to answer questions or to help with design problems as necessary.

**LAN\_PORT-200** allows a small to mid-size business to distribute a single high-speed DSL connection to multiple computers and protect their network against illegal entry. The product incorporates a modem, a DSL router and a firewall as an integrated feature set. Our unique and patent protected chip design allows connections for Ethernet, telephone lines and USB to network up to 250 computers and Internet access devices, and our proprietary software provides automatic configuration for all major broadband service providers. The product installs in minutes and is pre-configured to work with most broadband service providers, so no networking experience is needed

Our objective is to be the low cost provider of local area network integrators and capture at least 20% of the market within two years.

### 1.3.1 Product/Service Position

Product/Service Name	Revenue	% of Total	Price vs. Comp.	Curr. Mkt Share	Proj. Mkt Share	Comp. Mkt Share
				Percent	Percent	Percent
All Prods/Svcs	\$29,700,000	100.00%				
LW-CONT-200	\$19,200,000	64.65%	Comparable	2.00%	15.00%	30.00%
LAN-PORT-200	\$10,500,000	35.35%	Low	17.00%	20.00%	40.00%

### 1.4 Market Segments

The LW\_CONT-200 is designed to be integrated with microprocessors such as MIPS or PowerPC to provide a complete router subsystem. Large companies like Cisco and D-Link represent major system integrators which we are not targeting at this time. Our market objective is the tier of system integrators just below the very large companies which better fits our production capabilities and ability to provide quick turnaround for small to medium size orders.

The LAN\_PORT-200 is aimed at \$5M to \$50M companies with local area network integration requirements. Companies of this size will usually have a management position assigned to information technology. This position is our primary prospect target.

### 1.5 Competitive Positioning

The primary competitors for our LW\_CONT-200 offering are Motorola and Texas Instruments. Neither of their products exactly match the features and functionality of ours. In fact, the designer will usually have to incorporate at least two of the competitor's products to accomplish their design objectives. We believe this will be a major selling point and because we can offer more features in one product, our prices will normally be less than the combined cost of two or more competitive products. Our other major advantage is our on-line Internet CAD tool provided at no cost to engineers who are designing products incorporating the LW\_CONT-200.

The primary competitors for our LAN\_PORT-200 offering are 3COM, Compaq and Alcatel. They all offer similar, though more complex to install, products. As we strive to capture early market share we will be pricing at the low end of the pricing range, which should be profitable, but marginally so. As we become better established in the market we will price more comparably to the larger companies.

## **1.6 The Sales Process**

### **1.6.1 Informing the Market**

We have an Internet web site for our company that describes all of our products including functionality, customer testimonials and, where appropriate, pricing. For the LW\_CONT-200 product we provide an on-line telephone connection direct to our sales department or they can call an 800 number or they can request that a sales representative contact them.

We also offer an online and secure computer aided design tool for registered designers that provides all the necessary functionality to design circuitry incorporating the LW\_CONT-200. The designer also has direct access to a DistribX engineer's e-mail who is assigned to the designer's project.

For the LAN\_PORT-200 product we describe all of the configuration options with a general description of prices. We list all of our distributors by country or state so the prospect can contact them directly or the prospect can request a call from a sales representative and we guarantee a response time of four (4) hours or less. We also offer a "Frequently Asked Questions" section that addresses most of the situations an installer of the product will encounter.

All of our promotional efforts are geared toward driving potential customers to this web site. This includes considerable direct mail advertising, some printed publication advertising and all the publicity we can generate.

### **1.6.2 Distribution Channels**

We sell the LW\_CONT-200 product through our in-house sales force. The LAN\_PORT-200 product is sold strictly through distributors. No sales are conducted on the web site, although we are looking at ways to include this in the mix.

### **1.6.3 Identifying Prospects**

We have a cost sharing program for ads placed by our distributors promoting the LAN\_PORT-200 product. On all direct mail and printed publication advertising we include our 800 number, e-mail address and web site address. Prospect contact via any one of these channels will result in the prospect's contact information being relayed to the appropriate in-house sales representative for the LW\_CONT-200 product and to the appropriate distributor for the LAN\_PORT-200 product. For prospects for the LAN\_PORT-200 product that reside in locations where we do not have a distributor the contact information is directed to an in-house sales representative.

We also require that LW\_CONT-200 sales representatives make a specified



### **1.6.5 Making the Sale**

For the LAN\_PORT-200 product the sales representative (usually a distributor) must visit with the prospect, either on-site (preferred) or via phone or e-mail, to gather information about the computers and other Internet devices the user wishes to link together on their local area network. This information is used to generate a written proposal describing a LAN\_PORT-200 product configuration and the resulting features and benefits. A complete price list is included along with a contract ready for signature. The sales representative is required to hand deliver the proposal.

For the LW\_CONT-200 product the sales representative must make a visit to the prospect's site to gain an understanding of the prospect's design objectives. This should result in a proposal describing the availability of our proprietary on-line, CAD design tools for the initial design stages and a specified number of chips for the prototype process. The sales representative stays in constant communication with the prospect and where necessary includes one of our engineers in the process to resolve any concerns or questions. When the design process is concluded to the prospect's satisfaction the sales representative delivers a proposal and a contract including pricing based on the volume of parts required.

## ***2.0 Sales Tactics***

### **2.1 Summary**

The organization reports to the VP of Sales. There are three direct reports to the vice president: marketing, sales and customer support. There are a total of 94 personnel in the organization with the sales group making up the majority having 67 personnel reporting to three regional managers.

We will aggressively pursue new product design wins that incorporate the LW\_CONT-200 by providing a lot of engineering hand holding and the use of our in-line CAD system. While this will translate to about a 15% growth this year, we expect the second year results to be about a 30% growth (compounded on this year's 15% growth).

We currently have 36 sales representatives in the field. The average quota for these representatives is \$500,000. We expect 75% of them to meet or exceed quota. If everyone met quota we would achieve \$1,800,000 in revenue. We actually expect to exceed quota on the average by about 6% for a projected revenue of \$19,200,000 or about \$533,333 per sales representative.

Distributor revenue is expected to average about \$150,000 per distributor. We currently have 70 distributors so we are projecting a revenue of \$10,500,000.

By achieving these objectives, we will realize a combined revenue of \$29,700,000 which will be over \$312,000 per sales employee and over \$200,000 per DistribX employee.

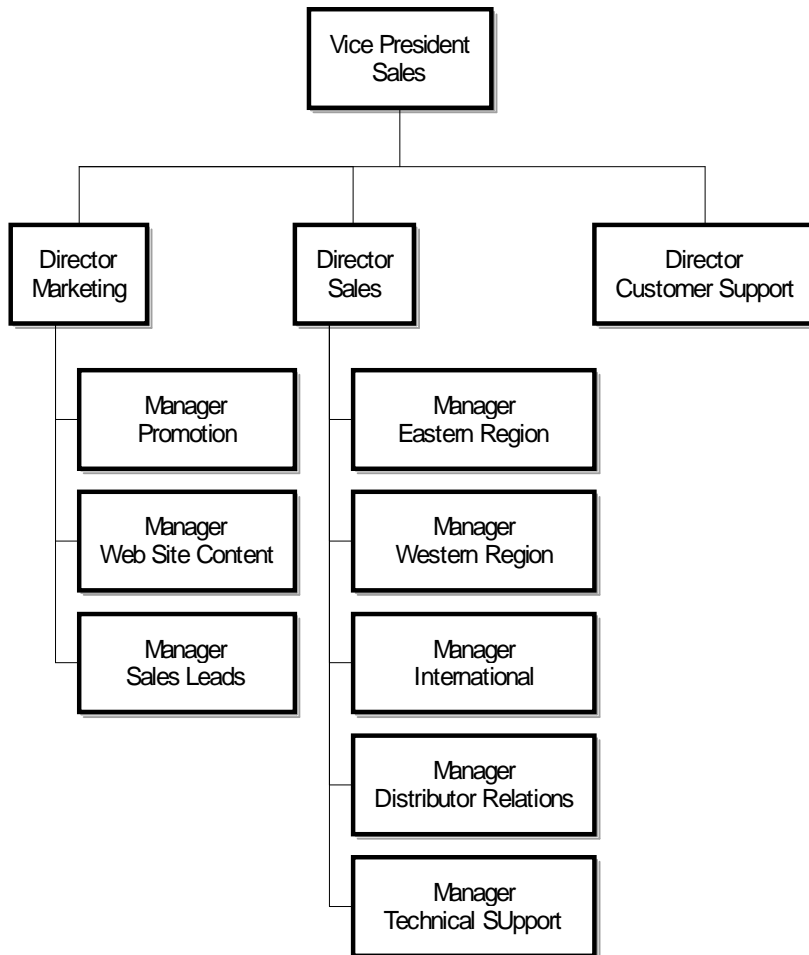
## 2.2 Milestones

Task	Responsibility	Start Date	Complete Date	Estimated Cost
Complete first sales indoctrination class	Mktg	2/1/2004	3/1/2004	Budget
Complete feasibility study for Internet sales	Mktg	1/1/2004	4/1/2004	Budget
Lease space in KC, Raleigh-Durham	Sales	1/1/2004	5/1/2004	Budget
Upgrade on-line design tool	Tech Supp	1/1/2004	7/1/2004	Budget
Acquire 10 (net) new distributors	Dist Rel	1/1/2004	10/1/2004	Budget
100 design/sales wins	Sales	1/1/2004	12/31/2004	Budget
Totals		1/1/2004	12/31/2004	\$0

## 2.3 Organization

### 2.3.1 Reporting Relationships

Our organization has the following structure:



### 2.3.2 Marketing

The marketing organization consists of 7 personnel. They are responsible for all promotion, creation and maintenance of our web site and the generation and distribution of leads for our sales team.

Promotion involves advertising in a variety of printed publications and on a few strategic web sites. We create and send direct mail pieces to two hundred thousand prospects each year and we conduct at least one or two press tours each year.

We do all of our own development work for the creation of our web site. It is updated on a regular basis. There is a special part of the site that provides an on-line computer aided design capability for designers using our products. We work closely with engineering to insure the tool is consistent with the capabilities of our products.

Our promotion efforts regularly generate sales leads that come in to the marketing organization and are then distributed to the appropriate sales personnel. Our team also regularly makes "cold calls" to locate new prospects for our products.

### **2.3.3 Sales**

The sales organization is tasked with selling our product, LW\_CONT-200, to product manufacturers around the world. We are also responsible for the sale of our product, LAN\_PORT-200, through distributors as well as our own sales representatives.

Management is geographically defined for the LW\_CONT-200 sales team into East and West coast groups in the United States and an International group for the rest of the world. There is a separate group for working with our distributors of LAN\_PORT-200.

When a sales representative needs technical support in a sales situation they call on our technical support personnel who report to a separately managed group within the organization.

### **2.3.4 Technical Support**

Our technical support personnel are knowledgeable about the functionality of the LW\_CONT-200 product and are tasked to answer, or find the answer, to all questions related to capabilities of the product. They are not, however, engineers, so when questions arise regarding circuit design considerations the prospect is referred to our engineering support group.

### **2.3.5 Customer Support**

Our customer support group has the responsibility of insuring that the customer is kept happy. The personnel are generalists who can answer many questions including inventory status, product delivery schedules, accounting, new product release schedules, etc.. However, if the question is too technical, Customer Support's responsibility is to put the customer in touch with the correct individual in DistribX and then follow up to make sure the customer has been taken care of.

## **2.4 Personnel**

### **2.4.1 Key Responsibilities**

The Sales Director and, in turn, each regional manager is responsible for the profit or loss for their group. They are required to make an annual revenue & expense projection and then make quarterly status reports during the year. They must also project their personnel requirements along with proposed training programs and review processes. Each manager's compensation is partially based on meeting profit objectives and, to a lesser extent, their ability to increase revenue with no degradation in percentage of profit.

The manager of Distributor Relations must also make an annual revenue & expense projection. This is based on projections they acquire from our various distributors tempered by historical information.

The Directors of Marketing and of Customer Support make an annual expense projection which is also reviewed on a quarterly basis. Their expenses are allocated to the various sales regions (and the Distributor profit center) and directly impact their profit projections.

### **2.4.2 Compensation structure**

We have two forms of compensation in the sales organization.

A base salary plus a percentage of sales.

The VP of Sales receives a salary plus a percent of all sales.

The regional managers receive a base salary plus a percent of their region's sales.

The sales office managers receive a salary plus a percent of their office's sales.

The sales representatives receive a salary plus a percent of their personal sales.

A base salary plus a bonus. The bonus amount is determined on a year to year basis and is strongly influenced by the sales profit achieved.

All remaining personnel are compensated in this manner.

### **2.4.3 Turnover/Growth**

We currently employ 36 sales representatives selling products in the United States and four western European countries. Retention of our sales representatives could be considered, at best, fair with about a 12% turnover in each of the last two years. This can be disruptive because our sales cycle is fairly long, typically 6 months or more. The impact of losing a sales representative during a sales cycle is ameliorated to some extent by the fact that we assign a

technical support representative and an engineer to each prospect. So, although management must step in to work with sales closure, the prospect does not perceive a total loss of familiar contact with DistribX.

We are projecting about a 15% growth this year. In an attempt to reduce our turnover, each new sales representative will be given a full week of training and indoctrination. In addition, we will be implementing a new "sales assistance" program that includes a more personal interface between manager and sales representative plus a new Internet based reporting & sales analysis system that should improve communication between the field and home office.

Turnover of our technical and clerical personnel is well within industry norms at about 7% per year.

#### **2.4.4 Education**

We provide a one week training program for sales representatives and technical support personnel, designed to educate them about:

1. the capabilities of the LW\_CONT-200
2. a typical new product design cycle and how customers have designed their products using the LW\_CONT-200
3. the sales methodology we expect each sales representative to follow
4. use of the software tools we provide for tracking and analyzing sales progress
5. the criteria the company uses to book and pay commission on a sale

We also provide training for our distributors of the LAN\_PORT-200 products. This training is designed to educate their sales and technical support personnel on the capabilities of the product. We also describe the sales steps we believe are most effective in selling the product, but we realize that each distributor has their way of selling and we respect that process.

#### **2.4.5 Review Process**

Our objective is to make the review process consistent for all employees. While the performance criteria may vary, the procedure is the same for everyone. For each new employee there is a 90 day performance evaluation and a one year review. Thereafter, formal reviews occur on an annual basis. We encourage employees to request interim reviews if they have a concern.

For sales representatives, performance criteria includes ability to identify new prospects, closure rate, ability to deal with prospect problems, communication skills, willingness to work with others and quality of sales reports.

Technical personnel are measured on product knowledge, communication skills,

ability to work with sales representatives and ability to address prospect questions/problems.

## 2.5 Infrastructure

### 2.5.1 Offices

We have 19 sales offices in the United States (one in Canada). There are an additional 4 offices in Western Europe. All offices have sufficient capacity to handle our growth projections for the next two years with the exception of Kansas City and Raleigh-Durham. In each of these locations we will be required to acquire new space to be able to add personnel. Because our sales process regularly involves having prospects, customers and distributors come to the office for meetings or education, all sales offices have one or more meeting rooms with the capacity to handle up to 15 people. Many are equipped with computers and projection equipment for formal education or presentations. Current offices include:

Office Location	Number of Personnel	
Home Office	27	(VP, 4 sec's, 2 reg mgr's, 8 mktg, 5 tech supp, 6 cust supp, Dist. Rel. Mgr.)
<b>Western Region</b>		
Los Angeles	6	(Office Mgr, 2 sales reps, 2 tech reps, sec.)
Phoenix	1	(sales rep)
San Francisco	4	(2 sales reps, tech rep, sec.)
Seattle	5	(Office Mgr, 2 sales reps, tech rep, sec.)
Portland	1	(sales rep)
Vancouver, Canada	1	(sales rep)
Chicago	6	(Office Mgr, 2 sales reps, 2 tech reps, sec.)
Kansas City	2	(2 sales reps)
Dallas	1	(sales rep)
<b>Eastern Region</b>		
Miami	5	(Office Mgr, 2 sales reps, tech rep., sec.)
Jacksonville	1	(sales rep)
Atlanta	5	(Office Mgr, 2 sales reps, tech rep., sec.)
Nashville	1	(sales rep)
Charleston	1	(sales rep)

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Raleigh-Durham	1	(sales rep)
Washington, D.C.	6	(Office Mgr, 2 sales reps, 2 tech reps, sec.)
Philadelphia	2	(2 sales reps)
New York	7	(Office Mgr, 3 sales reps, 2 tech reps, sec.)
Boston	3	(2 sales reps, sec.)

### **International**

London, England	6	(Reg. Mgr, 2 sales reps, 2 tech reps, sec.)
Paris, France	1	(sales rep)
Frankfort, Germany	1	(sales rep)
Rome, Italy	1	(sales rep)

**Total Personnel** 95

### **2.5.2 Equipment**

All of our sales offices are open air with cubicles set apart with 5 foot partitions. Only the meeting rooms and sales manager's office are enclosed. Each employee has a desk, a comfortable chair and a telephone. All sales personnel are provided with a lap top computer while technical support and clerical personnel have desk top computers. Each office has a fax, a shredder and a DSL interface for the Internet.

### **2.5.3 Communications**

We provide our sales representatives with contact management software named "ACT" which they are required to use to schedule all prospect and customer contacts. All contacts and the contact results are reported to the sales office manager on a weekly basis.

We also provide them with a sales analysis and status reporting software product named "**Insight for Sales Strategy**". This tool helps the sale representative track the progress of the sales cycle and insures that all steps are taken to achieve closure. The software also provides pipeline information to the sales office managers which is subsequently rolled up to a home office report.

## **2.6 Market Interface**

### **2.6.1 Publicity**

We have one individual assigned full time to publicity generation. Their responsibility includes:

- Contacting and getting acquainted with all editors of publications relevant to our industry as well as publication and free lance writers.
- Writing or getting written product descriptions, new release descriptions, white papers, customer testimonials and case studies of design wins.
- Getting the above writings published in as many publications and as often as possible.
- Providing information about existing or anticipated publicity to our web site manager for inclusion in different web pages made available to our prospects, customers and sales personnel.

Our objective this year is to get publicity in all industry related publications as well as at least one major business publication such as Fortune, Wall Street Journal or the New York Times.

### **2.6.2 Advertising**

We use advertising to promote our products, but sparingly. The advertising that we generate is managed by a public relations firm, Jackson & Phillips. Placements promoting the LW\_CONT-200 are limited to publications read by design engineers. Our objective is to place between 48 & 60 ads during the following year. Advance information about every ad, including graphics, text, date of publication and name of the publication are posted on our web site for review by our sales personnel.

Our advertising this year will stress:

1. the fact that our one product will do the same thing that requires 2 or 3 competitive products
2. the availability of our free on-line design tools

We also are involved in a cooperative advertising program with our distributors for the LAN\_PORT-200. If a proposed ad meets our published criteria, DistribX will rebate 30% of the ad cost to the distributor after the ad has been published.

### **2.6.3 Sales Literature**

For the LW\_CONT-200 we provide promotional literature to our sale representatives that includes customer endorsements, success stories and competitive "knock off" information. We also provide technical literature for the

prospect's engineering personnel to make an initial evaluation. A 3-6 month inventory of each piece of literature is provided to each sales office and re-stocked as necessary. All of the literature is also recreated on our web site so prospects have an alternate source.

For the LAN\_PORT-200 we provide our distributors with promotional literature and we also offer them the graphics and text in computer readable format to include in their customized literature.

### **2.6.4 Internet Promotion**

The Internet has become a major part of our sales process. Our site includes:

- An information center for our internal use
- An promotional platform of our products for access by prospects
- An on-line design tool for prospects considering incorporation of LW\_CONT-200 in their products
- A communication interface between field sales and management

We do not sell our products via the Internet, only promote them. So, the sales force does not view the site as a threat, but rather a valuable resource.

The on-line design tool, which has required many man hours to develop, has become a real selling point. It has become quite sophisticated, with the capability to design almost any circuitry that might incorporate the LW\_CONT-200. If there are user problems we have an extensive on-line help facility as well as immediate e-mail response 16 hours a day. If this does not meet the prospect's needs they are given an 800 number for direct access to one of our design engineers.

We also promote the LAN\_PORT-200 on the site with detailed product descriptions and endorsements. We have a list of all of our distributors, about 70 at this point, with most entries having a link to the distributor's web site.

### **2.6.5 Product/Service Demos**

Each distributor is required to have a LAN\_PORT-200 installed and demonstrable in their home office. We also have the ability to demonstrate the product in our home office as well as Los Angeles, Chicago and New York offices. We encourage the distributors to get the prospect to come to their office for a demonstration. This achieves several things.

- It shows what the product is capable of.
- It allows the sales representative to establish a bond.
- It is a commitment of the prospect's time so they begin to have a vested interest in a positive decision.
- It establishes that the distributor is real and has the capability to support the

prospect's needs.

There are numerous products that have been designed using the LW\_CONT-200 as a key component and we can point to these as examples of what our product is capable of. However, the best demonstration is by using our on-line design tool. We have a number of "canned" designs that show the engineer various ways the LW\_CONT-200 can be used. This kind of demonstration usually comes after we have convinced management that their engineers should be involved in the decision process. Our sales representatives are trained to urge this relationship as quickly as possible.

### **2.6.6 Sales Lead Generation**

Each sales representative is required to conduct a certain amount of "cold calling" in pursuit of sales leads. However, the majority of sales leads are generated through direct mail, advertising and our web site. All inquiries are received by our marketing group, entered into a master data base, sorted by sales office location and forwarded to the sales office manager. From there the leads are passed on to the appropriate sales representative who imports the leads from the data base into his ACT program.

Status on contact activity is regularly fed back to the marketing group for analysis and consolidation into reports for home office management.

### **2.6.7 Special Factors**

We do not have a "silver bullet" to help our selling effort. However, we do have a unique attribute that we encourage our sales representatives to bring to the attention of all of their prospects. That is, as compared to all of our competitors who have tens or hundreds of products, we have only one product to sell, the LW\_CONT-200. This means that all of our attention is directed to making this product the best in the industry and our support personnel will never be "multi-tasking" by trying to understand/support many different products. It just makes sense that given these circumstances they will get a better product and better service.

## **2.7 Sales Process**

### **2.7.1 Distribution Channels**

The LW\_CONT-200 product line is sold strictly through our field sales force. Most new prospect inquiries are received by our marketing organization then passed to the sales operation. Direct interface with the prospect is always under the control of the assigned sales representative.

The LAN\_PORT-200 product line is sold mainly through independent distributors. If a prospect is located in a geographical territory that is not covered by a distributor, the prospect will be assigned to one of our sales representatives. Our sales representatives are not involved if a distributor exists that covers the prospect's territory.

### **2.7.2 Sales Presentations**

The sales cycle for the LW\_CONT-200 typically extends over several months with many interactions between the sales representative and the prospect. The initial presentation usually has one objective in mind, getting the prospect to evaluate LW\_CONT-200 for incorporation into their product design. The major points that are stressed include the versatility of our board, the standard interfaces for all functions and the ability to use our on-line design tools in their evaluation process.

The initial presentation for the LAN\_PORT-200 is mostly oriented to listening to the prospect describe their IT operation and eliciting an explanation of their need for the capabilities provided by our network integrator. The sales representative's objective is to gather enough information to be able to create a proposal for presentation during a second visit that explains how installation and use of a LAN\_PORT-200 product set can improve their productivity and insure the integrity of their systems.

### **2.7.3 Dealing with Competition**

The majority of our LW\_CONT-200 competitors are significantly larger and more established companies than we are. Therefore, even though we are usually able to show that our product is superior, we must convince the prospect it is "safe" for them to trust our company to deliver product when, and in the volume, needed.

To this end our sales representatives can deliver a complete description of our production capabilities and we are always prepared to give the prospect a tour of our facilities. In some instances (determined on a case by case basis by sales management) we will pay the prospect's expenses to visit our facilities for a tour and a presentation. In addition, if required, we will provide an audited financial statement as well as endorsements from our current financial institutions.

The primary objective is to convince the prospect that DistribX is a robust, profitable and growing enterprise.

Similarly, most competitors for our LAN\_PORT-200 product line are large, established companies. Again, we need to make the prospect comfortable that DistribX will be around to support the product. In this case, our approach is to provide a number of customer testimonials and give the prospect the ability to

talk with some of our customers directly. And, once again, if required we will provide an audited financial statement as well as endorsements from our current financial institutions.

## **2.7.4 Management/Technical Support**

### **LW\_CONT-200**

Most sales offices have a technical support person on location who is available to assist sales representatives as needed. There are also several technical support personnel in the home office who are available to support those offices that do not have resident support or to provide additional support at any location.

Local technical support personnel report to the Technical Support Manager in the home office, however their schedules are determined on a day to day basis by the office sales manager. Normally technical support is not called into a sales situation until the prospect's information needs exceed the sales representative's knowledge level. If there is a question as to whether technical support is required it is a joint decision between the office sales manager and the Technical Support Manager.

### **LAN\_PORT-200**

Technical support for our distributors is provided from the home office. Except in very rare circumstances all support is provided to the distributor's personnel, not to their prospects. It is expected that the distributor will provide knowledgeable personnel to perform that function on a day to day basis.

## **2.7.5 Customers versus New Prospects**

Our customers are our best prospects! Our sales personnel are required to call on every LW\_CONT-200 customer at least once each quarter. Their objective is twofold:

- to learn whether there are any new design efforts underway and, if so, whether we can be of assistance by providing access to our on-line design facility.
- to discuss whether any of the prospect's concepts have created a need for new functionality from our product and, if so, get them in touch with the DistribX engineering contact.

We expect that about 50% of our LW\_CONT-200 sales will originate from existing customers.

LAN\_PORT-200 customers will usually purchase only once from us. However,

there is often the need to expand the capacity of the system to support additional devices on the LAN. We encourage our distributors to regularly check with their customers to determine if they are in need of an upgrade.

### **2.7.6 Pipeline Expectations**

We request that our distributors provide us with monthly projections for sales of LAN\_PORT-200 systems for the coming 3 months. We do not ask for the name of each prospect, but we do request the \$\$ value of each projected sale and two confidence factor ratings. One rating on the probability of close in the month projected and the other rating on the probability of closing at any time. This information is transferred to us in a standard spreadsheet format which we import into our projection system.

Our salesmen use a software product called **Insight for Sales Strategy** which automatically provides a six month projection of sales with a probability of closure rating. All sales representative's projections go to their office sales manager via the Internet which are automatically combined and passed on to the home office, again via the Internet, where they are combined into a single report for management.

### **2.7.7 Contracts & Pricing**

Our distributors of LAN\_PORT-200 are required to contract directly with their customers. We have recommended language for the agreement, however they are not bound to use any of the language. Our contract with the distributor insures that we are protected from most liabilities and that we receive a minimum dollar amount for each system sold.

While we have standard wording for our LW\_CONT-200 sales contract, it is not unusual for the wording to be modified for a new customer. Almost all of our customers are purchasing a substantial volume of product and want delivery spread over some period of time. We offer pricing discounts if the customer purchases enough volume. These discounts take effect as the customer meets certain volume plateaus. The sales representative has the authority to offer our standard volume discounts. Any price consideration beyond that must be negotiated by a corporate officer.

### **2.7.8 Sales Reporting**

For our LW\_CONT-200 sales representatives we require three forms of reporting.

1. All sales representatives use the ACT contact management software and are required to provide a contact report on a monthly basis.

2. All sales representatives also use the product, Insight for Sales Strategy, which they are required to update after each sales call. Sales management can access detailed status reports on any specific prospect via the Internet.
3. When a sale is closed or lost the sales representative is required to submit a report describing the factors that contributed to the win or loss.

Our LAN\_PORT-200 distributors provide a monthly report projecting sales revenues.

### **2.7.9 Sales Meetings**

Each sales office has a monthly meeting of sales and technical support personnel to discuss opportunities and problems. The objective is to maintain a constant communication opportunity for all involved.

We have two meetings a year that brings all sales, marketing and technical support personnel together. Typically we will discuss new approaches to selling, some sales success stories, status of our development programs, any changes in policy and our sales and financial performance. The objective is again good communication as well as maintaining good employee morale.

## **2.8 Financial Projections**

### **2.8.1 Sales Quotas**

We have a contractual agreement with most distributors that requires that they sell a minimum number of LAN\_PORT-200 products to generate \$100,000 annually. If they fail to do so we have the legal right to terminate the agreement. In actual practice, we expect to receive, on average, about \$150,000 annually from each distributor.

Our in-house sales representatives all have an annual sales quota for the LW\_CONT-200 product line. While they vary slightly by territory, the average quota is \$500,000. We expect at least 75% of the sales representatives to meet or exceed quota.

New sales representatives are paid a straight salary the first three months, and a salary plus draw against commission for the next six months. By the end of nine months we expect a sales representative to be fully capable of generating enough sales to receive excellent compensation from their base salary plus sales commissions.

## 2.8.2 Year 1 Compensation Projections

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Totals
<b>Management</b>													
All Managers	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$997,800
Bonus \$\$	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$588,000
<b>Management Compensation</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$132,150</b>	<b>\$1,585,800</b>
<b>Clerical Support</b>													
# of Personnel	14	14	14	14	14	14	14	14	14	14	14	14	14.00
Average Salary	\$1,800	\$1,800	\$1,800	\$1,820	\$1,820	\$1,820	\$1,840	\$1,840	\$1,840	\$1,850	\$1,850	\$1,850	\$1,828
Bonus \$\$	\$18,144												\$18,144
<b>Clerical Compensation</b>	<b>\$43,344</b>	<b>\$25,200</b>	<b>\$25,200</b>	<b>\$25,480</b>	<b>\$25,480</b>	<b>\$25,480</b>	<b>\$25,760</b>	<b>\$25,760</b>	<b>\$25,760</b>	<b>\$25,900</b>	<b>\$25,900</b>	<b>\$25,900</b>	<b>\$325,164</b>
<b>Marketing</b>													
# of Personnel	7	7	7	7	7	7	7	7	7	7	7	7	7.00
Average Salary	\$3,300	\$3,300	\$3,300	\$3,350	\$3,350	\$3,350	\$3,370	\$3,370	\$3,370	\$3,400	\$3,400	\$3,400	\$3,355
Bonus \$\$	\$22,176												\$22,176
<b>Marketing Compensation</b>	<b>\$45,276</b>	<b>\$23,100</b>	<b>\$23,100</b>	<b>\$23,450</b>	<b>\$23,450</b>	<b>\$23,450</b>	<b>\$23,590</b>	<b>\$23,590</b>	<b>\$23,590</b>	<b>\$23,800</b>	<b>\$23,800</b>	<b>\$23,800</b>	<b>\$303,996</b>
<b>Sales</b>													
# of Personnel	36	36	36	36	36	36	36	36	36	36	36	36	36.00
Average Salary	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Commission \$\$	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$1,144,800
<b>Sales Compensation</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$203,400</b>	<b>\$2,440,800</b>
<b>Technical Support</b>													
# of Personnel	18	18	18	18	18	18	18	18	18	18	18	18	18.00
Average Salary	\$3,600	\$3,600	\$3,600	\$3,630	\$3,630	\$3,630	\$3,660	\$3,660	\$3,660	\$3,690	\$3,690	\$3,690	\$3,645
Bonus \$\$	\$46,650												\$46,650
<b>Tech. Supp. Compensation</b>	<b>\$111,450</b>	<b>\$64,800</b>	<b>\$64,800</b>	<b>\$65,340</b>	<b>\$65,340</b>	<b>\$65,340</b>	<b>\$65,880</b>	<b>\$65,880</b>	<b>\$65,880</b>	<b>\$66,420</b>	<b>\$66,420</b>	<b>\$66,420</b>	<b>\$833,970</b>
<b>Customer Support</b>													
# of Personnel	5	5	5	5	5	5	5	5	5	5	5	5	5.00
Average Salary	\$3,000	\$3,000	\$3,000	\$3,025	\$3,025	\$3,025	\$3,050	\$3,050	\$3,050	\$3,075	\$3,075	\$3,075	\$3,038
Bonus \$\$	\$10,800												\$10,800
<b>Cust. Supp. Compensation</b>	<b>\$25,800</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$15,125</b>	<b>\$15,125</b>	<b>\$15,125</b>	<b>\$15,250</b>	<b>\$15,250</b>	<b>\$15,250</b>	<b>\$15,375</b>	<b>\$15,375</b>	<b>\$15,375</b>	<b>\$193,050</b>
<b>Summary</b>													
Management Salaries	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$83,150	\$997,800
Non-management Salaries	\$236,100	\$236,100	\$236,100	\$237,395	\$237,395	\$237,395	\$238,480	\$238,480	\$238,480	\$239,495	\$239,495	\$239,495	\$2,854,410
Bonus/Commission \$\$	\$242,170	\$144,400	\$144,400	\$144,400	\$144,400	\$144,400	\$144,400	\$144,400	\$144,400	\$144,400	\$144,400	\$144,400	\$1,830,570
Non-management Personnel #	80	80	80	80	80	80	80	80	80	80	80	80	80
Salaries + Bonus	\$561,420	\$463,650	\$463,650	\$464,945	\$464,945	\$464,945	\$466,030	\$466,030	\$466,030	\$467,045	\$467,045	\$467,045	\$5,682,780
Overhead	\$168,426	\$139,095	\$139,095	\$139,484	\$139,484	\$139,484	\$139,809	\$139,809	\$139,809	\$140,114	\$140,114	\$140,114	\$1,704,834
<b>Total Comp. + Overhead</b>	<b>\$729,846</b>	<b>\$602,745</b>	<b>\$602,745</b>	<b>\$604,429</b>	<b>\$604,429</b>	<b>\$604,429</b>	<b>\$605,839</b>	<b>\$605,839</b>	<b>\$605,839</b>	<b>\$607,159</b>	<b>\$607,159</b>	<b>\$607,159</b>	<b>\$7,387,614</b>

## 2.8.2.1 Year 1 Compensation Projections - Detail: All Managers

Year 1 Compensation Projections												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Vice President of Sales	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Eastern Region Manager	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Western Region Manager	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
International Manager	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
Distributor Relations Manager	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
Marketing Manager	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Tech. Support Manager	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Customer Support Manager	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Office Managers												
Los Angeles	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200
Seattle	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100
Chicago	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300
Miami	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300
Atlanta	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Washington D.C.	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400
New York	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350
<b>Total</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>

### 2.8.3 Year 2 Compensation Projections

	Q1	Q2	Q3	Q4	Totals
<b>Management</b>					
All Managers	\$249,450	\$249,450	\$249,450	\$249,450	\$997,800
Bonus \$\$	\$150,000	\$155,000	\$160,000	\$175,000	\$640,000
<b>Management Compensation</b>	<b>\$399,450</b>	<b>\$404,450</b>	<b>\$409,450</b>	<b>\$424,450</b>	<b>\$1,637,800</b>
<b>Clerical Support</b>					
# of Personnel	15	16	16	16	15.75
Average Salary	\$1,875	\$1,900	\$1,925	\$1,950	\$1,913
Bonus \$\$	\$18,500				\$18,500
<b>Clerical Compensation</b>	<b>\$102,875</b>	<b>\$91,200</b>	<b>\$92,400</b>	<b>\$93,600</b>	<b>\$380,075</b>
<b>Marketing</b>					
# of Personnel	7	8	8	8	7.75
Average Salary	\$3,430	\$3,460	\$3,490	\$3,520	\$3,475
Bonus \$\$	\$24,000				\$24,000
<b>Marketing Compensation</b>	<b>\$96,030</b>	<b>\$83,040</b>	<b>\$83,760</b>	<b>\$84,480</b>	<b>\$347,310</b>
<b>Sales</b>					
# of Personnel	37	39	41	43	40.00
Average Salary	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Commission \$\$	\$300,000	\$315,000	\$330,000	\$345,000	\$1,290,000
<b>Sales Compensation</b>	<b>\$633,000</b>	<b>\$666,000</b>	<b>\$699,000</b>	<b>\$732,000</b>	<b>\$2,730,000</b>
<b>Technical Support</b>					
# of Personnel	18	18	18	18	18.00
Average Salary	\$3,730	\$3,770	\$3,810	\$3,850	\$3,790
Bonus \$\$	\$48,000				\$48,000
<b>Tech. Supp. Compensation</b>	<b>\$249,420</b>	<b>\$203,580</b>	<b>\$205,740</b>	<b>\$207,900</b>	<b>\$866,640</b>
<b>Customer Support</b>					
# of Personnel	6	7	7	7	6.75
Average Salary	\$3,120	\$3,150	\$3,180	\$3,210	\$3,165
Bonus \$\$	\$12,000				\$12,000
<b>Cust. Supp. Compensation</b>	<b>\$68,160</b>	<b>\$66,150</b>	<b>\$66,780</b>	<b>\$67,410</b>	<b>\$268,500</b>
<b>Summary</b>					
Management Salaries	\$249,450	\$249,450	\$249,450	\$249,450	\$997,800
Non-management Salaries	\$248,995	\$264,990	\$272,560	\$280,130	\$1,066,675
Bonus/Commission \$\$	\$552,500	\$470,000	\$490,000	\$520,000	\$2,032,500
Non-management Personnel #	83	88	90	92	88
<b>Salaries + Bonus</b>	<b>\$1,548,935</b>	<b>\$1,514,420</b>	<b>\$1,557,130</b>	<b>\$1,609,840</b>	<b>\$6,230,325</b>
<b>Overhead</b>	<b>\$464,681</b>	<b>\$454,326</b>	<b>\$467,139</b>	<b>\$482,952</b>	<b>\$1,869,098</b>
<b>Total Comp. + Overhead</b>	<b>\$2,013,616</b>	<b>\$1,968,746</b>	<b>\$2,024,269</b>	<b>\$2,092,792</b>	<b>\$8,099,423</b>

### 2.8.3.1 Year 2 Compensation Projections - Detail: All Managers

Year 1 Compensation Projections	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Vice President of Sales	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Eastern Region Manager	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Western Region Manager	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
International Manager	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
Distributor Relations Manager	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
Marketing Manager	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Tech. Support Manager	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Customer Support Manager	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Office Managers												
Los Angeles	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200
Seattle	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100
Chicago	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300
Miami	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300
Atlanta	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Washington D.C.	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400
New York	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350	\$4,350
<b>Total</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>	<b>\$83,150</b>

## 2.8.4 Years 1-5 Compensation Projections

	2009	2010	2011	2012	2013
<b>Management</b>					
All Managers	\$997,800	\$997,800	\$1,100,000	\$1,200,000	\$1,400,000
Bonus \$\$	\$588,000	\$640,000	\$800,000	\$960,000	\$1,150,000
<b>Management Compensation</b>	<b>\$1,585,800</b>	<b>\$1,637,800</b>	<b>\$1,900,000</b>	<b>\$2,160,000</b>	<b>\$2,550,000</b>
<b>Clerical Support</b>					
# of Personnel	14.00	15.75	17	19	21
Average Salary	\$1,828	\$1,913	\$2,000	\$2,100	\$2,200
Bonus \$\$	\$18,144	\$18,500	\$19,300	\$20,000	\$21,000
<b>Clerical Compensation</b>	<b>\$325,164</b>	<b>\$380,075</b>	<b>\$427,300</b>	<b>\$498,800</b>	<b>\$575,400</b>
<b>Marketing</b>					
# of Personnel	7.00	7.75	9	10	11
Average Salary	\$3,355	\$3,475	\$3,550	\$3,650	\$3,750
Bonus \$\$	\$22,176	\$24,000	\$26,000	\$30,000	\$33,000
<b>Marketing Compensation</b>	<b>\$303,996</b>	<b>\$347,310</b>	<b>\$409,400</b>	<b>\$468,000</b>	<b>\$528,000</b>
<b>Sales</b>					
# of Personnel	36.00	40.00	44	48	53
Average Salary	\$3,000	\$3,000	\$3,100	\$3,200	\$3,300
Commission \$\$	\$1,144,800	\$1,290,000	\$1,590,000	\$1,920,000	\$2,310,000
<b>Sales Compensation</b>	<b>\$2,440,800</b>	<b>\$2,730,000</b>	<b>\$3,226,800</b>	<b>\$3,763,200</b>	<b>\$4,408,800</b>
<b>Technical Support</b>					
# of Personnel	18.00	18.00	20	22	25
Average Salary	\$3,645	\$3,790	\$3,900	\$4,100	\$4,400
Bonus \$\$	\$46,650	\$48,000	\$53,000	\$57,000	\$64,500
<b>Tech. Supp. Compensation</b>	<b>\$833,970</b>	<b>\$866,640</b>	<b>\$989,000</b>	<b>\$1,139,400</b>	<b>\$1,384,500</b>
<b>Customer Support</b>					
# of Personnel	5.00	6.75	8	10	13
Average Salary	\$3,038	\$3,165	\$3,250	\$3,400	\$3,550
Bonus \$\$	\$10,800	\$12,000	\$15,000	\$18,000	\$22,000
<b>Cust. Supp. Compensation</b>	<b>\$193,050</b>	<b>\$268,500</b>	<b>\$327,000</b>	<b>\$426,000</b>	<b>\$575,800</b>
<b>Summary</b>					
Management Salaries	\$997,800	\$997,800	\$1,100,000	\$1,200,000	\$1,400,000
Non-management Salaries	\$2,854,410	\$3,199,643	\$3,676,200	\$4,250,400	\$5,022,000
Bonus/Commission \$\$	\$1,830,570	\$2,032,500	\$2,503,300	\$3,005,000	\$3,600,500
Non-management Personnel #	80	88	98	109	123
<b>Salaries + Bonus</b>	<b>\$5,682,780</b>	<b>\$6,230,325</b>	<b>\$7,279,500</b>	<b>\$8,455,400</b>	<b>\$10,022,500</b>
<b>Overhead</b>	<b>\$1,704,834</b>	<b>\$1,869,098</b>	<b>\$2,183,850</b>	<b>\$2,536,620</b>	<b>\$3,006,750</b>
<b>Total Comp. + Overhead</b>	<b>\$7,387,614</b>	<b>\$8,099,423</b>	<b>\$9,463,350</b>	<b>\$10,992,020</b>	<b>\$13,029,250</b>

## 2.8.5 Year 1 Expense Projections

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Totals
Salaries & Commissions	729846	602745	602745	604429	604429	604429	605839	605839	605839	607159	607159	607159	\$7,387,614
Equipment	83500	83500	83500	83500	83500	83500	83500	83500	83500	83500	83500	83500	\$1,002,000
Communications	41000	41000	41000	41000	41000	41000	41000	41000	41000	41000	41000	41000	\$492,000
Facilities	79000	79000	79000	79000	79000	79000	79000	79000	79000	79000	79000	79000	\$948,000
Equip & Facil Maint.	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	\$48,000
<b>Total Equip &amp; Facil. \$\$</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$207,500</b>	<b>\$2,490,000</b>
Advertising	21000	21000	21000	21000	21000	21000	21000	21000	21000	21000	21000	21000	\$252,000
Product/Svc Sample													\$0
Sales Literature	17000	17000	17000	17000	17000	17000	17000	17000	17000	17000	17000	17000	\$204,000
Product/Svc Seminar													\$0
Other Promotion	43000	43000	43000	43000	43000	43000	43000	43000	43000	43000	43000	43000	\$516,000
<b>Total Promotion \$\$</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$81,000</b>	<b>\$972,000</b>
Travel/Entertainment	38000	38000	38000	38000	38000	38000	38000	38000	38000	38000	38000	38000	\$456,000
Other	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	\$120,000
<b>Total Expense</b>	<b>\$1,066,346</b>	<b>\$939,245</b>	<b>\$939,245</b>	<b>\$940,929</b>	<b>\$940,929</b>	<b>\$940,929</b>	<b>\$942,339</b>	<b>\$942,339</b>	<b>\$942,339</b>	<b>\$943,659</b>	<b>\$943,659</b>	<b>\$943,659</b>	<b>\$11,425,614</b>

## 2.8.6 Year 2 Expense Projections

	Q1	Q2	Q3	Q4	Totals
Salaries & Commissions	\$2,013,616	\$1,968,746	\$2,024,269	\$2,092,792	\$8,099,423
Equipment	255000	255000	255000	255000	\$1,020,000
Communications	125000	125000	125000	125000	\$500,000
Facilities	240000	250000	260000	260000	\$1,010,000
Equip & Facil Maint.	13000	13000	13000	13000	\$52,000
<b>Total Equip &amp; Facil. \$\$</b>	<b>\$633,000</b>	<b>\$643,000</b>	<b>\$653,000</b>	<b>\$653,000</b>	<b>\$2,582,000</b>
Advertising	70000	70000	70000	70000	\$280,000
Product/Svc Sample					\$0
Sales Literature	55000	55000	55000	55000	\$220,000
Product/Svc Seminar					\$0
Other Promotion	140000	140000	140000	140000	\$560,000
<b>Total Promotion \$\$</b>	<b>\$265,000</b>	<b>\$265,000</b>	<b>\$265,000</b>	<b>\$265,000</b>	<b>\$1,060,000</b>
Travel/Entertainment	120000	125000	130000	130000	\$505,000
Other	45000	45000	45000	45000	\$180,000
<b>Total Expense</b>	<b>\$3,076,616</b>	<b>\$3,046,746</b>	<b>\$3,117,269</b>	<b>\$3,185,792</b>	<b>\$12,426,423</b>

### 2.8.7 Years 1-5 Expense Projections

	2009	2010	2011	2012	2013
Salaries & Commissions	\$7,387,614	\$8,099,423	\$9,463,350	\$10,992,020	\$13,029,250
Equipment	\$1,002,000	\$1,020,000	\$1,100,000	\$1,200,000	\$1,300,000
Communications	\$492,000	\$500,000	\$520,000	\$550,000	\$600,000
Facilities	\$948,000	\$1,010,000	\$1,100,000	\$1,200,000	\$1,300,000
Equip & Facil Maint.	\$48,000	\$52,000	\$54,000	\$56,000	\$59,000
<b>Total Equip &amp; Facil. \$\$</b>	<b>\$2,490,000</b>	<b>\$2,582,000</b>	<b>\$2,774,000</b>	<b>\$3,006,000</b>	<b>\$3,259,000</b>
Advertising	\$252,000	\$280,000	\$350,000	\$400,000	\$450,000
Product/Svc Sample	\$0	\$0			
Sales Literature	\$204,000	\$220,000	\$250,000	\$300,000	\$350,000
Product/Svc Seminar	\$0	\$0			
Other Promotion	\$516,000	\$560,000	\$600,000	\$650,000	\$750,000
<b>Total Promotion \$\$</b>	<b>\$972,000</b>	<b>\$1,060,000</b>	<b>\$1,200,000</b>	<b>\$1,350,000</b>	<b>\$1,550,000</b>
Travel/Entertainment	\$456,000	\$505,000	\$675,000	\$800,000	\$950,000
Other	\$120,000	\$180,000	\$200,000	\$220,000	\$240,000
<b>Total Expense</b>	<b>\$11,425,614</b>	<b>\$12,426,423</b>	<b>\$14,312,350</b>	<b>\$16,368,020</b>	<b>\$19,028,250</b>

## 2.8.8 Year 1 Revenue Projections

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Totals
Product Revenue	\$1,500,000	\$1,500,000	\$1,500,000	\$1,600,000	\$1,600,000	\$1,600,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$19,200,000
Services Revenue													\$0
Maintenance Revenue													\$0
Royalties Revenue													\$0
Other Revenue	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$950,000	\$950,000	\$950,000	\$10,500,000
<b>Total Revenue</b>	<b>\$2,350,000</b>	<b>\$2,350,000</b>	<b>\$2,350,000</b>	<b>\$2,450,000</b>	<b>\$2,450,000</b>	<b>\$2,450,000</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>	<b>\$2,600,000</b>	<b>\$2,600,000</b>	<b>\$2,600,000</b>	<b>\$29,700,000</b>

### 2.8.8.1 Historical Revenue

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Totals
Product Revenue	\$1,203,400	\$1,190,900	\$1,480,500	\$1,420,100	\$1,620,350	\$1,550,560	\$1,500,035	\$1,420,090	\$1,100,330	\$1,523,000	\$1,320,800	\$1,540,600	\$16,870,665
Services Revenue													\$0
Maintenance Revenue													\$0
Royalties Revenue													\$0
Other Revenue	\$672,000	\$680,000	\$702,000	\$726,000	\$715,000	\$780,000	\$771,000	\$788,000	\$770,000	\$820,500	\$880,000	\$835,000	\$9,139,500
<b>Total Revenue</b>	<b>\$1,875,400</b>	<b>\$1,870,900</b>	<b>\$2,182,500</b>	<b>\$2,146,100</b>	<b>\$2,335,350</b>	<b>\$2,330,560</b>	<b>\$2,271,035</b>	<b>\$2,208,090</b>	<b>\$1,870,330</b>	<b>\$2,343,500</b>	<b>\$2,200,800</b>	<b>\$2,375,600</b>	<b>\$26,010,165</b>

**2.8.9 Year 2 Revenue Projections**

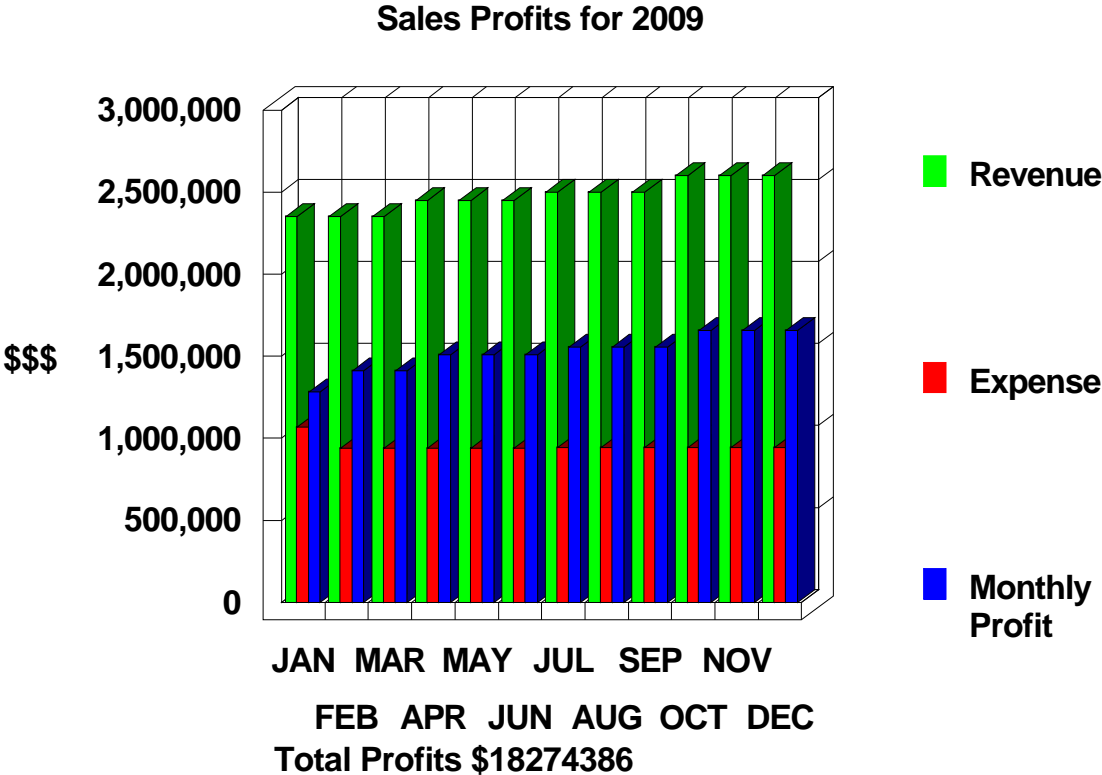
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Totals</b>
<b>Product Revenue</b>	\$5,000,000	\$5,250,000	\$5,750,000	\$6,000,000	\$22,000,000
<b>Services Revenue</b>					\$0
<b>Maintenance Revenue</b>					\$0
<b>Royalties Revenue</b>					\$0
<b>Other Revenue</b>	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$12,000,000
<b>Total Revenue</b>	<b>\$8,000,000</b>	<b>\$8,250,000</b>	<b>\$8,750,000</b>	<b>\$9,000,000</b>	<b>\$34,000,000</b>

**2.8.10 Years 1-5 Revenue Projections**

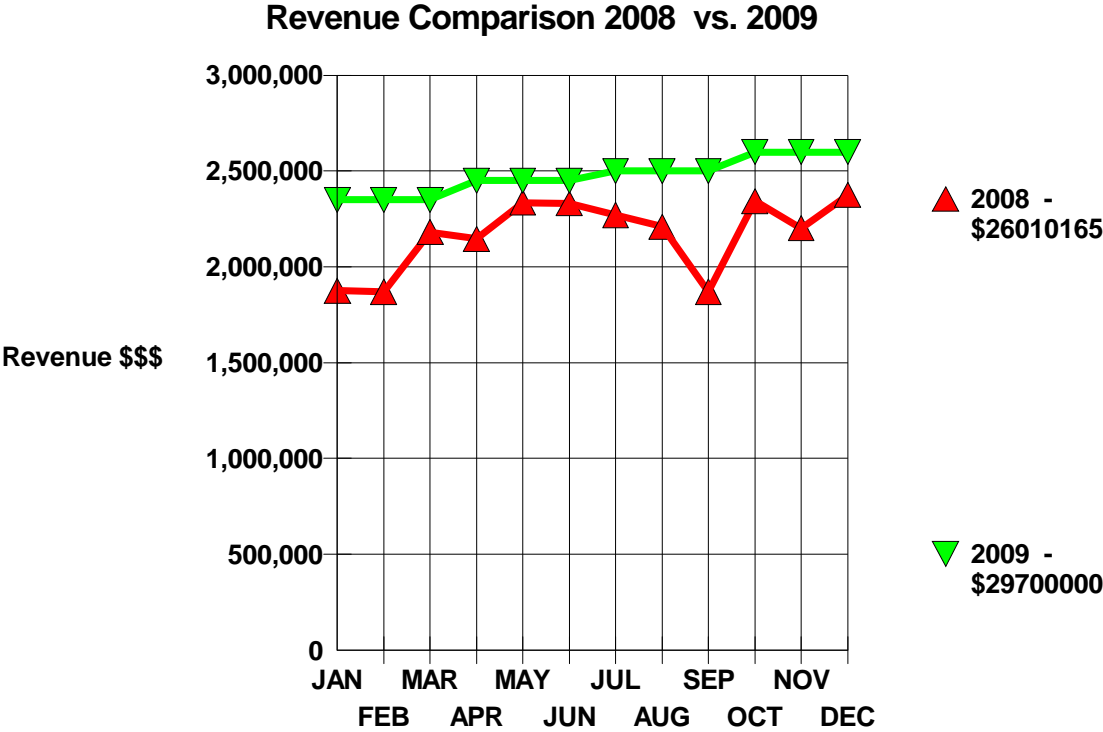
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Product Revenue</b>	\$19,200,000	\$22,000,000	\$26,500,000	\$32,000,000	\$38,500,000
<b>Services Revenue</b>	\$0	\$0			
<b>Maintenance Revenue</b>	\$0	\$0			
<b>Royalties Revenue</b>	\$0	\$0			
<b>Other Revenue</b>	\$10,500,000	\$12,000,000	\$13,500,000	\$15,000,000	\$16,700,000
<b>Total Revenue</b>	<b>\$29,700,000</b>	<b>\$34,000,000</b>	<b>\$40,000,000</b>	<b>\$47,000,000</b>	<b>\$55,200,000</b>

## 2.9 Charts

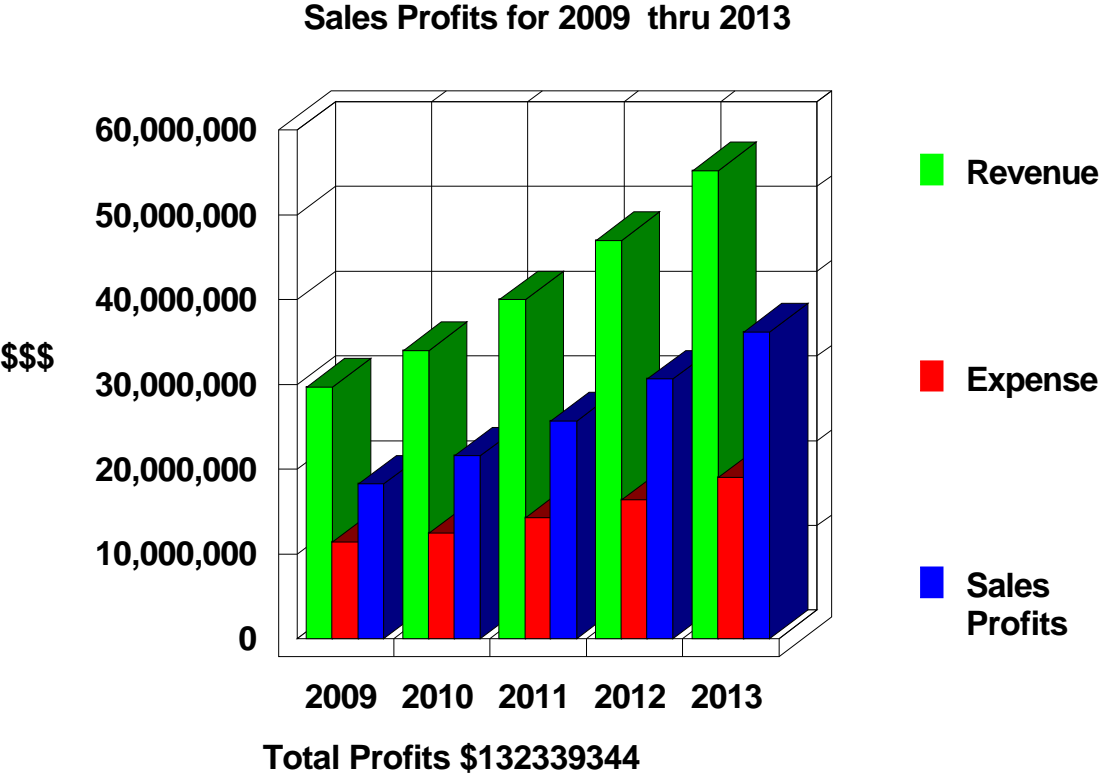
### 2.9.1 Year 1 Sales Profits



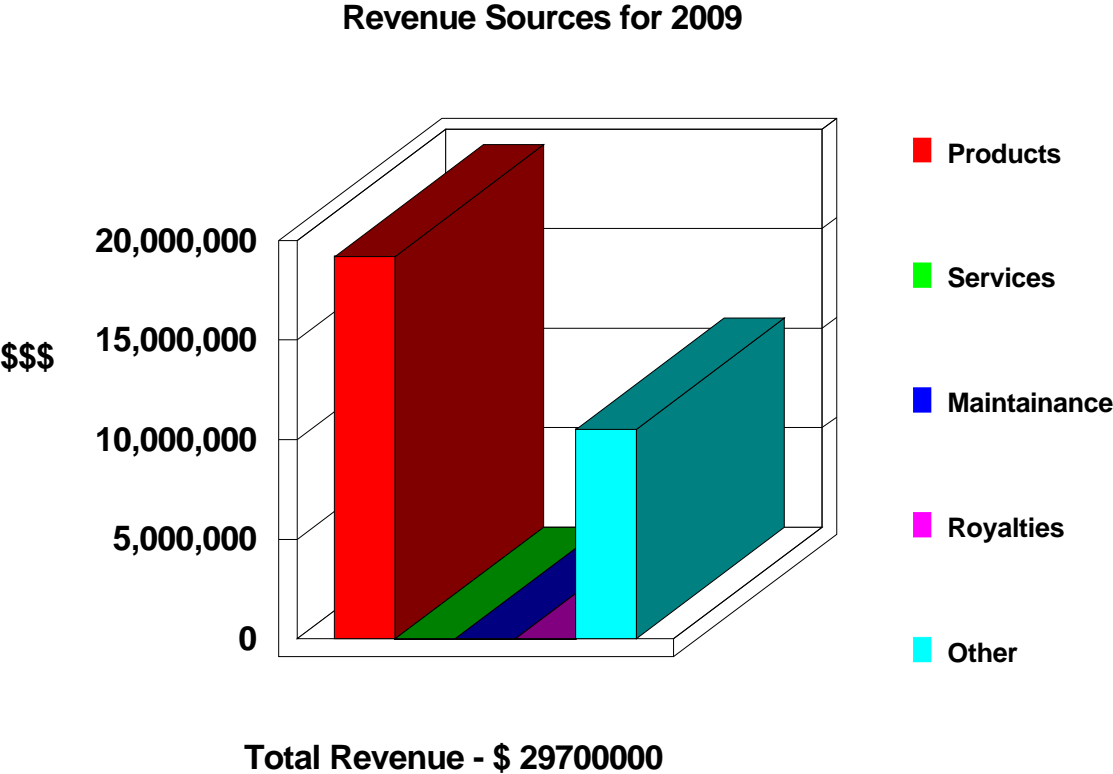
### 2.9.1.1 Revenue Comparison



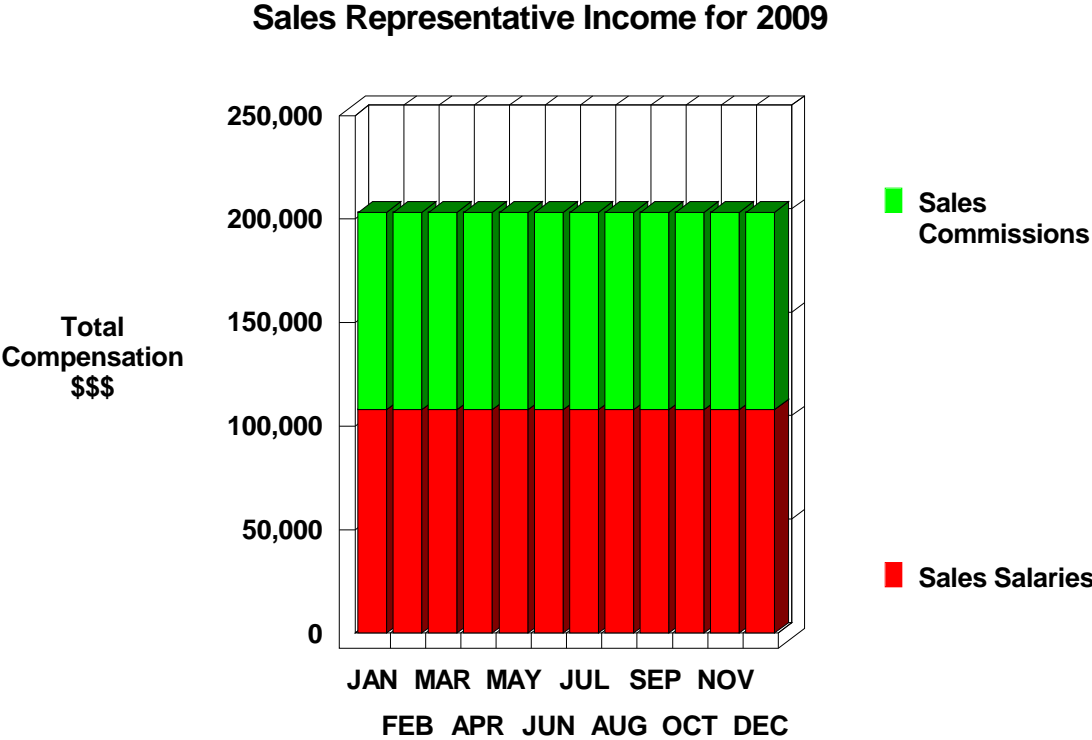
2.9.2 Year2 1-5 Sales Profits



### 2.9.3 Year 1 Revenue Sources

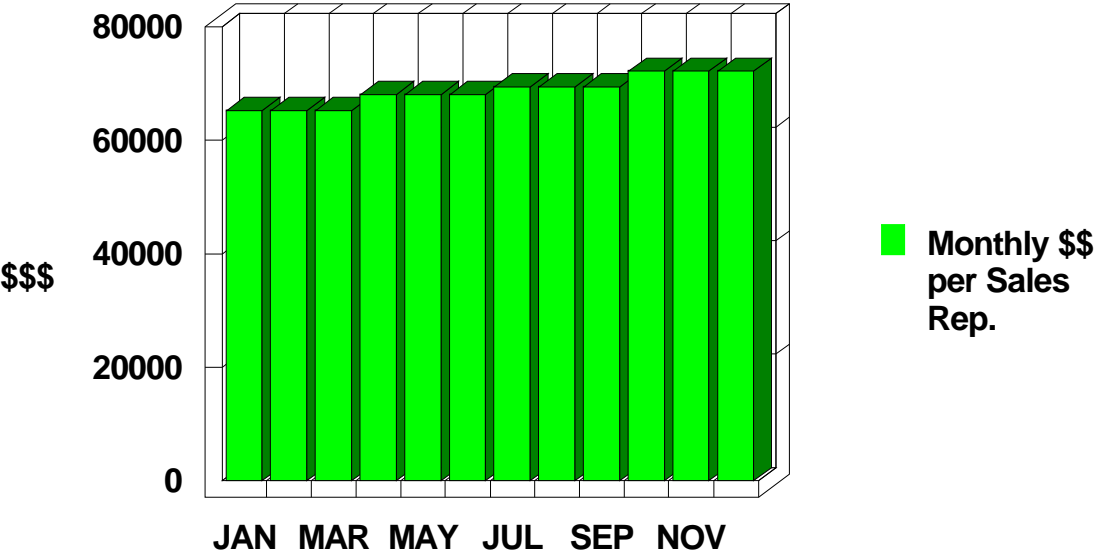


2.9.4 Year 1 Sales Rep. Income



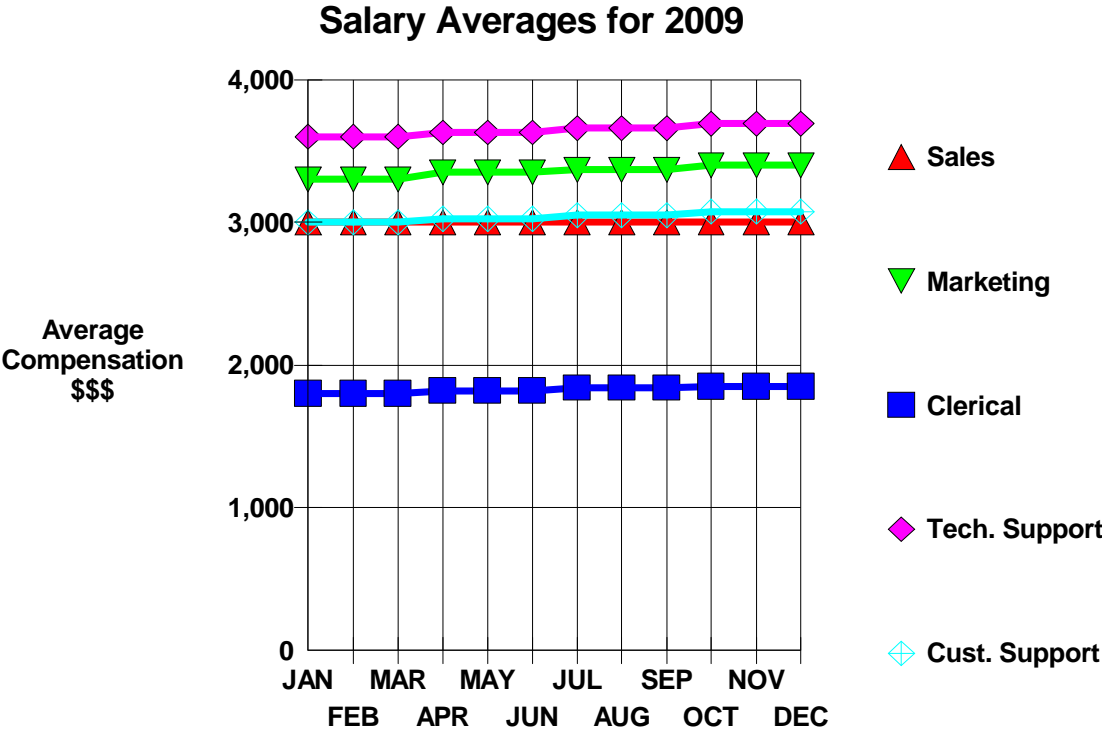
2.9.5 Revenue per Sales Rep.

Revenue per Sales Representative for 2009

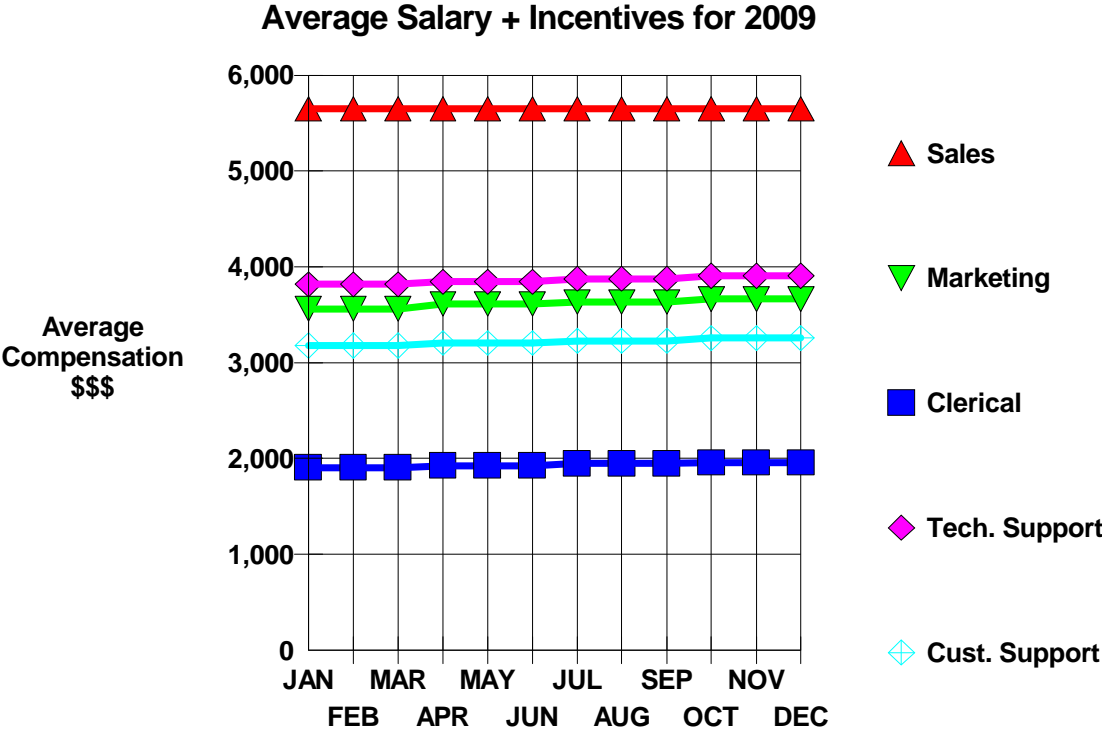


FEB APR JUN AUG OCT DEC  
Annual Revenue per Sales Representative - \$825000

2.9.6 Year 1 Salary Avg.

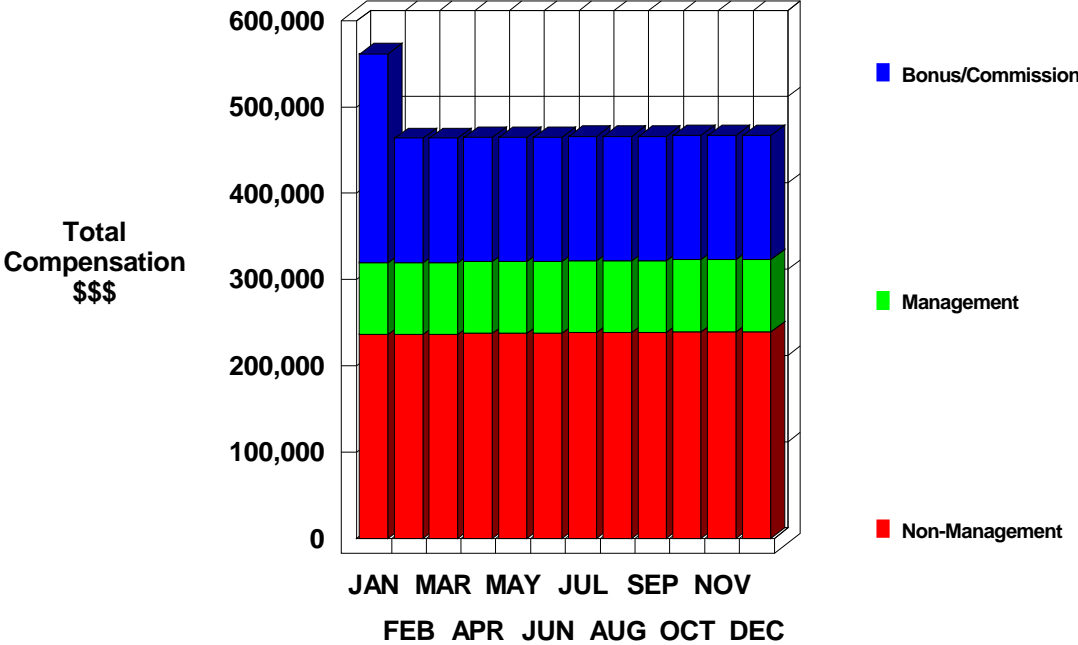


### 2.9.7 Year 1 Salary Avg.



### 2.9.8 Year 1 Salary & Incentives

Salary & Incentives for 2009



### 2.9.9 Years 1-5 Salary & Incentives

Salary & Incentives for 2009 thru 2013

