



Virtual Shopping

BUSINESS PLAN

CLICK 'N SHOP INC.

425 Loop Rd., Ste. 14
Chicago, IL 60060

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This business plan for a virtual reality application is an example of how state-of-the-art technology can become the basis for a popular start-up business. It discusses the use of a virtual shopping kiosk that allows customers to connect via video teleconference to retailers whose products are displayed in the booth. The plan features considerations of strategy and technology as well as a comparative balance sheet and other financial details.

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EXECUTIVE SUMMARY

Click 'n Shop Inc. is a Delaware corporation which is looking to secure expansion capital to begin the roll out of its Point 'n Click Booths and to provide working capital to fully exploit the opportunities presented by using its proprietary technology to enable retailers to visually communicate with their customers using a videoconferencing connection.

The Company

Click 'n Shop Inc. (CSI) utilizes video compression technology (video teleconferencing) to create an alternative retail distribution channel which will enable America's premier retailers an opportunity to market and sell their products directly to consumers using tomorrow's "electronic superhighway" ...today.

CSI will build, install and operate a series of Point 'n Click Booths (PCB). The PCB is an 18 square foot kiosk that permits a user to sit down and have a face-to-face conversation with any retailer equipped to receive videoconference calls. The PCB, in an effort to minimize risk, capitalizes on off-the-shelf proven technology and uses proprietary CSI software to create a point-of-sale location which can be used efficiently by a multitude of retailers.

Источник бизнес-плана: <http://www.referenceforbusiness.com>



The PCB is a complete marketing system which will be placed in high-traffic areas, such as airline lounges, hotel lobbies, superstores, office buildings, etc. The video monitor on the front of the unit is used to draw customers to the PCB by advertising retailer's products on the screen. Once inside the PCB, the customer encounters an electronic browsing screen that enables him to use interactive touch-screens to preview retailer's products and generate manufacturer's discount coupons.

While browsing retailer's product offerings, the customer can press "connect" at any point they have a question or would like to place an order. For example, a customer who is interacting with the system regarding a Hawaiian vacation and has a question would touch the "connect" button on the monitor. At that instant, the PCB establishes an automatic two-way live videoconference directly between the customer and the retailer. This customer would be instantly connected to the American Express Travelways Travel Center, where an AMEX travel expert would assist the customer in making a selection.

This new retailing concept provides a hybrid environment in which today's sophisticated customers can easily manipulate information in concert with assistance from a sales expert to efficiently make a purchase decision. Both the customer and sales person can simultaneously view the product information screen and each other, thus enabling the sales person to add both visual and audio input into the sales process, while at the same time maintaining a human element. The end result of this innovative process is a fresh retailing climate which will facilitate the goals of both the consumer and the retailer.

From the customer's viewpoint, the PCB is indeed a virtual mall. While standing in one spot, the customer can contact, talk to, discuss with, and shop from literally hundreds of retailers selling every different kind of product and/or service, and the customer is always in control of the shopping and selection process. The PCB has created exactly what today's consumers are looking for—a convenient, high information sales process that still maintains the "human touch."

To retailers, the PCB represents a tremendous opportunity to add hundreds of new distribution outlets without incurring the hard costs of building stores, carrying inventory, and staffing stores with salespeople. A retail tenant in the PCB has combined the best of both "store" and "non-store" distribution—the ability of an "expert" salesperson to provide information to the consumer and "close" the sale, as well as the benefits of minimal inventory and staffing costs which enable the retailer to price their products more competitively.

To CSI and its investors, the PCB represents an immediate application of technology to take advantage of, and profit from, the American retailer's stated desire to "sell outside of their walls." The introduction of the PCB will position CSI as the first company to advocate and market the use of video conferencing in a direct business to consumer application. By being in front of the "electronic tidal wave," CSI will be positioned to profit handsomely as the nation's first "virtual landlords."

Strategy

The July 26, 1993 cover of Business Week declared "Retailing will Never Be the Same." The cover story deals with the merging of entertainment, telecommunications and electronics into the "electronic superhighway." Major conglomerates have aired television commercials explaining the benefits of 500 channels and interactive TV. Emerging technologies, like Virtual Reality, are beginning to make their way into real-world business applications. From an investment standpoint, it seems clear that the electronic tidal wave is coming, and those best positioned when it hits will benefit the most.

CSI has the opportunity to be enormously successful in its endeavor, due primarily to its unique approach to implementing its products and services. The continuous onslaught of such technological developments as hand-held computers, interactive TV, and the video dial tone are changing the way American consumers shop. The electronic superhighway is creating a new digital pipeline that will directly connect retailers with consumers.

The corporate giants are all jockeying to build the consumer end of this pipeline. While these elephants fight for the rights to equip every American household with interactive consumer shopping capabilities, CSI believes that minimal effort has been expended towards developing the retail end of this pipeline. Even if millions of



American households were equipped with interactive TV's today, most retailers in most industries are incapable of distributing their products via an electronic format.

America's most powerful retailers have recognized that in order to gain market share and thrive in the future, they must be positioned to market their products and services using this new technology. There is tremendous media attention being focused on the coming "electronic superhighway." CSI will enable business to take advantage of retailing's future today. In developing the PCB, CSI has recognized that today's retailers and telemarketers do not have the hardware, software, or training necessary to sell their products through electronic and video formats. Therefore, CSI has designed and built the Retailer's Point 'n Click Desktop (RPCD). The RPCD is a combination of state-of-the-art, yet off the shelf, hardware components and a US Patent Pending unit that is connected and operated by CSI's proprietary software and companies in the country to offer the necessary technology to convert any company in any industry into a video/virtual retailer, filling the untapped end of the pipeline.

CSI believes that the home consumer market will ultimately be the most lucrative. CSI also believes its strategic positioning is the best fit for the current state of affairs in the electronics industry. In the short term, CSI will build and operate PCB's all around the country, providing a real, practical application of the associated technologies during the years it will take for the corporate conglomerates to implement the grand scheme that enables every household to shop interactively. In the long term, regardless of who (Cable TV, Cellular, Telco, etc.) ultimately prevails, when home shopping becomes a reality, CSI will market the RPCD, and will equip the retail end of the pipeline to feed the product-hungry consumer end. CSI will be profiting from the new method of retailing via its virtual malls long before the home consumer market becomes reality.

Status

CSI completed the development and construction of the first Point 'n Click Shopping Center (PCSC) and began the initial live revenue generating application in February 1994, to prove the concept and shorten the learning curve required for future PCSCs. With the information gathered during the beta test, CSI has developed the PCB) which will allow consumers a smaller footprint, in which they can have a more private interaction with the retailer.

CSI currently has Danmark International (a \$500 million in sales electronics cataloger) and American Express Travelways as the first two anchor tenants slated for the 20 PCB roll-out scheduled for May 1995. The PCB roll-out will be concentrated in two fantastic consumer markets; Minneapolis/St. Paul and Houston. The initial locations include the Northwest Airlines Frequent Flyer Lounges, The Hyatt Hotel lobbies in each city, Rice University and several premier office towers.

CSI is also engaged in discussions with several other major retailers that have expressed an interest in the PCB, including Best Buy (a retailer of home electronics), Dayton's (Department Stores), NordicTrak (a retailer of home exercise equipment) and Sky Mall (Department Stores). Moreover, Recycle to New, Inc. (an international clothing recycler) has placed an order for the first Private Network PCB to be delivered in May 1995.

Financial Requirements

Click 'n Shop Inc. has completed the successful development and installation of the nation's first Point 'n Click Shopping Center. Due to the initial positive reactions from shoppers at the Bob's Grocery PCSC (an overwhelming 89.6% responded that they will shop this way in the future), CSI intends to implement its business plan with the systematic proliferation of PCBs around the country.

CSI expects to raise \$2.5 million to initiate the operating phase of this revolutionary retailing concept. With 50 corporate owned PCBs slated for 1995 and an additional 7 Private Network PCBs targeted for 1995, the Company will have the inertia to capitalize on its preeminent position as the nation's first virtual landlord. The body and financial projections of this business plan detail the exciting opportunity presented by this innovative company. With the videoconferencing industry expected to grow to over \$7 billion by 1998, CSI and its



investors are well positioned to capitalize on this burgeoning market.

BUSINESS DESCRIPTION

CSI is a Delaware corporation that utilizes video compression technology to provide an alternate distribution channel for today's retailers. In addition to creating an alternate means of retailing CSI has developed a complete marketing system with the introduction of the Point 'n Click Shopping Center (PCSC). CSI's primary business is to be a full service "virtual landlord." A virtual landlord leases access and connect time to retailers, to market and distribute their products through a PCSC or Point 'n Click booth (PCB). A full service virtual landlord provides retailers with the tools with which to market their products in this new format: The Retailer's Point 'n Click Desktop (RPCD).

CSI believes that the development of the PCB fills an important need for both retailers and consumers. With the availability of new video compression technology, CSI has developed a cost effective means for retailers to broaden their distribution capacity through additional point-of-sale locations at dramatically reduced costs. CSI will charge "tenant" retailers a monthly "rental rate" per PCB location in which they wish to enable consumers the ability to establish a video link on shop on-line with the selected retailer. The retailer will derive the benefit of maintaining a full service retail location for the equivalent cost of only leasing a 200 square foot store. Moreover, as part of the lease rate, tenants will also be able to use full motion video to advertise their products and services and draw consumers to the point-of-sale kiosk. Each tenant will have four 30 second spots per hour on the exterior video monitor included in their lease rate.

In addition to the rent that CSI will charge its tenants, CSI will also charge a monthly lease fee for the RPCD which will be deployed at the tenants telemarketing center. The RPCD is the combined hardware and software necessary for our tenants to interact with their customers at a PCB location. The RPCD includes CSI's US Patent Pending software, as well as an extremely user friendly graphical user interface. Moreover, the RPCD is designed to permit the retailer to use their existing order entry and inventory management software in conjunction with the RPCD operating system. The RPCD software was designed for use with Microsoft Windows and as a result, the retailer's existing software can simply be pulled through a new window to create an easy to use one page interface.

CSI believes that the ownership and operation of America's first Point 'n Click Shopping Centers and Point 'n Click Booths is, and will become, an extremely viable and profitable business. The attributes that make a landlord successful today and attractive to potential tenants are; 1) Location, location, location, 2) Complementary tenants, 3) "Value" lease rates and 4) The capability to assist tenants in the marketing of their products and the attraction of consumers to the location. CSI will be able to deliver on all of these counts. Most importantly, however, the PCB will provide the best "value" in many locations that are now considered too costly to establish a retail store.

THE MARKET

The Retailer/Tenant Market

The 50 largest retailers in America racked up \$478 billion in 1992 sales, a growth of 6.1% over 1991. Retailing is big business. Retailing is also a profitable business. The Service 500 published by Fortune marked "Retailing" as one of the top industries in the service category in total return to investors (19.2%) between 1982-1992. Return on assets for 1992 ranked first at 5.3%. Retailing was number one with \$5.51 of sales per dollar of shareholder's equity. Return on Shareholder's equity for 1992 was the highest at 14.0%. Sales per retail employee averaged \$ 122,740. Wal-Mart ranked number one in service sector profits with almost \$2.0 billion. Retailing has demonstrated profit potential. CSI is targeting a large and lucrative group of tenants.

Business Week proclaimed on its cover that "Retailing Will Never Be The Same." As indicated in the previous



paragraph, America's retailers are a large and profitable group. However, the business of retailing is going to change forever with the emergence of the "electronic superhighway." Changes in retailing are not new to the American public (see chart below), but the magnitude of the "Electronic Distribution Era" will have a profound effect on the business.

Modern American Shopping

Downtown

- Department Store
- Full "Retail" Pricing
- High Service
- Home Delivery

Neighborhood

- "Full Service" Gas
- Grocery
- Shoe Repair
- Drug Store

Home

- Milkman
- Fuller Brush
- Avon
- Handyman

1940-1960 - Department Store Era

Downtown

- Department Store
- Full "Retail" Pricing
- High Service
- Home Delivery

Neighborhood

- "Full Service" Gas
- Grocery
- Shoe Repair
- Drug Store

Home

- Milkman
- Fuller Brush
- Avon
- Handyman

From Downtown to Suburbs

- Shopping Mall
- Discount Stores
- Low Service
- Self Service

Neighborhood

- "Fast Service"
- "Self-Service" Gas
- DirectMail
- Telemarketing

Home

- Tupperware
- Catalog Sales
- Pyramid Sales
- "Do It Yourself"

1960-1980-Mall Era

From Downtown to Suburbs

- Shopping Mall
- Discount Stores
- Low Service
- Self Service

Neighborhood

- "Fast Service"
- "Self-Service" Gas
- Direct Mail
- Telemarketing

Home

- Tupperware
- Catalog Sales
- Pyramid Sales
- "Do It Yourself"

Suburbs

- "Category Killer" Stores
- Warehouse Shopping
- Outlet Malls
- More Franchises

Neighborhood

- Video Stores
- Coffee Shops
- Gas/Convenience Stores
- Pizza

Home

- Cable TV Shopping
- Automated
- Telemarketing
- Home Pizza

1980-Present - Super Discount Era

Suburbs

- "Category Killer" Stores
- Warehouse Shopping
- Outlet Malls
- More Franchises

Neighborhood

- Video Stores
- Coffee Shops
- Gas/Convenience Stores
- Pizza

Home

- Cable TV Shopping
- Automated
- Telemarketing
- Home Pizza

Suburb & Downtown

- High Service/Low Price
- 2-Way Video Shopping Kiosks
- 2-Way Video Stores in Office Buildings

Neighborhood

- 2-Way Video Shopping Malls
- Neighborhood Convenience Stores

Home

- 2-Way Video Shopping Anytime/Everywhere

Future - Electronic Distribution Era

Suburb & Downtown

- High Service/Low Price
- 2-Way Video Shopping Kiosks

Neighborhood

- 2-Way Video Shopping Malls

Home

- 2-Way Video Shopping Anytime/Everywhere



Future - Electronic Distribution Era

- 2-Way Video Stores in Office Buildings
- Neighborhood Convenience Stores

The media hype that surrounded the proposed QVC/Paramount acquisition is a foreshadowing of things to come. Every retailer in America has seen not only the \$3 billion in "Home Shopping" TV sales, but the speed and efficiency with which that retailing environment allows companies to operate. CSI has developed exactly what key retailing executives are looking for: 1) Additional retail distribution outlets ("outside of their walls"); 2) Utilization of technology to reduce costs; 3) Reduction in Sales personnel/Increase in sales per employee; 4) Better inventory management and cost control; 5) The ability to provide high service and low prices to their consumers. With the introduction of the PCB and the RPCD, CSI has created exactly what the market has been looking for.

CSI's target market for retailer/tenants will be those companies whose products and/or services are information intensive. The ideal product or service to market through the PCB is one which has a high gross margin and a low "close time" (see chart below). The industries which are best suited for this retailing environment include, but are not limited to, travel, financial services, and consumer electronics. However, CSI believes that a number of retailers which currently market their products through catalogs would benefit from the PCB. In any event, one of the overriding factors effecting the tenant market that CSI targets will be the location of each of the PCBs.

The Landlord Market

A key to CSI's ultimate success will be the site locations of the PCSCs. The initial test PCSC will be located inside Bob's Grocery, a 106,000 square foot grocery superstore that has 25,000 customers weekly. The agreement with Bob's Grocery includes a provision, upon the success of the initial live test, to move forward with a joint venture which will enable CSI to locate PCSCs in additional stores. CSI's management team is keenly aware of the need to locate the PCSCs in the proper locations. In addition to grocery chains, CSI intends to pursue large regional malls, high traffic downtown locations such as high rise office buildings, and public use areas such as airports and train stations.

The immediate benefits to the company of the grocery store location is the high traffic count which is extremely attractive to tenants as well as non-tenant advertisers. It is also an extremely large market with the 30 largest chains accounting for over 6,000 stores of 30,000 square feet or larger.

The benefit to Bob's Grocery as well as any other grocery store location will be increased traffic. Unlike most marketing companies that are soliciting grocery chains to permit the installation of video walls and monitors on which to advertise consumer goods, the PCSC will not simply advertise to the existing customers, but will bring additional traffic into the store. Eventually, shoppers will visit Bob's Grocery with the primary goal being to pick up their airline tickets from the PCSC, but they will most likely make ancillary purchases during their visit to the PCSC.

The other Landlord locations that CSI will pursue can benefit from some of the same factors that make this appealing to Bob's Grocery. Future PCSC and PCB sites will eventually use the kiosk as an amenity to attract commercial tenants. This is particularly true in the case of large downtown office buildings. In addition, with the PCB only occupying 18 square feet, CSI, with the advantage of multiple tenants paying rent in the 18 square feet, can offer significant compensation to the Landlord relative to the amount of space that is necessary. If the market rent for major retail or commercial space is \$25 per square foot, CSI will be able to offer landlords the equivalent of \$ 100 per foot for the amount of space that the kiosk will occupy.

The initial rollout of PCBs will be concentrated in the Atlanta and Chicago markets. The company has the ability to monitor the units closely and with a significant concentration in a single metropolitan area, the benefits of media exposure and advertising are very significant. To date, the company has secured locations in



some of the premiere office buildings in these markets, at Northwestern University, and at both Mega hotel locations. Several more landlord locations are in the final contract process.

MARKETING

There are three distinct markets that CSI must gear its marketing efforts towards: 1) The Tenant/Retailer, 2) The Landlord, and 3) The Consumer. CSI intends to segment its marketing approach to insure that all of the necessary groups are getting adequate marketing attention.

The Tenant/Retailer Market

The \$2 trillion retail market consists of both store and non-store retailers. Store retailing accounts for 95% (\$1.9 trillion). The \$ 100 billion of non-store retailing consists of catalog sales (\$65 billion), direct sales (\$11 billion), television retailing (\$3 billion) and direct mail/outbound telemarketing (\$21 billion). The non-store market is growing at a significantly higher rate than the store market. The growth, however, is primarily from store retailers looking at the benefits and potential of the non-store market. Two good examples are J.C. Penny creating its own video catalog and Macy's developing its own "Home Shopping" cable TV channel.

After evaluating the trends in the market, CSI will target its efforts towards traditional store retailers that are considering, or should be considering, retailing in a non-store environment. CSI will also focus on store and/or non-store retailers that have an existing telemarketing operation, such as Dayton Hudson, J.C. Penney, The Sharper Image, etc.. Those retailers with both an existing telemarketing operation as well as retail store locations will immediately understand the economic benefits of this proposed retailing concept. CSI will more easily convert existing telemarketing operations, with the use of the RPCD, to video telemarketing operations.

A.Y. Cook, CSI's President, will be the point person in the company's marketing efforts toward these potential tenants. Ms. Cook has demonstrated that she can sign major tenants as is evidenced by the DAMARK and AMEX contracts. Her primary marketing strategy will be one of direct contact. Whether direct mail or telephone, Ms. Cook will make contact with the appropriate management at the target retailer to present the Point 'n Click Shopping concept. This method has been well received thus far, as Ms. Cook has been extremely adept at gaining access to the decision makers at IBM, Dayton Hudson, and Best Buy. CSI also intends to display and demonstrate its products at various trade shows sponsored by the Direct Marketing Association and the Catalog Conference.

The Landlord Market

The marketing plan regarding the landlord market is two-fold. First, CSI will identify those locations that will be attractive to existing and future tenants. Second, CSI will identify the "landlords" located in those locations that will be potential strategic capital partners. The company's objective, with respect to soliciting landlord or site locations, is to provide an ample qualified traffic count, while at the same time identifying a corporate partner with multiple "like" locations.

James Watt will have the primary responsibility for locating and securing future PCB sites. Mr. Watt will use the initial Bob's site as a marketing tool with which to attract new landlord partners.

Mr. Watt will gather statistical information regarding increased traffic, free publicity for the landlord and customer acceptance/approval of the PCB to bolster his marketing presentation. He will also bring prospective landlords to the test site to witness the entire operations.

Upon identification and prioritization of future landlord sites, CSI will initiate a direct marketing campaign to solicit additional landlord locations. The company has also developed a Joint Venture financial model that demonstrates extremely attractive economic returns to the landlord of a partnership with CSI. The combination of a live operating site with the economic incentive package should greatly aid in the proliferation of future



landlord locations.

Based upon research from the consumers at the Bob's facility and various catalog retailers who have been introduced to the concept, it has been suggested that CSI target four primary landlord locations: 1) Airline Frequent Flyer Lounges, 2) Hotel Lobbies, 3) Large Multi-Tenant and Single Tenant Office Complexes and 4) Universities. The company is now aggressively pursuing these locations and has several under contract in both the Chicago and Atlanta markets.

The Consumer Market

The ultimate success of this venture is predicated upon CSI's ability to attract consumers to use the PCB. The demographics of the early locations must be consistent with the data that suggests "Early Adopters," people most comfortable with new technology, will be the first group to use the PCB. CSI intends to use the PCB itself to advertise to this target group of consumers. CSI will prepare a series of full motion broadcast quality ads to run on the Video Monitor that demonstrate the PCB and what Point 'n' Click Shopping is all about. CSI's primary goal is to raise consumer confidence and comfort with the PCB as a distribution outlet for goods and services.

In addition to the ad campaign on the video monitor, CSI will seek outside media coverage for additional credibility and publicity. The "Grand Opening" of the inaugural 20 PCB locations will be designed as a media event. The company is currently working with different advertising and public relations firms to craft a well executed PR campaign. CSI will also solicit interest from the local media by sending direct mail announcing the event. The company will also continue to employ various media groups to assist in the promotion of the PCB through the use of news releases and article submissions. CSI intends to pursue like strategies in subsequent markets in which the company establishes additional PCB sites.

CSI has also begun the groundwork of developing a customer affinity program. The Shopper Tracker (ST) will enable CSI to capture customer demographics for our tenant retailers. More importantly, it will provide the customer with an accumulated point system which will encourage repeat business through our Point'n Click Network. We will communicate directly with customers who have access to a PCB via our Bi-Monthly newsletter to our ST members. It is through this communication that we can announce various promotions and new tenants, thereby creating a direct link to our most important customers.

TECHNOLOGY/SYSTEM SUMMARY

The Point 'n Click Shopping Center could not exist before now. The convergence of disparate technologies creates the opportunity for the video retailing revolution. The PCSC seizes the opportunity by integrating the following technologies into a new type of shopping experience. Each PCSC and PCB has three advanced systems that deliver the complete Point 'n Click Shopping experience.

1. Interactive Information System
(Consumer Controlled Interactive, "touch screen")
2. Expert Information System
(Multimedia information remotely controlled by video communications slaes expert through the RPCD)
3. Two-Way Video Communications System
(Consumer at the PCB to Sales Expert at RPCD)

Interactive Information System

Located inside the PCB is a 17" interactive touch screen monitor on which customers can browse through the system looking for information on goods or services available at the PCB. The purpose of this interactive system is to allow the shopper to discover for himself/herself, using interactive "touch screen" computer technology, information and advice on items of interest. The system features buying guides, prices and detailed



descriptions (e.g. infomercials). This interactive framework is housed in a proprietary CSI software system, the Video Enabled Catalog (VECAT).

The June 22, 1992 issue of Business Week reported that approximately 60,000 interactive computer "kiosks" are now in use nationwide replacing the old electronic data boxes. An estimated 2 million interactive systems are expected to be in use by 1996. The new touch screen systems have colorful graphics, video, and sound.

American consumers are becoming very accustomed to this technology. The PCB incorporates the interactive browsing screens as a means to attract additional consumers. The benefit, in the case of the PCB, is that the customer will be both entertained and informed. Thus, once the consumer does select to be connected to the retailer via a videoconference, due to the earlier use of the interactive "touch screen," they are more informed and the video connect time may be reduced. Eventually, the Interactive Information System will allow the consumer to print out information or record on tape to take home as desired.

Expert Information System

IBM researchers report that we have short term retention rate of 20% of what we hear, compared to 40% of what we see and hear, compared to 75% of what we see, hear, and do. Effective communication is multi-dimensional. The Point 'n Click Booth's use of multimedia systems creates a multi-dimensional shopping experience.

The Expert Information System (EIS) is a more comprehensive multimedia version of the Interactive Information System. The EIS is remotely controlled from the Retailer's Point 'n Click Desktop by a sales expert who:

1. Guides consumers through information and answer questions.
2. Takes orders and provides shopping information.
3. Captures the customer profile for data base manipulation.

Both the Interactive and Expert Information Systems use state of the art touch screen interaction and multimedia technology. By combining computer and television technology it is possible to express information to consumers in a more intuitive manner. These systems are designed with a Multimedia object-oriented data base management system used to store and manipulate text, graphics, digitized photos, animation and full motion video. These can easily be updated with new product information. Outlined below is the connection between the RPCD and the multimedia equipment in the PCB.

Two-Way Video Communications System

To say advances in compression technology have been dramatic is to seriously understate the facts. In 1985 the electronic devices used to code and decode video (CODEC) cost \$70,000 and produced, by today's standards, rudimentary picture quality. Today CODEC chips are being introduced by the AT&T microelectronics division at a cost of \$400 to the video conference manufacturers. Complete office systems currently start at \$ 15,000 (Hitachi) and personal computer CODEC systems (albeit lower quality Jerky motion images) were recently introduced and priced at \$995.

Video compression, the ability to send full motion, broadcast quality video over phone lines, is the heart of this new shopping experience. Two-way video communications puts the consumer in control of the shopping process. Each video conferencing station in the PCB features a wall mounted 17" "touch screen" monitor. The monitor is for both a live face-to-face videoconference with the product or service expert of the shopper's choice as well as the interactive browsing.

Using a picture-in-picture feature, the monitor is used by the retail sales expert for multimedia presentations that answer the shopper's questions.

Many individuals are put off by an aggressive sales clerk rushing over to ask, "How may I help you?" when



shopping in a retail store. A customer in the Point 'n Click Booth is never asked "How may I help you?" until the customer touches "CONNECT" on the monitor. The shopper is free to shop independently by following a simple touch screen menu that leads the shopper to increasingly complex information made possible by the new multimedia systems. However, at any time, the shopper can press "CONNECT" or "HELP" and a live expert will instantly appear on the monitor. Giving the shopper total control of the shopping and buying experience is truly revolutionary.

The PCB is one half of the videoconference sales channel. To come to life the center must be able to connect consumers to a wide variety of retailers equipped with videoconferencing equipment. CSI's Point 'n Click Private Web will act as an electronic switch that will route PCB calls to the appropriate Retailer's Point 'n Click Desktop. The RPCD allows the expert sales agent to deliver multimedia presentations to the consumer (Expert Information System) as well as to check inventory positions and enter customer orders all from one terminal. The development of the proprietary software which enables the RPCD to function and deliver a seamless presentation to customers is critical to the ultimate success of the shopping experience.

Summary

The confluence of these technologies is unique. Prior to "now," each piece of the technology puzzle was awaiting inventor or refinement that would produce a cost acceptable solution. The year 1993 produced video codec chips, multimedia PC's, new tariffs that dramatically reduce the cost of video communication via broadband services and new video production tools. With these systems in place and the proprietary software to tie them together to function as one entity, the Point 'n Click Booth is a reality. Each PCB delivers service that stimulates the imagination and self-image aspect of the consumers mind. The PCB network does not seek "shelf space," it seeks "mind space." Skilled video sales experts will use multimedia to feed the mind answers on a wide range of information intensive products and services. Both the consumer and the retailer win in this environment.

THE MANAGEMENT TEAM

CSI's senior management currently consists of three members:

A.Y. Cook is the original founder of CSI and is the current President and a Director of the company. Prior to starting CSI, Ms. Cook owned and operated a large travel & tour packaging company. At its peak, that company's sales exceeded \$39 million and passenger volume reached more than 150,000 per year. She has been dedicating 100% of her time to CSI since 1992.

Ms. Cook's primary responsibility at CSI is to market the company's services to potential tenants. The concept of allocating the cost of video retailing across several tenants in a Point 'n Click Shopping Center is Ms. Cook's idea. She first embarked upon this trail in 1986, when she was searching for a new retailing method which would enable her to gain greater personnel efficiency. The ability to gain telemarketing efficiency (roughly 67% of a telemarketer's time is spent talking directly to customers) was extremely attractive given the inordinate amount of "down time" experienced by retail sales agents. The use of videoconferencing, which was just becoming reality at the time, would be an extraordinary system with which to market travel services and gain greater efficiency. However, at the time, the video quality was poor and the costs were too prohibitive to utilize this new technology. Just recently, with the improvements in picture quality and the dramatic reduction in costs, this new method of retailing can become a reality. More over, when the cost is allocated across several retailers at the consumer end of the systems, this new retailing mode becomes extremely cost effective.

Ms. Cook's intimate involvement with this project since its inception ideally suits her to be the point person for CSI's marketing efforts. Furthermore, it was Ms. Cook that signed CSI's first tenant, AAA Travel, and her experience and success to date in marketing this novel retailing concept are invaluable in this position. She has also been involved with a variety of vendors and technical experts in designing the PCSC. The knowledge that has been gained throughout this process is a key attribute for the individual charged with overseeing the sales process.



James Winchester is the Chairman, Chief Executive Officer, and director of the company. Mr. Winchester's primary responsibilities include marketing and promotion of the company and its products and services, raising funds for continued company growth, and participation in the technical development of software and systems.

Prior to joining the company, Mr. Winchester was the President and Chief Operating Officer of a private technology venture developing a nationwide network of electronic ticketing machines for machines for airline tickets and other types of documents. Mr. Winchester's experience in building electronic distribution networks will be a direct benefit to the company in achieving its plan quickly and profitably.

Mr. Winchester will play an instrumental role in moving the company from a start-up venture to a production operation. Mr. Winchester has a demonstrated track record of success with moving technology companies from the initial concept stage to the profitable operating stage. His most notable success was a company which has since been acquired by MasterCard.

James Watt is the Executive Vice President, Chief Financial Officer, and a Director of the Company. Mr. Watt has been involved with as a Director of the Company since October 1993 and joined the company full time in January 1994. Upon joining CSI, Mr. Watt assumed responsibility for the financial operations of the company and the future site selection for the company's PCSCs. Mr. Watt's educational background and previous experience in the investment banking field make him an ideal candidate for these positions. More importantly, his familiarity with retail real estate financing and management should provide an excellent background as CSI embarks upon its course as the national first virtual landlord.

Prior to his position with CSI, Mr. Watt was employed by Jones & Associates as a Vice President in their Investment Banking Department. Mr. Watt joined Jones & Associates in 1989 after his graduation from The Wharton School at the University of Pennsylvania with an MBA in Finance. His primary responsibility at Jones & Associates was the underwriting and marketing of private real estate investments.

In addition to Cook, Winchester, and Watt, the company has six permanent employees. Ms. Sharon Cloyd oversees the technical operations of the company as its Director of Development. Ms. Cloyd manages three software and hardware engineers whose primary expertise and responsibility are the software development and integration at the PCB and the RPCD. The other full-time employees are engaged in sales and administrative roles. As the company becomes more firmly established, additional full-time personnel will be employed in areas of responsibility where they can be economically justified.

CSI believes that it has assembled an excellent management team to guide the company from a start-up venture to a profitable operating concern. With the assistance of outside advisors, consultants, and relationships such as that with Telecom, as well as outsourcing such operational tasks as routine PCB maintenance to Park Service Inc., CSI is adequately staffed to handle finance, operations, site selection, marketing & sales, and technical operations. Included in the Appendix are brief biographies on the key management team members.

COMPETITION

CSI will be competing in two primary arenas:

1. Competing for Consumer Purchase Dollars.
2. Competing for Retailer Distribution Dollars.

Consumer Purchase Dollars

The Point 'n Click Shopping Center is a hybrid: both a store and a non-store that will be competing with other "stores" and "non-stores." Stores include any retail location that sells goods and/or services. "Non-Store" covers all other forms of retail sales including catalog, direct mail, direct sales, broadcast sales and telemarketing. The benefit of a store, in the case of merchandise, is the ability to "kick the tires" or "touch the merchandise." In fact, many types of stores shipping experiences involve "seeing" only. Touching the



merchandise does not take place until the customer is at home and opens the box. Video communications can simulate, and in the case of information intensive products, surpass the "touch the merchandise" experience. A far greater choice of merchandise can be stored in CD-ROM files or recordable optical disks for visual display and manipulation than can be stored on a shelf. Seeing and touching consumer electronic products in a no service, discount warehouse may ultimately be less satisfying than "seeing" consumer electronic products, accompanied by a live consumer electronics expert's detailed explanation of the benefits and features of competing models and brands.

The growth in non-store sales has been fueled by the 13.6 billion catalogs that were mailed in 1990 compared with 5.8 billion in 1980. Over 98.6 million adults (54.4% of the adult population) made a "non-store" purchase in 1990. The non-store purchasing experience through catalog stores or direct sales provides a combination of quality, price, service and convenience. To capture sales from store retailers, non-store marketers generally emphasize one or more of these benefits. With catalog and telemarketing sales the consumer is usually limited to a single product image and brief description. When the customer calls for more information he or she must trust a disembodied voice to answer questions and paint verbal pictures that describe additional features and product benefits.

The Point 'n Click Booth monitors allow the customer to "see" all sides of a product and "see" the selling agent. More critically, the selling agent "sees" the client. The ability of the selling agent and client to see each other is vital. According to a recent study, only 7% of what we communicate in face-to-face conversations is conveyed by the meaning of the words themselves. Another 38% of our communication is based on how we say words – the intonation we use. The remaining 55% of our communication is based on non-verbal messages. The selling agent's reliance on visual clues helps make the sale. Using the PCB, a client receives the best a store and non-store can offer...personal service, expert information, visual product presentation, shopping entertainment, and convenience at the most competitive price.

Retailer Distribution Dollars

The above discussion dealt with the consumer benefits associated with the PCSC and PCB. There is a strong case to be made that consumers will be drawn to this retailing environment because of the "best of both worlds" benefits. Retailers, however, must make decisions regarding the allocation of limited resources to accomplish their goals. CSI believes that the PCB provides an extremely attractive alternative distribution outlet when compared to its competition.

The PCB offers a cost efficient means for marketing and distributing retail productions and services, much like most non-store techniques, including reduced real estate costs, reduced inventory carrying costs, and reduced labor costs due to better efficiency of sales personnel (centralized sales force with approximately 67% of time spent interacting with customers). Because using the PCB will create a cost advantage over its competitors, tenants can price more aggressively and still maintain higher margins. Notwithstanding the above, the one major difference (benefit) between the PCB and other non-store distribution outlets is the high level of customer service and the sales agent's ability to "close" the sale. The 1990s consumer demands low prices and high service. The PCB has finally given retailers a means to deliver on both of those demands.

With one exception, CSI is currently unaware of any other companies attempting to create a Point 'n Click Booth, Retailer's Point 'n Click Desktop or to use video conferencing in a business to consumer application to retail goods and/or services. The only exception is in the banking industry where two companies, have begun to solicit banks to use videoconferencing technology with their customers. CSI significantly differentiates itself from those firms in two distinct ways: 1) Neither of the two banking companies have developed the systems necessary to use this technology in a virtual mall concept with multiple retailers, and 2) CSI built its products from the ground up with the consumer sales presentation in mind. Our Patent Pending Software gives the retailer a significant advantage over simply using desktop video systems to interact with their customers. Moreover, our software is designed to overlay the retailer's existing system which creates a one screen interface and is extremely user friendly.



CSI believes that being 'first' in this market will provide a competitive advantage over future entrants. The company believes that it has an approximate eighteen month lead over potential future competitors. The time involved in determining exactly what equipment is necessary and the development of the essential software to tie it together has given CSI a commanding lead in this arena. The ability to continue to sign major companies as tenants and to secure high profile locations as PCB sites will insure CSI's preeminent position as the leader in this industry. Furthermore, when the eventuality arrives that the "electronic superhighway" is feeding 500 channels into every American home, the Retailer's Point 'n Click Desktop will grant CSI a virtual franchise on the "turn key" business of providing America's retailers with the capabilities to market their products and services interactively.

FUTURE PLANS

CSI intends to develop the Point 'n Click Shopping Center concept to its fullest potential. In addition to the PCSC and PCB, this plan has also detailed the Retailer's Point 'n Click Desktop (RPCD). Initially, the RPCD will be leased to customers who are tenants in the company's PCBs. In the future, CSI envisions marketing the RPCD as a stand alone system that will enable any retailer to become a video retailer. The implementation of this logical business extension (installing RPCDs for direct to consumer retail sales) is predicated on the successful installation of additional interactive video conference outlets located in homes, offices, or future virtual landlord's kiosks. The company also believes that a market currently exists for the RPCD in a dedicated multi-store retailing environment.

CSI has had interest from large multi-store retailers in the development of an in-store Expert Information Provider network. The concept behind this service is to provide customers with a high level of service/information while they are shopping. The current problem is that in order for a multi-store retailer to provide knowledgeable "expert" sales staff in each department at each location, the retailer must incur all of the associated costs with maintaining an enormous staff. The benefit of maintaining an information videoconference kiosk in each location is that customers can access an "expert" at any time they wish while shopping. The retailer has provided what customers are looking for: high customer service and information. The retailer can centralize its "expert" staff in one location and deliver services to all of its retail outlets. The efficiency of a video telemarketing center will greatly reduce the necessary personnel while still delivering exemplary service and thus save the retailer significantly on the associated cost of the previously excess personnel.

The RPCD will be necessary for retailers considering the option of developing an in-store information network. CSI will market the RPCD separately as a turnkey service to multi-store retailers who have decided to pursue this effective service alternative. CSI's existing use of the RPCS in conjunction with its PCB tenants makes the "In-Store Information Provider" market a viable business to pursue in the near future.

The future applications of videoconference technology are too numerous to mention here. It has been estimated that the videoconference industry will grow from its current \$ 1 billion to over \$7 billion by 1998. CSI's unique approach to the use of videoconference technology in a direct business-to-consumer application is thus far unprecedented in the industry. CSI intends to vigorously pursue those applications of the technology that logically lend themselves to a direct consumer contact as opposed to a strictly business-to-business use. The benefits to retailers of this technology (lower "real estate" costs, improved sales staff efficiency, and lower inventory carrying costs) will also entice other multi-location service providers. For example, a large hotel chain could employ this concept (centralized expert staff) in a Virtual Concierge, thereby reducing the costs associated with maintaining a staff at each location.

In an effort to realize its potential, CSI will first focus on the Point 'n Click Booth and the Retailer's Point 'n Click Desktop. Subsequent to developing this market place into an economically profitable business unit, CSI will devote excess capital to R&D projects designed to enhance the PCB and RPCD and explore the products necessary to exploit additional subsequent markets for this technology. In an effort to supplement its internally generated cash flow, CSI intends to seek additional capital for growth via an initial public offering of the



company's common stock within the next 5 years.

SUMMARY

Click 'n Shop Inc. is poised to embark upon a pioneering new business opportunity as the nation's first virtual landlord. The convergence of several different technologies has made the Point 'n Click Shopping Center not only a viable retail distribution outlet, but a complete marketing and sales system. With the video conferencing business expected to grow seven fold over the next three years, CSI is entering an industry at the bottom of its growth curve. CSI has taken a unique approach to this business by positioning its products and services in a direct business-to-consumer market, as opposed to the business-to-business strategies that are currently employed in other sectors of this industry. The combination of a growth industry and a distinctive application of the technology will produce rich rewards for CSI and its investors.

The development of the PCSC, the Point 'n Click Booth and the Retailer's Point 'n Click Desktop fill a well defined need of America's retailers. This exceptional retailing environment will permit the PCB tenant retailers to deliver exactly what customers are demanding, high service and low price, while reducing the typically associated costs with such a retailing climate. This new hybrid store/non-store retailing strategy will allow retailers to directly benefit from:

1. Low or no inventory carrying costs
2. Additional point-of sale locations without the hard costs of real estate development and rent
3. Reduced employment costs/More efficient sales staff and
4. Technological experience that will position them for the future (The ultimate "Home Shopping" network of fully interactive television).

The management team at CSI has ample experience, education, and desire to successfully guide the company from its start up stage to becoming a profitable operating concern. By continuing to select the correct strategic corporate partners coupled with a capital infusion of \$2,500,000, CSI will be adequately prepared to embark on this journey. As the market for its products and services, like the RPCD, grows, CSI will seek to tap the public equity markets to fuel this growth and to enable the company's investors to realize the full potential of their initial equity investment.

"Retailing Will Never Be the Same" proclaimed Business Week. Click'n Shop Inc. will help redesign the business of retailing with the introduction of the Point 'n Click Shopping Center and the Retailer's Point 'n Click Desktop. And with these innovative introductions, CSI will flourish as this retailing revolution gains momentum.



FINANCIAL INFORMATION

Sources & Uses of Investment Proceeds

Sources	
Proceeds of Offering	\$2,500,000
Total Sources	\$2,500,000
Uses	
Point'n Click Booth Development & Construction of 50 PCBs	750,000
PCBR&D	50,000
Total for PCB	\$800,000
Retailer's Point 'n Click Desktop	
RPCD Lease Units (50)	625,000
RPCDR&D	50,000
Total for RPCD	\$675,000
Office Equipment	50,000
Retire A/P & Short Term Debt	102,000
Legal & Professional Fees	25,000
Supplement Working Capital	848,000
Total Uses	\$2,500,000

Sources

Proceeds of Offering	\$2,500,000
Total Sources	\$2,500,000

Uses

Point'n Click Booth Development & Construction of 50 PCBs	750,000
PCBR&D	50,000
Total for PCB	\$800,000
Retailer's Point 'n Click Desktop	
RPCD Lease Units (50)	625,000
RPCDR&D	50,000
Total for RPCD	\$675,000
Office Equipment	50,000
Retire A/P & Short Term Debt	102,000
Legal & Professional Fees	25,000
Supplement Working Capital	848,000
Total Uses	\$2,500,000

Point 'n Click Booth Unit Economics

Cost	15,000	
Revenue		
Tenant Lease Revenue	33,000	(10 Tenants @ \$275/month)
Total Revenue	33,000	
Direct Expenses		
PCB Service Expense	4,800	(\$400 per PCB/month)
PCB Rent	3,300	(Rent @ \$100/sq. ft. or 10% of Rev.)
Total Direct Expenses	8,100	
Gross Margin	24,900	
Cost	15,000	



Revenue

Tenant Lease Revenue 33,000 (10 Tenants @ \$275/month)

Total Revenue 33,000

Direct Expenses

PCB Service Expense 4,800 (\$400 per PCB/month)

PCB Rent 3,300 (Rent @ \$100/sq. ft. or 10% of Rev.)

Total Direct Expenses 8,100

Gross Margin 24,900

Break Even Analysis - PCB

	Std.Rev. Assumptions	*Lower Case Assumptions	**Better Case Assumptions
FY1995SG&A	\$1,045,000	\$1,045,000	\$1,045,000
PCB Net Contribution	\$24,900	\$8,400	\$41,400
Number of PCB's Installed to B/E	42	124	25

*Assumes PCB tenant revenue drops to 50% of base assumption.

**Assumes PCB tenant revenue is 150% of base assumption.

	Std.Rev. Assumptions	*Lower Case Assumptions	**Better Case Assumptions
*Assumes PCB tenant revenue drops to 50% of base assumption.			
**Assumes PCB tenant revenue is 150% of base assumption.			
FY 1995 SG&A	\$1,045,000	\$1,045,000	\$1,045,000
PCB Net Contribution	\$24,900	\$8,400	\$41,400
Number of PCB's Installed to B/E	42	124	25

Profit and Loss: April through December 1994

Income	
Software Unit Sales	2,200.00
Interest Income	2,852.23
Tenant Lease Revenue	6,000.00
Total Income	11,052.23
Cost of Goods Sold	
Software Unit Cost	2,200.00
Total COGS	2,200.00
Gross Profit	8,852.23

Income

Software Unit Sales	2,200.00
Interest Income	2,852.23
Tenant Lease Revenue	6,000.00
Total Income	11,052.23
Cost of Goods Sold	
Software Unit Cost	2,200.00
Total COGS	2,200.00
Gross Profit	8,852.23



Expense		
Communications		7,751.43
Depreciation Expense		27,073.35
Independent Con		1,644.00
Insurance		125.20
Interest Expense		5,876.82
Location Service		2,801.01
R&D		
PCBC	1,000.00	
R&D-Other	19,691.75	
Total R&D		20,691.75
SG&A		
Ads & PROM	6,188.28	
Bank Charge	476.69	
Freight	886.87	
L&P Fees	23,520.61	
Office	14,605.24	
Payroll Expenses		
Employee Benefits	1,047.14	
Gross Wages	250,991.63	
Total Payroll Expenses		252,038.77
Payroll Service		726.51
Payroll Taxes		
FICA	16,099.79	
FUTA	182.40	
SUI	795.15	
Total Payroll Taxes		17,077.34
Rent Paid	15,566.11	
Secretarial SVC	1,471.11	
Telephone Exp.	20,673.97	
Trade Associations	745.00	
Trade Shows	6,257.10	
Travel		
Dining	4,196.98	
Travel - Other	38,102.93	
Total Travel		42,380.91
Total SG&A		402,617.51
Software Exp.	3,693.59	
Tax	100.00	
Video Wall Exp.	1,211.28	
RPCD Service	400.00	
Total Expense		471,994.94
Net Income		-465,142.71

Expense

Communications	7,751.43
Depreciation Expense	27,073.35
Independent Con	1,644.00
Insurance	125.20
Interest Expense	5,876.82
Location Service	2,801.01
R&D	
PCBC	1,000.00
R&D-Other	19,691.75
Total R&D	20,691.75
SG&A	
Ads & PROM	6,188.28
Bank Charge	476.69
Freight	886.87
L&P Fees	23,520.61
Office	14,605.24
Payroll Expenses	
Employee Benefits	1,047.14
Gross Wages	250,991.63
Total Payroll Expenses	252,038.77
Payroll Service	726.51
Payroll Taxes	
FICA	16,099.79
FUTA	182.40
SUI	795.15



Total Payroll Taxes	17,077.34	
Rent Paid	15,566.11	
Secretarial SVC	1,471.11	
Telephone Exp.	20,673.97	
Trade Associations	745.00	
Trade Shows	6,257.10	
Travel		
Dining	4,196.98	
Travel - Other	38,192.93	
Total Travel	42,389.91	
Total SG&A		402,617.51
Software Exp.		3,693.59
Tax		100.00
Video Wall Exp.		1,211.28
RPCD Service		409.00
Total Expense		473,994.94
Net Income		-465,142.71

Balance Sheet as of December 31, 1994

Assets	
Current Assets	
Checking/Savings	
Checking	5,101.72
Firststar Chkg.	14,633.61
Firststar MM	23,407.48
Total Checking/Savings	43,142.81
Other Current Assets	
Deposits	13,736.65
Undeposited Funds	23.90
Total Other Current Assets	13,760.55
Total Current Assets	56,903.36
Fixed Assets	
Accumulated Depreciation	-40,019.35
Equipment	229,121.22
Total Fixed Assets	189,101.87
Other Assets	
Loan to Officers	10,560.00
Pre-Paid Interest	3,472.17
Total Other Assets	13,972.17
Total Assets	<u>259,977.40</u>
Liabilities & Equity	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	12,197.96
Total Accounts Payable	12,197.96
Credit Cards	
Comp USA	596.48
OfficeMax	10.80
Staples	44.53
Total Credit Cards	651.81

Assets

Current Assets

Checking/Savings

Checking	5,101.72
Firststar Chkg.	14,633.61
Firststar MM	23,407.48
Total Checking/Savings	43,142.81



Other Current Assets	
Deposits	13,736.65
Undeposited Funds	23.90
Total Other Current Assets	13,760.55
Total Current Assets	56,903.36
Fixed Assets	
Accumulated Depreciation	–40,019.35
Equipment	229,121.22
Total Fixed Assets	189,101.87
Other Assets	
Loan to Officers	10,500.00
Pre-Paid interest	3,472.17
Total Other Assets	13,972.17
Total Assets	259,977.40

Liabilities & Equity

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable	12,197.96
Total Accounts Payable	12,197.96

Credit Cards

Comp USA	596.48
OfficeMax	10.80
Staples	44.53
Total Credit Cards	651.81

Other Current Liabilities

Deferred Compensation	20,833.29
JDH Bridge Loan	54,975.93
Payroll Liabilities	788.36

Total Other Current Liabilities

76,597.58

Total Current Liabilities

89,447.35

Long Term Liabilities

Lease Obligations

11,722.93

Total Long Term Liabilities

11,722.93

Total Liabilities

101,170.28

Equity

Equity C/S	6,250.00
Preferred Stock	4,000.00
Retained Earnings	-237,250.17
Net Income	-465,142.71
Surplus Capital	850,950.00

Total Equity

158,807.12

Total Liabilities & Equity

259,977.40

Other Current Liabilities

Deferred Compensation	20,833.29
JDH Bridge Loan	54,975.93
Payroll Liabilities	788.36



Total Other Current Liabilities	76,597.58
Total Current Liabilities	89,447.35
Long Term Liabilities	
Lease Obligations	11,722.93
Total Long Term Liabilities	11,722.93
Total Liabilities	101,170.28
Equity	
Equity CS	6,250.00
Preferred Stock	4,000.00
Retained Earnings	-237,250.17
Net Income	-465,142.71
Surplus Capital	850,950.00
Total Equity	158,807.12
Total Liabilities & Equity	259,977.40

Balance Sheet Comparison As of December 31, 1994

	Dec 31, '94	Dec 31, '93	\$ Change	% Change
Assets				
Current Assets				
Checking/Savings				
Checking	5,101.72	88,573.25	-83,471.53	-94.2%
Firstar Chkg.	14,633.61	0.00	14,633.61	100.0%
Firstar MM	23,407.48	0.00	23,407.48	100.0%
Total Checking/Savings	43,142.81	88,573.25	-45,430.44	-51.3%
Other Current Assets				
Deposits	13,736.65	0.00	13,736.65	100.0%
Undeposited Funds	23.90	0.00	23.90	100.0%
Total Other Current Assets	13,760.55	0.00	13,760.55	100.0%
Total Current Assets	56,903.36	88,573.25	-31,669.89	-35.8%
Fixed Assets				
Accumulated Depreciation	-40,019.35	0.00	-40,019.35	-100.0%
Equipment	229,121.22	103,665.20	125,456.02	120.6%
Total Fixed Assets	189,101.87	103,665.20	85,436.67	82.1%
Other Assets				
Loan to Officers	10,500.00	0.00	10,500.00	100.0%
Pre-Paid Interest	3,472.17	0.00	3,472.17	100.0%
Total Other Assets	13,972.17	0.00	13,972.17	100.0%
Total Assets	259,977.40	192,438.45	67,538.95	35.1%
Liabilities & Equity				
Liabilities				
Current Liabilities				
Accounts Payable				
Accounts Pay.	12,197.96	0.00	12,197.96	100.0%
Total A/cs Pay.	12,197.96	0.00	12,197.96	100.0%
Credit Cards				
Comp USA	596.48	0.00	596.48	100.0%
OfficeMax	10.80	0.00	10.80	100.0%
Supplies	44.53	0.00	44.53	100.0%
Total Credit Cards	651.81	0.00	651.81	100.0%

Dec 31, '94 Dec 31, '93 \$ Change % Change

Assets

Current Assets

Checking/Savings

Checking	5,101.72	88,573.25	-83,471.53	-94.2%
Firstar Chkg.	14,633.61	0.00	14,633.61	100.0%
Firstar MM	23,407.48	0.00	23,407.48	100.0%
Total Checking/Savings	43,142.81	88,573.25	-45,430.44	-51.3%

Other Current Assets

Deposits	13,736.65	0.00	13,736.65	100.0%
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	Dec 31, '94	Dec 31, '93	\$ Change	% Change
Undeposited Funds	23.90	0.00	23.90	100.0%
Total Other Current Assets	13,760.55	0.00	13,760.55	100.0%
Total Current Assets	56,903.36	88,573.25	-31,669.89	-35.8%
Fixed Assets				
Accumulated Depreciation	-40,019.35	0.00	-40,019.35	-100.0%
Equipment	229,121.22	103,865.20	125,256.02	120.6%
Total Fixed Assets	189,101.87	103,865.20	85,236.67	82.1%
Other Assets				
Loan to Officers	10,500.00	0.00	10,500.00	100.0%
Pre-Paid interest	3,472.17	0.00	3,472.17	100.0%
Total Other Assets	13,972.17	0.00	13,972.17	100.0%
Total Assets	259,977.40	192,438.45	67,538.95	35.1%
Liabilities & Equity				
Liabilities				
Current Liabilities				
Accounts Payable				
Accounts Pay.	12,197.96	0.00	12,197.96	100.0%
Total Aces Pay.	12,197.96	0.00	12,197.96	100.0%
Credit Cards				
Comp USA	596.48	0.00	596.48	100.0%
OfficeMax	10.80	0.00	10.80	100.0%
Staples	44.53	0.00	44.53	100.0%
Total Credit Cards	651.81	0.00	651.81	100.0%
Other Current Liabilities				
Accounts Payable	0.00	4,452.59	-4,452.59	-100.0%
Deferred Comp.	20,833.29	0.00	20,833.29	100.0%
JDH Bridge Loan	54,975.93	0.00	54,975.93	100.0%
Payroll Liabilities	788.36	99.07	689.29	695.8%
Total Other Current Liabilities	76,597.58	4,551.66	72,045.92	1,582.9%
Total Current Liabilities	89,447.35	4,551.66	84,895.69	1,865.2%
Long Term Liabilities				
Lease Obligations	11,722.93	0.00	11,722.93	100.0%
Total Long Term Liabilities	11,722.93	0.00	11,722.93	100.0%
Total Liabilities	101,170.28	4,551.66	96,618.62	2,122.7%
Equity				
Equity CS	6,250.00	5,250.00	1,000.00	19.1%
Preferred Stock	4,000.00	2,500.00	1,500.00	60.0%
Retained Earnings	-237,250.17	0.00	237,250.17	-100.0%
Net Income	-465,142.71	-72,313.21	-392,829.50	-543.2%
Surplus Capital	850,950.00	252,450.00	598,500.00	237.1%
Total Equity	158,807.12	187,886.79	-29,079.67	-15.5%
Total Liabilities & Equity	259,977.40	192,438.45	67,538.95	35.1%

Other Current Liabilities

Accounts Payable	0.00	4,452.59	-4,452.59	-100.0%
Deferred Comp.	20,833.29	0.00	20,833.29	100.0%
JDH Bridge Loan	54,975.93	0.00	54,975.93	100.0%



Payroll Liabilities	788.36	99.07	689.29	695.8%
Total Other Current Liabilities	76,597.58	4,551.66	72,045.92	1,582.9%
Total Current Liabilities	89,447.35	4,551.66	84,895.69	1,865.2%
Long Term Liabilities				
Lease Obligations	11,722.93	0.00	11,722.93	100.0%
Total Long Term Liabilities	11,722.93	0.00	11,722.93	100.0%
Total Liabilities	101,170.28	4,551.66	96,618.62	2,122.7%
Equity				
Equity CS	6,250.00	5,250.00	1,000.00	19.1%
Preferred Stock	4,000.00	2,500.00	1,500.00	60.0%
Retained Earnings	-237,250.17	0.00	237.250.17	-100.0%
Net Income	-465,142.71	-72,313.21	-392,829.50	-543.2%
Surplus Capital	850,950.00	252,450.00	598,500.00	237.1%
Total Equity	158,807.12	187,886.79	-29,079.67	-15.5%
Total Liabilities & Equity	259,977.40	192,438.45	67,538.95	35.1%