

Intelligent Book CompanyTM
NextBookTM

4-Year Business Plan
1998-2001

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EXECUTIVE SUMMARY

MISSION STATEMENT

To enhance the reading experience with a range of products designed to store and display traditional printed information in a compact, portable electronic medium.

THE VISION

In the last ten years, technology has dramatically changed the way people record and communicate information. Devices ranging from desktop PCs to laptop PCs, as well as Hand-held PCs and PDAs like the Palm Pilot have made it easier to develop and distribute more information more quickly than ever before. The Intelligent Book Company's vision is to extend this paradigm shift to the distribution of information that has traditionally been printed on paper, taking advantage of new mediums, particularly the Internet.

To realize this vision, The Intelligent Book Company will develop and market a series of products that store and display information on an electronic screen similar in size to a traditional printed book. These products will be individually marketed under the trademark NextBook. Information will be stored on special, reusable electronic cartridges, providing NextBook with virtually unlimited data capacity. Using the Internet and other more traditional distribution mediums, consumers will be able to access a plethora of information – virtually anything that exists in electronic form. Sources of content will include books, magazines, newspapers and more. Virtually all content today is either being developed in or converted to an electronic format.

BUSINESS HISTORY

The Intelligent Book Company and the NextBook product line are outgrowths of a conceptual study conducted by the partners of Genesis Strategies, Inc. a business development consulting firm owned by the founders of the Intelligent Book Company. The study focused on the identification of recurrent themes, which have provided the basis for commercially successful product improvements and technological innovations. This "soul-searching" exercise identified a series of concepts and the most notable of these concepts came to be described as "Transference".

The concept of Transference can be traced back thousands, if not millions of years, and can be used as a metric against which most, if not all, technology products can be measured. Throughout man's history, he has sought better ways of "transferring" his thoughts and ideas to others. The earliest peoples used a variety of sounds and gestures to communicate, creating the foundations of language, both spoken and written, each having a place in man's ever-evolving society.

The written word became the primary means of conveying information to others across time and/or distance, beginning a never-ending search to store and communicate information better and faster. This quest has been the root of innovations ranging from the printing press to the facsimile machine to the computer/internet. For many years now, people have talked of the "paperless society" this technology would bring about. This has yet to materialize, in part because many of today's technologies fail to convey particular forms of information in a manner that is more useful than existing mediums. Why should people read on a laptop computer that is bigger and heavier than a book, and yet performs no better? The success or failure of today's technology products, will in many if not all cases correspond to their ability to "transfer" information more quickly and/or conveniently.

NextBook is an adaptation of this Transference Model. As a product line, NextBook will allow consumers to access, store and view printed information more quickly and compactly than can be done with conventional paper mediums. Strategically, the NextBook concept can be extended to many other product categories and vertical markets.

INDUSTRY

The Intelligent Book Company will create a new category within the PC market with the NextBook product line. Its inherent appeal is its simplicity and functionality. It is like the video game (the most successful PC product to date), a dedicated computer which provides a broadly based and desired benefit – the ability to read an unlimited range of written material anywhere, at anytime and under virtually any conditions. In order to quantify the NextBook's potential, one must examine all categories that may impact or help define its success. This Plan will examine the PC industry as a whole, and several other important categories, including the PDA and Hand-held PC categories. It will also examine the printed book business, as many of the dollars to be spent on NextBook may have otherwise been spent on this traditional medium.

PC Hardware – the NextBook will initially depend upon PC hardware to act as a conduit for the information that it will retrieve, store and display. With over 100.0 million PCs on desks and in homes in the U.S. alone, this will provide a huge base of potential users. The PC market has broken into numerous sub-segments, cutting across many different demographic and psychographic lines, generally based upon the specific need and wants of given consumers. To some consumers, the PC is a mailbox, to others a typewriter, an accounting system, a filing system and more. The PC has given people access to more information from more sources more quickly than ever before. The question is, how do we integrate that information into our daily lives, given that PCs travel much less easily than day planners, books, newspapers, etc. NextBook will build on the PC's ability to gather information and take this capability to the next level – portably.

Hand-held PCs – The early adopters of NextBook will likely be drawn from the pool of Hand-held PC users. These are generally young, technologically knowledgeable and relatively affluent consumers. They have bought Hand-held PC's for convenience, portability and for the enjoyment of taking advantage of technology. The Hand-held PC market represents the convergence of several business segments begun in the late 1980's. For the purposes of this Plan, several product classes will be referred to as Hand-held PCs. These devices have been described as Personal Digital Assistants (PDAs), Hand-held PCs (HPCs), Palmtop PCs and Personal Electronic Organizers. No clear delineation exists between these different classifications as all perform similar functions. Most are capable of functioning as electronic calendars, calculators and address/appointment books. More advanced models are capable of handling advance functions such as spreadsheets, remote telecommunications and e-mail.

The Palm Pilot, the most successful entry in this category, is expected to sell over 1.5 million units in just its third year on the market, replacing only the Daytimer and other similar planners. Much of the Palm Pilot's success has been achieved because of its simplicity. Similarly, the NextBook will be a simple hand-held device providing a medium to deliver a virtually unlimited amount of printed information in a more compact and lightweight form than traditional printed paper.

Books – According to the Association of American Publishers, the market for traditional printed books grew 2.4% in 1996 to reach just under \$21.3 billion. Adult hardbound books represented approximately 30% of these sales with an equivalent amount spent on educational texts. These two segments represent the highest cost to the consumer and the greatest opportunities for a new medium like the NextBook.

PRODUCT STRATEGY

Intelligent Book Company will be the first company to enter the PC market with a product line designed to improve the overall reading experience for consumers, especially those that desire portability. Present technology makes it possible for consumers to bring a major portion of their office (in the form of a PC) with them wherever they go. This does not, however, come without a price – usually related to weight and power. People wanting to have access to both their virtual office and a selection of printed material, ranging from files to newspapers to a good book, often find themselves carrying two briefcases. The NextBook will change all that.

The first NextBook products will look much like a small hardcover book although somewhat smaller and lighter in weight. Opening the cover the user will however find an electronic display instead of paper. They will also find a slot into which they can plug an electronic cartridge called a Text Chip. The Text Chip is not much bigger than a matchbook. Several of can be stored in the NextBook's cover. Each Text Chip can contain wide range of information, ranging from traditionally printed books to newspapers to magazines, meeting notes and more, much of which is available free.

Text Chips can take one of two forms, preprogrammed and reprogrammable. Preprogrammed Text Chips will be designed as a medium to distribute books and other information that a consumer may wish to retain permanently. This may include best sellers, classics or reference books.

Reprogrammable Text Chips will serve a broad range of applications. Consumers will be able to purchase books, magazines or newspapers on the Internet, download them into a cartridge and read them at their leisure. They will also be able to download notes, memos, e-mails or any other text-based information. To gain access to a different book or batch of information, the consumer simply changes the cartridge. Once the information has outgrown its usefulness, the consumer simply erases it and is able to use the cartridge again.

This NextBook's capabilities have implications in many markets. Displays with variable type-sizes provide a wealth of "big type books" to the sight impaired. Displays of different sizes and resolutions will allow for the use of graphics to improve reference quality. Virtually any form of printed material available can be duplicated in the NextBook medium, in planned or future implementations. All versions of NextBook will have three things in common. They will be smaller, lighter and have a dramatically greater capacity for information than their printed paper cousins.

MARKETING PLANS

NextBook will be supported by an aggressive, multi-dimensional marketing campaign, designed to push as well as pull product through the channel. Advertising programs will be designed to build consumer awareness of a new product category and drive consumers to the store. The media selected for the advertising campaign will focus on different consumers at appropriate times in the products' life cycle. Early on, technically oriented mobile professionals will be targeted, as they were with the Palm Pilot. As markets expanded more content becomes available, other segments will be targeted.

Advertising media will national print advertising, a World Wide Web page, direct mail and in-store merchandising, expanding to include spot cable television in the year 2001. Each form of advertising will be used to inform and educate consumers, stimulating demand.

The NextBook and both preprogrammed and reprogrammable Text Chips will be sold through key retailers of PC and electronic products, i.e. CompUSA, Circuit City, Babbages, Office Max, and

others. A dedicated sales force comprised of independent manufacturers' representatives specializing in the PC and electronic categories will develop programs with these accounts. These programs will include in-store merchandising and co-operative advertising to spur sell-through. A secondary retail market for Text Chips and possibly NextBook units will be sought among book retailers both on-line and in conventional stores.

FUNDING & ROI

A venture-funding partner is being sought who is capable of leading the Intelligent Book Company through two funding phases. The first stage will fund development and production preparation, for which up to \$1.0 million is sought for Year 1. Second stage funding of \$6.0 million will be needed in time for the start of Year 2 to fund production and product launch expenses.

The company is expected to lose \$1.4 million combined in 1998/1999, with first year sales reaching \$12.4 million. By 2001, pre-tax earnings will reach 13.5% on sales of \$52.7 million, after delivering a 9.1% return on second year sales of \$29.2 million in 2000.

THE INDUSTRY

In evaluating the Intelligent Book Company and the NextBook, it is important to review the PC industry, Hand-held PC's, the current state of the Internet and the Publishing Industry. All will impact and be impacted by NextBook.

The NextBook will create a new segment of the microprocessor driven Personal Computer industry. The product is run by a microprocessor, as is any computer, but it is unique because it just does one thing - provide a simple way to store and view electronic versions of written material. It is expected that its customers will be drawn from the huge base of PC users - people who are familiar with the capabilities and function of an electronic product. NextBook will also interact with PC's as part of its functionality. Many of the early NextBook adopters may be people who have already experimented with the Hand-held PC, a product that shares the portability and microprocessor characteristics of NextBook. The Internet will also enhance NextBook's functionality as a major source of text. The Publishing industry will be the initial source of much of the written material that ends up in NextBook.

The Personal Computer (PC) Industry was launched in 1977 with several entrepreneurial companies developed small, desktop computers as an experiment in technology. Tandy, with its TRS-80, and Apple with the Apple I, sought to push the technology envelope, and succeeded, but with little idea of what would become of their "boxes". In these early years, PCs had very limited power and most users had to program their own software to achieve any reasonable degree of functionality.

In 1981, IBM launched the IBM-PC. The IBM PC's open architecture was designed to encourage broad development of hardware and software to turn it into a productive tool. That led many companies, large and small, new and old, to enter the PC industry, adding value in many dimensions. Users gained a broad selection of products, providing more complete solutions to real business and personal needs. Manufacturers gained economies of scale because they no longer had to develop products across several platforms to reach a broad market.

While Tandy and Apple gave the PC Industry its start, today they are but two companies among thousands providing tools as indispensable today as the typewriter or adding machine in the early 20th century. These companies have, in less than two decades, carved out numerous market segments and niches in what is today a \$160.0 billion world-wide industry, forecast to grow to \$200.0 billion by the year 2000.

THE PC HARDWARE INDUSTRY

The U.S. PC market has maintained solid growth in the 1990's and represents approximately 38% of the worldwide market. Growing at a rate of 12.0+ million units annually (Dataquest), the U.S. PC installed base was forecast to reach 85.8 million in 1996, split between two major segments - the home market and the corporate market. There is a great deal of crossover between these segments, as people using computers heavily at work also tend to have them at home. People with PCs at home tend to use them for both work and personal applications. Dataquest estimated that the U.S. installed base would increase by 14.4 million units in 1997 and 21.1 million units in 1998 bring the installed base to 100.5 million and 113.1 million units respectively.

The PC market evolves hand-in-hand with advances in hardware, peripherals and software. Hardware makers continue to offer greater performance and versatility, usually at lower cost. Software developers take advantage of that performance to offer improved software solutions to the user. This interaction between hardware and software has spurred the development of a number of

PC market segments, including the Palm Pilot; designed to link up with a number of PC based Personal Information Managers (PIMs).

The PC Consumer - With a U.S. installed base approaching 100.0m, the PC market crosses most demographic lines. For that reason, most marketers of PC products use a range of different approaches to target their efforts. Many companies break down their consumers into psychographic profiles and/or system profile classifications. Both methods accurately differentiate user behavior and buying patterns. Companies separating consumers according to system configuration tend to examine categories including, but not limited to:

Microprocessor type	Operating system
Hard-drive size	RAM size
CD-ROM owners	Scanner owners

Companies separating consumers according to psychographic profile examine categories including, but not limited to:

- New-to-computing users
- Experience but not technical users
- Highly technical and experienced users

THE HAND-HELD PC INDUSTRY

The Hand-held PC industry is made up of a number of market segments, many of which were developed as extensions of the personal electronic organizer market. These segments are described as PDAs (Personal Digital Assistants), HPCs (Hand-held Personal Computers) and/or Palmtop PCs. There is no clear delineation between these descriptions in the market. The terminology is determined more by the individual marketers than by any accepted standards. For the purposes of this Plan, all products and product segments will be described as Hand-held PCs.

The product credited with launching the industry; the Sharp Wizard was simply an electronic pocket calendar and address book. Over time, the Wizard's functionality expanded to the point where a separate product line, the Zaurus was launched. The Zaurus is a Hand-held PC with a broader range of functionality that includes portable, wireless e-mail and fax capability, all in the palm of the hand.

The Apple Newton brought another dimension to the Hand-held PC market. While Newton delivers much of the same functionality as the Wizard or the Zaurus, it is "pen-based", allowing users to hand-write their information using printed characters instead of typing. Not until the US Robotics Pilot, however, did the functionality of the Hand-held PC begin to compliment the PC. Special software included with the Pilot allows synchronization between the Pilot's and the PC's calendars and address books.

Microsoft has attempted to capture and/or drive the Hand-held PC industry with a scaled-down version of Windows 95 called Windows CE. Windows CE was designed to make the Hand-held PC a true PC partner, with almost complete synchronization capabilities. Most popular software, e.g. Microsoft Word, Microsoft Excel, Quicken, does or will exist in Windows CE versions, giving users the option of computing in almost any environment - desktop, laptop or palmtop. Windows CE based HPCs have yet to have any noticeable impact on the Pilot or the market, however, primarily due to their higher cost and complexity.

Dataquest, a leading industry research firm, estimated that U.S. Hand-held PC shipments would reach **700,000** units in 1997, and **1.0** million units in 1998, at prices ranging from \$250 to \$800.

Dataquest's forecasts are approximately 50% lower than previous market size estimates put forth in 1995 by Frost & Sullivan, another established industry research firm. Neither Dataquest's nor Frost & Sullivan's estimates took into account the impact the Pilot would have on the industry. Various industry sources have estimated the Pilot alone to have sold **1.0** million units in 1997, with substantial continued growth forecast for 1998 and beyond.

The Hand-held PC Consumer - The Hand-held PC consumer is technology oriented, typically male between the ages of 25 and 45, college educated, and a business or technology professional. They are typically "mobile professionals", spending a high percentage of their time on the road, heavily dependent on information and communication technology.

INTERNET SERVICE INDUSTRY

The Internet has become an indispensable component of many peoples business and personal lives, and has attracted over 25.0 million users in the U.S. in just 10 years. The role it has played for people has changed almost as quickly. Initially, Internet e-mail was the major attraction because it made it easy for people to send information and communicate all over the world. With the inception of the World Wide Web, the Internet became a global source of information, with people able to source information on almost any subject from almost anywhere in the world.

In recent years, the Internet has grown to become a virtual shopping mall, a news service and much more. Companies have had to devote entire teams and/or divisions to the development of the Internet as a component of their business. Some of these companies use the Internet to sell their products, others to support them. Virtually all companies however use the Internet as a means to distribute information to people both inside and outside of the company. With ADSL modems on the horizon, people will be able to pull information from anywhere in the world at speeds up to 30 times faster than with conventional technology. Users of the Internet are all ready downloading information into their PC's. NextBook will allow them to download information, periodicals or whole books and read it wherever they go.

BOOK PUBLISHING INDUSTRY

Given that NextBook will both compete with and complement the traditional book business, it is important to understand the dynamics of the industry, particularly its cost structure. The statistics in the following illustration are based on 1990 and 1991 financial data gathered by the Association of American Publishers and the National Association of College Stores. The numbers are averages and don't represent any particular publisher or store.

Association of American Publishers Estimated Textbook Cost Structure - 1995 - 1997

	<u>Percent Total</u>
Publishing related expenses	
Author Income after taxes	7.5%
Paper, printing, editorial cost	37.3%
Publisher's marketing expenses	12.9%
Publisher and author taxes	9.7%
Publisher income	<u>7.6%</u>
	75.0%

Retail & distribution expenses

Bookstore income before taxes	3.9%
Bookstore operations	5.5%
Bookstore personnel	13.9%
Freight	1.7%
	<hr/>
	25.0%

According to the Association of American Publishers, the market for printed paper books reached \$21.3 billion in 1997, a 2.4% increase versus 1996. This includes a composite of hardcover books and paperbacks, spread across a number of categories, ranging from standard fiction/non-fiction to religion to business, educational and technical publications. The following chart will present the AAP's categorical sales estimates for the years 1995 - 1997.

Association of American Publishers
Estimated Book Publishing Industry Net Sales - 1995 - 1997 (\$000,000s)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Change</u> <u>'95-'96</u>	<u>Change</u> <u>'96-'97</u>
Trade					
Adult hardbound	2,646.9	2,586.0	2,410.2	-2.30%	-6.80%
Adult softbound	1,587.2	1,609.4	1,685.0	1.40%	4.70%
Juvenile hardbound	836.6	867.7	887.7	3.72%	2.30%
Juvenile softbound	490.1	579.9	470.3	18.32%	-18.90%
Religious					
Bibles, Testaments, Hymnals	293.0	294.8	285.4	0.61%	-3.19%
Other	743.9	798.6	847.3	7.35%	6.10%
Professional					
Business	617.6	721.4	752.4	16.81%	4.30%
Law	1,400.4	1,429.8	1,491.3	2.10%	4.30%
Medical	809.3	815.8	850.9	0.80%	4.30%
Technical, Scientific	1,042.0	1,018.0	1,061.8	-2.30%	4.30%
Book Clubs	976.1	1,091.8	1,145.3	11.85%	4.90%
Mail Order Publications	559.5	579.5	521.0	3.57%	-10.09%
Mass-market Paperback	1,499.6	1,555.1	1,433.8	3.70%	-7.80%
University Press	339.7	349.3	367.8	2.83%	5.30%
K-12 Education	2,466.2	2,619.1	2,959.6	6.20%	13.00%
Higher Education	2,324.8	2,485.8	2,669.7	6.93%	7.40%
Standardized Tests	167.3	178.7	191.4	6.81%	7.11%
Subscription Reference	670.8	706.1	736.5	5.26%	4.31%
Other Sales	476.0	493.2	510.0	3.61%	3.41%
TOTAL	<hr/> 19,947.0	<hr/> 20,780.0	<hr/> 21,277.4	<hr/> 4.18%	<hr/> 2.39%

THE COMPANY

In 1994, Genesis Strategies was formed as a consulting firm with the objective of helping companies assess new business opportunities, particularly those driven by technology. Working with companies including A.T. Cross, Nikon, Microsoft and others, Genesis Strategies has developed product and business strategies designed to take advantage of a variety of emerging markets and technologies. To attract these consulting engagements, the principals at Genesis Strategies track technology in a number of sectors, including the PC hardware and software market, the portable electronics market and the communications market.

As Genesis Strategies began to expand in late 1997, it initiated a project to clearly identify the nature of its practice and to define recurrent themes, which have over time provide the basis for successful commercial products and services. This analysis resulted in the definition of a concept the company calls "Transference". Transference is the "transfer" of information from one person to another across time and/or distance. It began generations ago with the spoken word, evolved to hand writing, the printing press, radio, television and the now the Internet.

As the founders Jim Boudreau and Len Stavis began to explore the current and future adaptations of the Transference Model, they examined in the context of several markets, new and old. They came to realize that there was little information in the world that had not experienced increased availability via PCs and/or the Internet. Products like the Pilot have allowed people to carry more information in less space, with less weight than most traditional paper organizers. In addition, the Pilot improves the ability to organize and distribute that information via the PC.

While many innovative products and services like those provided by the Pilot and the Internet have made a wealth of information accessible, much of the world's information still exists only in print. This results from the nature of the publishing industry and certain technological limitations. Publishers have been concerned with their ability to protect their content. PC/Electronic companies have been more focused on revolution than evolution, typically looking to add features versus simplicity.

These realizations lead Messrs. Boudreau and Stavis to conduct further research to determine whether or not the concept of the NextBook was feasible. They found that the technology existed both to produce the product of their vision and to protect and distribute the content so valued by the publishing industry. The final step in their analysis was a SWOT analysis to determine their ability to capitalize on the NextBook:

STRENGTHS

Innovative concept
Electronics industry expertise
Existing sales & marketing Network

OPPORTUNITIES

A high growth industry
Early entry - dominant share
Intellectual property entry barriers

WEAKNESSES

Low initial production economies
No brand recognition
Limited publishing industry experience

THREATS

Competitive entry
Limited publisher support
Funding availability and timing

This analysis made it apparent that the new PC-based information and communication paradigms pose substantial opportunities for the NextBook. To capitalize on that opportunity, it is necessary to

complete the assembly of a dedicated team and to raise operating capital to prepare the product for the market and to introduce it.

STRATEGIC ALLIANCES AND PARTNERSHIPS

The Intelligent Book Company has and will continue to expand its team of resources, through the addition of strategic partners and allies. These partners and allies will be chosen based upon a proven ability to add value to the operation or to the product, through proprietary technology and/or individual skills. These relationships may be more or less formal depending upon their depth, importance and/or ability to create or overcome entry barriers.

Book Publishers - current book publishers will provide much of the content needed to provide a complete reading experience to customers of the NextBook. This content will be acquired and resold in a manner consistent with the existing printed book business, where the Intelligent Book Company will "wholesale" electronic content to Internet book-stores like Amazon.com who will in turn re-sell it to owners of the NextBook.

The benefits to the Intelligent Book Company and owners of the NextBook are fairly obvious. It is also however in the best interests of the publishers, as electronic mediums remove much of the production and logistical costs related to the distribution and sale of existing printed materials. Interviews with several publishers have been conducted to verify their interest/willingness to partner with companies pursuing "electronic book" applications. All have responded positively, and meetings are scheduled with Readers Digest and Bantam-Doubleday-Dell to begin to define the parameters of a licensing and distribution partnership. Contacts with Random House, McGraw Hill and other major publishers are being pursued.

MARKET RESEARCH & COMPETITIVE ANALYSIS

To ensure the success of the various products planned for launch by Intelligent Book Company, market research will be conducted on a continuous basis. This research will take the form of specialized focus groups and subscription to major industry sources, such as Dataquest and Frost & Sullivan. The following will provide a recap of key research efforts to date and the conclusions implemented throughout this Plan.

DATAQUEST - The U.S. Home Market - Opportunity Lost, April 1996

Dataquest's surveyed 10,000 households in summer 1995, focusing on demographics and purchase intent of existing and potential PC ownership. Key findings:

- As of summer 1995, there were 29 million PCs in U.S. households, with an average of 1.34 PCs per household, resulting in a total home market installed base of 38 million PCs.
- The U.S. PC market is split 65% professional/business, 35% home.
- The U.S. home PC market is growing twice as fast as the professional/business market.

DATAQUEST - Personal Computers Worldwide Market Trends, April 1996

Dataquest's Personal Computers Worldwide Market Trends report examines the state of the PC industry ranging from traditional desktop and desktside PCs to ultra portable (sub notebook) PCs. The report analyzes both the industry's 1994 results and a 1995-1999 forecast by region, product type, microprocessor type, and home and professional markets. Key findings:

- Worldwide new PC shipments are expected to reach 67 million units in 1996, and 77 million units in 1997. After accounting for systems retired, net, new PC installations will equal 42 million units in 1996 and 48 million in 1997.
- Worldwide PC installed base is expected to reach 229 million units in 1996, and 277 million units in 1997.
- The U.S. PC market is growing 25.9%, or 12 million units per year, expected to exceed 100 million units by 1997.

These reports underscore the continued growth of PC usage, consumer acceptance of microprocessor driven products, the increasing technical expertise of the public and increased number of people who will have access to the internet.

COMPETITION

NextBook will spur the development of an entirely new market segment - the electronic book category. Given that newness, little direct competition is expected initially, although several potential indirect competitors exist. To address these threats, NextBook will focus on several key features - simplicity, portability and data availability. The following will outline specific competitive threats:

PCs/Laptops - the information to be published as electronic books will exist in the form of encrypted, compressed text files. This means that they may also be reproduced on a PC with the appropriate software. There are several advantages, however, that the NextBook will possess versus the PC. First and foremost, it is much smaller and simpler to operate - more like a traditional reading experience. Second, consumers may be unwilling to burden their hard-drives with volumes of text files more easily stored on cartridges.

Hand-held PCs/PDAs - Hand-held PCs and PDAs also pose a potential threat to the NextBook, as they have the size, weight and screen necessary to function as an electronic book. What they lack, however, is the memory capacity or cartridge necessary to store electronic book files. Flash memory cards could be used with Windows CE based Hand-held PCs to store files. However the cost of these types of computers is significantly higher than the NextBook. Hand-held PCs are much more complicated to use as they offer many different functions beyond simple text display. Their screen size is also smaller and harder to read than NextBook; and their cost is 3 to 5 times that of NextBook.

Franklin Electronics Bookman - The Bookman is the only product on the market bearing any similarity to the NextBook. It is primarily a reference tool, with a small, 3-line display capable of displaying definitions, phrase, etc. It retails for approximately \$79.95 and has optional data cartridges for additional material, accessible via a small keyboard. This is essentially a pocket dictionary, impractical for reading any substantial amount of text.

COMPETITIVE STRATEGY

The Intelligent Book Company will work to maintain a leadership position in what is expected to be a substantial and exciting new category. There are a number of factors that will determine the leaders of this new category:

Content Availability - in the "VHS/Beta Wars", VHS won, in spite of Sony's size and brand recognition. They did it by working with the movie studios to ensure that a superior library of movie titles was available. This strategy has held true in many other entertainment industries as well. Nintendo dominated the 8-bit video game market versus Sega by a margin of 20-1, by making a much broader selection of games available. Conversely, a number of products, i.e. Apple, have been negatively impacted by inferior software selection and price.

The Intelligent Book Company will make thousands of public domain titles available to the consumer for FREE, creating a great deal of inherent value for the product. The company will also expend a great deal of its early development dollars to create a proprietary software format that can only be used by the NextBook product line. The company will also develop conversion programs to take existing content from book publishers and convert it to that format. This will enable the company to grow its library of available titles very quickly. This software development and library management expertise is not found in any of the expected competitors.

Low-cost Producer - typically, electronic and PC companies continue to "push the envelope", trying to get their products to perform an ever-increasing litany of functions. Consumers, however typically only use 20% of that functionality and become overwhelmed and confused by the rest. This functionality also adds cost. By keeping the NextBook small and user-friendly, the Intelligent Book Company will maintain a low-cost position in the market, while still being able to maintain profitability.

MARKET SIZE AND SHARE ASSUMPTIONS

As with any new category, estimating market potential is challenging. To forecast NextBook's sales a correlation was drawn to the consumer with the most similar psychographic profile - the Palm Pilot owner. The Pilot achieved 350.0 thousand unit sales in 1996, and 1.0 million units in 1997, primarily to mobile professionals dependent on information and communication technology in their business and/or personal lives.

Another important barometer of the potential of the NextBook will be a combination of Internet use and readership of traditional books. Currently more than 20.0 million people use the Internet in the U.S. alone; a market that also generates over \$22.0 billion in sales of traditional printed books each year. The commingling of the two markets can be seen at Amazon.com, one of the most successful on-line ventures to date. Amazon.com currently sells over \$100.0 million dollars worth of books each year, all of it via the Internet.

For the purposes of this Plan, it was assumed that a percentage of Palm Pilot owners would purchase the NextBook as an additional tool to support their remote information needs. When the NextBook ships in early 1999, there will be approximately 2.5 - 3.0 million Pilot owners. It is forecast that by year 3, the NextBook would sell to at least 10% of those or similar consumers. This will result in a minimum of 250.0 thousand units' sales of the Smart Book by 2001.

CONCLUSIONS

The users with the potential to gain benefit from NextBook PC products number in the tens of millions in the U.S. alone. Within the PC industry reside many profitable niches where products with specific or limited benefits sell in quantities in the hundreds of thousands. Even the smallest of niches generate sales in the tens of thousands of units per year. Given the overall size of the market, and the quantities sold of products like the Palm Pilot, we believe the sales forecasts presented herein are reasonable, if not conservative.

PRODUCT STRATEGY

The NextBook product line will provide the reading public with a convenient, portable alternative to conventional books, newspapers and magazines. The NextBook System consists of the NextBook reader and special Text Chip memory cartridges. The NextBook reader is a plastic display device, which is approximately the size of a trade paperback (5" by 8"), weighing approximately 8 ounces. The reader consists of a screen on which the text is displayed and the electronic componentry needed to read and display the information stored in the Text Chips.

The Text Chips are matchbook sized plastic cartridges with internal electronic memory. The Text Chips plug into the reader and carry the text of a given book, magazine, newspaper or combination thereof. Text Chips will be sold in two primary configurations. The first and simplest Text Chip is permanently programmed with one piece of literature – normally an individual book. The second type of chip is reusable and can be erased and reprogrammed with new text. The reprogrammable Text Chips can be reprogrammed at a bookstore or by downloading information from the Internet. The chips can also accept text generated on virtually any PC by any application capable of working with standard text, i.e. word processing programs.

The NextBook is designed to be highly user friendly. The screen is large and easy to read. Text can be displayed in normal size type or large type to aid people with sight problems. The user will be able to turn the pages, select chapters or different documents and skim the text, as simply as reading a book. The NextBook reader will also have brightness and contrast options to facilitate low-light reading. Battery life is targeted at 4-8 hours before recharging.

NextBook is simple to operate and has a minimum number of controls. They will include buttons that allow the reader to select text size, pick chapters and turn the pages. The Text Chips snap into the top of the reader in a special cartridge port. Components of the highest quality will be used in manufacture in anticipation of the stress of travel.

Some readers will want to download the text from the Internet or their word processors by themselves. To accomplish this, the NextBook system has an optional adapter unit that accepts the Text Chips and plugs into a computer's serial port. Software to facilitate downloading from an existing PC file or the Internet will be as easy to use as the Palm Pilot will.

CONSUMER BENEFITS

The NextBook meets the needs of a wide range of the reading public because it offers so many advantages over conventional, printed forms of literature.

Wide Selection of Content - over time, the vast majority of books in print will also be published in electronic format, giving the consumer a lower-cost, higher-capacity, lighter-weight means of enjoying them. Many thousands of titles exist in the public domain, for which consumers are forced to pay publishers to recover printing and distribution costs. With the NextBook, these thousands of titles will be made available for FREE.

Portability - The NextBook and several Text Chips take up less space than one hardback book. This allows travelers to carry numerous books, magazines and newspapers in a fraction of the space that would previously been required with printed material.

Storage – The Text Chips are tiny and an extensive library would fit into a normally sized draw.

Convenience – With NextBook, individuals can customize a daily or weekly newspaper via Internet services and download it on to a Text Chip so that they can take it and read it anywhere. They no longer have to sit in front of their computer or print many pages of text.

Immediate Delivery – New books can be downloaded as soon as they are published. There is no need to wait, to go to a bookstore or to absorb the extra expense and delay of ordering by mail.

Flexibility – The NextBook System will allow downloading of any standard word processor text giving the user the opportunity to carry a significant amount of business or personal written material without stacks of paper or a computer.

Type size flexibility – NextBook has variable type sizes. The regular type is comparable to a paperback book. Larger type will provide reading comfort for many people including some who suffer from serious vision impairments like macular degeneration.

Read anywhere – NextBook's compact size and the optional display light make it the one book anyone can read wherever he or she may want to read.

Personal statement – the NextBook will appeal to today's technically oriented and prestige conscious consumers. In addition to all of its practical advantages – it will gain trial and acceptance because it will be a breakthrough device available for general use.

MARKETING PLAN

ENTRY STRATEGY

To enter the market, Intelligent Book Company will target mobile professionals and early technology adopters, much in the same manner as the Palm Pilot was launched. The product will be positioned as the ultimate traveling partner, able to store and display books, new and other text.

Initially, only re-programmable Text Chips will be offered, capable of being programmed with any text file stored on a local PC. Agreements will be signed with a number of major publishers to provide additional sources of material, i.e. bestsellers, etc. Finally, thousands of publications in the public domain will be made available on a series of Web sites, including most classics beyond copyright regulation.

As the product matures and its installed base increases, best sellers will be made available in retail stores at the hard -back price on one-time programmed cartridges. The ultimate goal is to make available a selection of Text Chip books equal to those in print, or at the very least those available as audio books.

NextBook will formally launch its product line to the retail trade in the Spring of 1999 at the International Comdex show, to an estimated audience of 150,000. A prime location will be secured for the show, located near other major exhibitors. This aggressive positioning is designed to gain exposure and credibility as a new vendor in an established class of trade.

Programs with major accounts will be outlined at the show and finalized within 60 days of the show. These programs will include retail space commitments, e.g. endcaps and displays, ad space, opening orders and balance of year forecasts. Where possible, those forecasts will also be backed up with purchase orders. The show will also be used as a launch pad to the media, with a aggressive public relations effort focused on both trade and consumer press.

BRANDING & POSITIONING

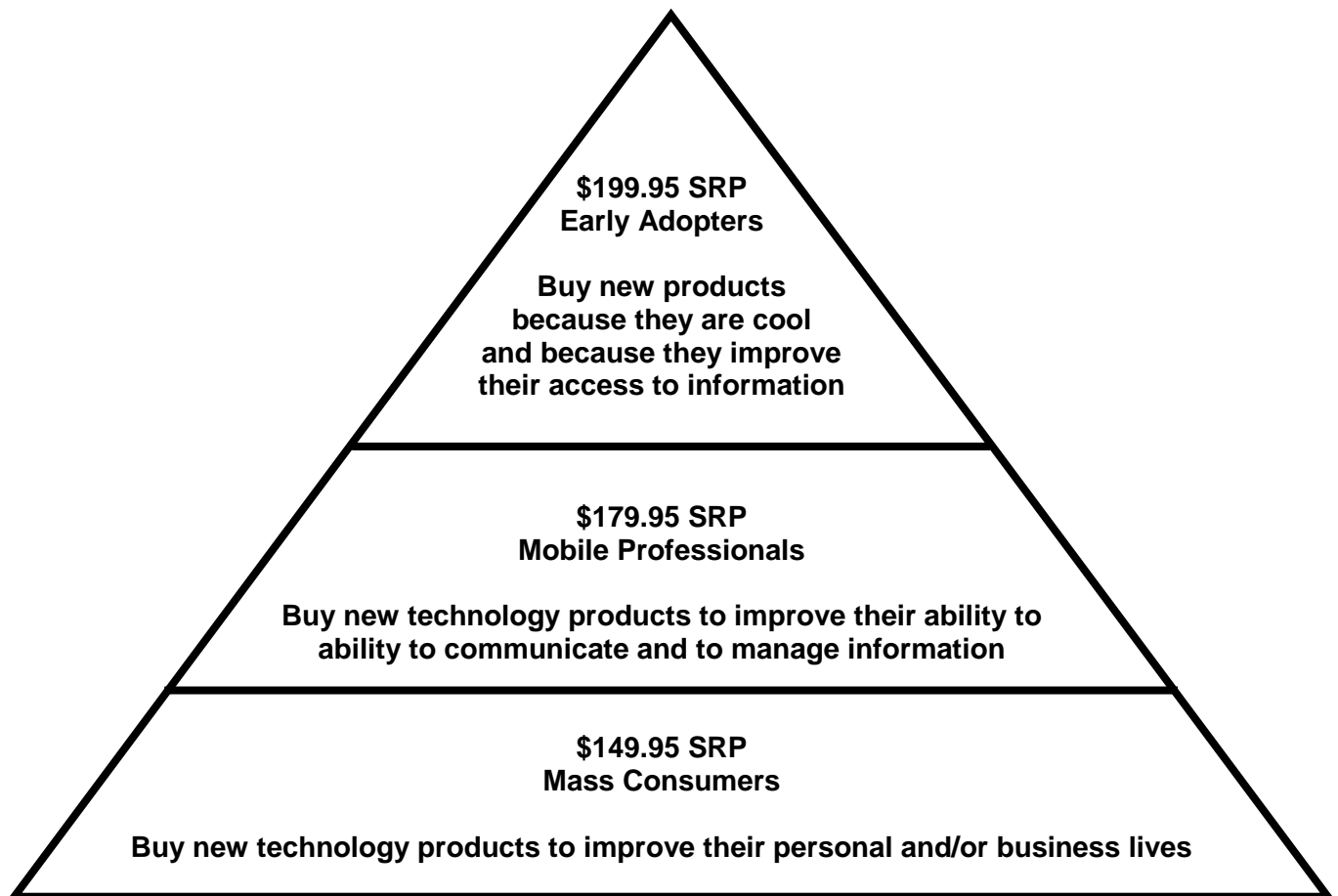
Entering a new category, it is critical that a proper brand and product image be developed and leveraged. The Intelligent Book Company brand image will be formed and driven as an extension of the NextBook product image. All products will bear and the NextBook brand name which will communicate the products function and stand for simplicity, quality and reliability. Also present in all NextBook products and marketing efforts will be the brands of the related content sources and/or software tie-ins.

The goal of this positioning strategy is to make NextBook as ubiquitous in its category as other key trademarks like RollerBlade; Kleenex, etc. have become in theirs. These trademarks will be developed in concert with the chosen advertising agency and other marketing partners, and be designed to convey a distinctive and memorable identity.

PRICING

Suggested retail pricing will reflect the product positioning and the target market segments for the NextBook. This positioning and pricing will be confirmed in a series of focus group studies to be conducted prior to the product's Comdex launch. As the product evolves and new markets emerge,

pricing will be changed to reflect the realities of the market, the features offered to meet the needs and wants of a new consumer. To accomplish this, a "skimming" pricing strategy will be employed, best illustrated by the following diagram:



ADVERTISING AND PROMOTION

Agency - An independent advertising agency will be appointed to develop and manage NextBook's corporate identity, product identity, advertising creative and production, and media planning and placement. The agency will be selected based upon their demonstrated ability to market consumer technology products, as well as their ability to build and leverage consumer brands. The agency will be responsible for developing a complete advertising and promotional strategy to:

- Develop long-term Brand Equity
- Educate the Consumer on NextBook's functionality
- Develop Product Identity and Credibility
- Drive Sell-Through
- Communicate the value of product extensions and new innovations

Creative - Creative executions will be developed by the agency for all forms of media, retail packaging, and in-store merchandising. These executions will seek to first make consumers aware of both the new product and the benefits it provides. Those benefits will be leveraged to motivate the consumer to further investigate the product's efficacy, and eventually to purchase the product.

General Media - Media will be carefully targeted to reach the desired consumers with solutions oriented messages. Total preliminary spending for advertising and promotion is planned to exceed \$2.0 million for 1998. This will be spread across print media, new media, co-operative retail advertising and in-store merchandising and promotion. These spending levels are designed to achieve a frequency of 3 impressions across a minimum of 75% of the target audience, to drive the forecast sales.

Print Advertising - Print advertising will be the primary medium through which consumer awareness and interest will be built. Print advertising, like other media will be targeted to two key audiences, early adopters and mobile professionals. Publications will include both broad-based media (i.e. Time, Newsweek) and product focused media (i.e. Windows, PC Magazine). Limited trade advertising will target smaller computer and electronics retailers to expand the dealer base and support the efforts of the sales force and any distributors carrying the product.

New Media - NextBook will also be promoted through new media, including but not limited to a World Wide Web page and interactive CD-ROM training and sales tools. The interactivity of these tools will make them effective tools for both advertising and product education and training. They will be refreshed on a regular basis to highlight new products and features, and to aid with technical support.

In-Store Merchandising - Retail displays will be designed and installed in a minimum of 1,000 PC retail storefronts. These displays will continue the process of awareness and interest building with the consumer. They will, however place more focus on generating sell-through via a more sales oriented message. Displays will facilitate limited use of the product, as it is impossible in the short time that a consumer is in a store to properly educate them on the product's complete functionality. The objective of the displays is to tell the consumer WHAT the product can do, not HOW to do it.

PUBLIC RELATIONS

NextBook's marketing team will place a heavy emphasis on public relations, as it is one of the most effective methods of reaching masses of potential consumers at costs much lower than traditional media. For this, NextBook will retain an independent public relations agency, experienced in the launch of similar products. The agency of record is A. Lavin Communications.

Andy Lavin, President, A. Lavin Communications - A. Lavin Communications has a strong track record in providing software, technology and consumer electronics companies with marketing communications knowledge, experience and results. Founded in 1995, A. Lavin Communications was created to provide strategic communications counsel, creativity and superbly executed, cost efficient programming. They have a strong understanding and unparalleled track record in promoting new technologies and applications in a targeted, methodical approach that will augment sales and enhance market position.

Backed by a talented group of writers, energetic publicists and detail oriented account managers, Andrew Lavin has nearly 15 years of experience in managing strategic, multifaceted communications programs for Fortune 500 blue chip and "new chip" companies. Andrew Lavin has held senior management positions at major New York public relations firms including Ketchum Communications, Porter/Novelli, G.S. Schwartz & Co. and Middleberg & Associates. As a result, the firm can provide large agency insight and program implementation.

A. Lavin Communications has several primary areas of expertise in high technology, business and financial services and consumer products, but draws on a broader array of experience among its staff to provide "out of the box" thinking and creativity. They know how to cut through the intense media clutter so that their clients' messages will be heard and understood by its target audiences.

Headquartered in New York, the nation's media capital, A. Lavin Communications delivers on even the most complex marketing communications programs, and establishes a mutual level of expectations so both the client and agency are satisfied with the results.

SELLING STRATEGY

The Intelligent Book Company will construct a national sales force, comprised of Sales Managers and independent manufacturer's representatives working on a commission basis. These rep firms will be chosen based upon their experience with high tech consumer and PC products and their relationships with the target account buyers.

Reps normally also represent several other complementary, high profile, but non-competing lines, giving them greater leverage with the major accounts. With these multiple, major lines; these reps generally have very close relationships with the key accounts, visiting them, in many cases, several times per week. Reps will be managed and trained via regular visits by NextBook sales management. This is the typical sales management strategy in the PC and electronics industry until \$100.0 million sales are achieved, at which point a direct sales force may become cost effective and can be phased in.

DISTRIBUTION

PC Product Distribution - Distribution for NextBook will initially focus on the specialty computer and electronic stores, i.e. CompUSA, Circuit City, etc. Key target accounts include:

<u>CHANNEL</u>	<u># STORES</u>
Computer Specialty Stores	
CompUSA	119
Computer City	117
Software Specialty Stores	
Neostar (Software Etc., Babbages)	430
Electronics Boutique	375
Electronic Superstores	
Best Buy	259
Circuit City	386
Office Superstores	
Staples	450
Office Max	475
Office Depot	489
TOTAL	3,261

SERVICE AND WARRANTY POLICIES

In order to become established within these competitive, new industries, NextBook will work to exceed industry standards for consumer support.

Technical Support - NextBook will maintain 800 number support from 9:00a.m. until 9:00p.m. EST, Monday through Saturday, providing access to both the home and business PC user at times convenient to them. The technical support staff will be trained to answer questions regarding the NextBook, its software and any other software, with which it may interact, e.g. Microsoft Word. While some questions and problems may be referred to specific software publishers, consumers consider themselves NextBook customers and will expect a “one-stop-shop” for customer service.

Software updates and other technical issues will also be addressed through the NextBook World Wide Web page. This will provide a 24-hour, 7-day support resource for consumers. Properly used and maintained, it will keep telephone support to a minimum.

Warranty Policy - NextBook products will carry a 1-year warranty on parts and labor. Current electronic products carry warranties ranging from 90 days to 3 years, with a direct correlation between price and warranty period.

DESIGN AND DEVELOPMENT PLAN

TECHNOLOGY DEVELOPMENT STRATEGY

To ensure timely and effective product solutions, Intelligent Book Company will use proven technology in its development efforts. That technology will be identified and utilized through a variety of means. Where possible, the experience and training of existing Intelligent Book Company resources will be leveraged to develop product ideas and apply the appropriate technology. If a product technology is beyond the scope of existing Intelligent Book Company resources, a technology partner will be secured. Technology partners will be chosen based upon a proven ability to deliver reliable and innovative products to market. Partners will also be chosen based upon ownership of proprietary technologies with the potential to create entry barriers.

PROPRIETARY TECHNOLOGY & PATENTS

Intelligent Book Company will employ two strategies to maintain its leadership position in the market. Continued product improvements and new applications will ensure that the original NextBook becomes the standard against which all others will be compared. In addition, application and design patent applications are being filed to protect as many elements of the product as possible.

NextBook Patents - The concept of an electronic book is in the public domain, with the first patents filed in 1977. The Intelligent Book Company is filing a series of specific product and process patents to create entry barriers where possible to protect the company against potential competition. These patent applications will focus on both hardware and software features of the NextBook.

PRODUCT IMPROVEMENTS, NEW PRODUCTS

NextBook will focus its product improvement efforts on two key elements - cost reduction and product improvements. Initially, NextBook will work with its manufacturing partners to reduce the cost of the product to attract new markets and improve/maintain margins. Many revisions can be implemented to lower cost without requiring a change in the product's form factor.

Intelligent Book Company will also invest in R&D to explore other new product opportunities that leverage the company's capabilities and developing brand equity. The opportunities to extend the NextBook are almost limitless. Some of the particular improvements that have been identified:

- **Display Screen Improvements** - Several improvements to the NextBook display will expand its application and market potential. The use of a larger and perhaps color screen with greater resolution would result in a NextBook capable of replacing virtually any illustrated or technical book.
- **Interface Improvements** - Adding a write-on display will allow the NextBook to not only display text, but also to edit or input it. This has the potential to make the NextBook an interactive note-taking and/or learning tool.

PLANT, PROPERTY, AND EQUIPMENT

Given that Intelligent Book Company's product line will be manufactured independently, only limited facilities will be required to sustain the company's operations. Initially, it is expected that approximately 5,000 square feet of office space will be required to establish operations and support engineering and design efforts. As the company prepares to ship the product and maintain day-to-day operations, a cost-benefit analysis will be conducted to determine the most effective method of supporting the channel. Depending upon the number of shipping locations that the company will be required to support, it may be more cost effective to use public warehousing and shipping facilities than to set up a new warehouse.

REGULATORY AND ENVIRONMENTAL ISSUES

The only regulatory issue of concern with the NextBook will be FCC certification for interference. Based upon its low power electromagnetic emissions, this is unlikely to be a problem.

OPERATIONAL DIFFICULTIES, RISKS, AND CONTINGENCY PLANS

One operational risk for the NextBook is the long lead-time that accompanies overseas manufacturing. Because of these lead times, it may take months to correct problems related to certain components, jeopardizing production schedules and ultimately, delivery to retail. To avoid this, solid test procedures will be implemented at key checkpoints in Honor Tone's processes (e.g., PWB fabrication, module assembly, molded part dimensional checks, and final assembly functional tests). Lot sizes will be kept small throughout early production and shipments made by air to shorten cycle times. A final contingency plan may include shipment of product to an independent U.S. technical support facility for emergency repairs using small quantities of electronic parts and assemblies supplied by Honor Tone.

THE TEAM

ORGANIZATION

The Intelligent Book Company will be set up as separate operating company with ownership shared among founders and investors. The company will be managed up by Jim Boudreau, Len Stavis, Steve Henick and Tom Barron, managing the Executive, Operations, Financial and Technical Offices, respectively. The organizational structure breaks down as follows:

KEY MANAGEMENT

The following is a brief description of the backgrounds and current responsibilities for the key members of Intelligent Book Company 's management team.

James Boudreau, President, Chief Executive Officer - Mr. Boudreau founded Intelligent Book Company . He has 20 years of experience launching new products, technologies and business units. As a consultant and/or member of management, he has developed product, marketing and distribution strategies for a number of companies, including A.T. Cross's new Cross Pen Computing Group. Prior to founding Intelligent Book Company , he founded Genesis Strategies, a marketing and business development firm, and held positions as Vice President - Sales & Marketing for Naki Electronics, Vice President - Sales for Triax Technologies, Regional Sales Director for Sega of America and Computer Buyer for Child World. He holds an MBA degree from Northeastern University where he also serves as an Adjunct Professor of Marketing.

Leonard A. Stavis, Vice President, Chief Operating Officer - Prior to founding Intelligent Book Company with Mr. Boudreau, Mr. Stavis had co-managed Genesis Strategies since late 1996, where he brought 20+ years of experience launching new products and business units. Mr. Stavis has also launched a number of new companies, several of them his own. These ventures have focused on product packaging and large-scale presentation graphics. He has an MBA degree from Northeastern University and a Bachelor of Arts degree from Colby College.

Steven T. Henick - Director - Mr. Henick joined Intelligent Book Company in early 1998 bringing with him a wide range of International business development capabilities. Prior to joining Genesis Strategies, Mr. Henick served for four years as Vice President, International Marketing and Sales for the A.T. Cross Company. He has a total of 27 years of international and domestic marketing and business development experience and has worked for several major consumer products and electronic companies, including Procter & Gamble and Atari. He holds an MBA from Harvard and a Bachelor of Arts Degree from Columbia University.

MANAGEMENT COMPENSATION AND OWNERSHIP

As with most new ventures, one of Intelligent Book Company 's main objectives is to create value for the shareholders of Intelligent Book Company and its investment partners. To that end, Intelligent Book Company will tie its compensation and incentive plans to Intelligent Book Company performance. This will ensure achievement of divisional objectives and maintain the highest level of motivation among management and staff.

Compensation Levels - To attract and motivate personnel with PC industry experience, salary levels will be structured in accordance with accepted PC industry standards. Incentive programs will be structured similarly to ensure the personnel are motivated to achieve company objectives.

Ownership/Stock Options - A stock ownership program will be put in place to allow management and key staff members to share in the equity that they help to create in Intelligent Book Company. This program will make a percentage of the new division's stock available at very attractive option prices. This is notwithstanding ownership currently maintained by the company's founders as per the following. Investments include a combination of cash and "sweat equity" as has been invested by the founders of the company to date.

OPENING SHARE ALLOCATIONS

	<u>Investment</u>	<u>Share Price</u>	<u>Shares Issues</u>
Jim Boudreau - President, CEO	\$50,000.00	\$0.20	10,000
Len Stavis - Executive Vice President, COO	\$50,000.00	\$0.20	10,000
Steve Henick - Director	\$25,000.00	\$0.20	5,000
Tom Peterson - Vice President, CTO	\$12,500.00	\$0.20	2,500
Tom Barron - Sr. Engineer	\$12,500.00	\$0.20	2,500
Read, Tatulli & Purdy - Agency	\$12,500.00	\$0.20	2,500
Total Investment	\$162,500.00	\$0.20	32,500
Valuation Assumed	\$162,500.00		
Total Shares Outstanding	32,500		

FINANCIAL PLAN

CAPITALIZATION - NATURE AND USAGE

To achieve the results forecast herein, a two-stage capitalization is being sought. For year 1, during which product and market development expenses will precede revenue, equity funding of \$1.0 million will be required. This will be followed up with a secondary offering to raise \$5.0 million to support production, marketing and sales expense and to provide working capital.

The Projected Balance Sheets in Appendix I reflect the use of approximately \$6.0 million infused as equity, with remaining cash needs provided via short-term facilities. The equity infusions will be used to fund acquisitions of externally developed technology, internal product development, PP&E and investments in marketing. Short-term debt facilities will be used to fund longer-term production, addressing the 6-month differential between production cash requirements and payments for product sold.

EXPECTED RETURNS

The Income Statement Summaries and Net Present Value/Return Analysis Exhibits included in Appendix I illustrate the return opportunities that are forecast for Intelligent Book Company . Supporting detail is included in Appendix II.

Revenues - Sales revenues are forecast at \$0.0 million, \$12.4 million, \$29.2 million, and \$52.7 million for years 1998, 1999, 2000, and 2001, respectively.

Earnings - Pre-tax earnings results, as a percentage of sales, are (100.0%), (6.4%), 9.1% and 13.5% for years 1998, 1999, 2000, and 2001, respectively.

INTELLIGENT BOOK COMPANY
PROJECTED INCOME STATEMENTS (\$000s)

	YEARS ENDED DECEMBER 31							
	<u>1998</u>	<u>% SALES</u>	<u>1999</u>	<u>% SALES</u>	<u>2000</u>	<u>% SALES</u>	<u>2001</u>	<u>% SALES</u>
NET SALES	\$0.0	0.0%	\$12,382.5	100.0%	\$29,235.0	100.0%	\$52,707.4	100.0%
Cost of Goods Sold	\$0.0	0.0%	\$8,014.5	64.7%	\$18,756.2	64.2%	\$34,018.0	64.5%
Inventory Cost Adjustments	\$0.0	0.0%	\$0.0	0.0%	\$54.0	0.2%	\$186.3	0.4%
GROSS MARGIN	0.0	0.0%	\$4,368.0	35.3%	\$10,424.8	35.7%	\$18,503.1	35.1%
EXPENSES								
Marketing Expenses	166.0	0.0%	3,407.7	27.5%	5,073.5	17.4%	7,620.5	14.5%
General & Administrative	398.9	0.0%	1,661.2	13.4%	2,528.3	8.6%	3,563.6	6.8%
Depreciation & Amortization	30.0	0.0%	90.0	0.7%	150.0	0.5%	210.0	0.4%
TOTAL EXPENSES	594.9	0.0%	5,158.9	41.7%	7,751.8	26.5%	11,394.1	21.6%
INCOME BEFORE INTEREST & TAXES	-594.9	0.0%	-790.9	-6.4%	2,673.0	9.1%	7,109.0	13.5%
Net Interest Expense (Income)	-3.9	0.0%	-12.0	-0.1%	347.0	1.2%	768.6	1.5%
Provision for Income Taxes	0.0	0.0%	0.0	0.0%	1,069.2	3.7%	2,843.6	5.4%
NET INCOME	-\$591.0	0.0%	-\$778.9	-6.3%	\$1,256.8	4.3%	\$3,496.8	6.6%

INTELLIGENT BOOK COMPANY
PROJECTED BALANCE SHEETS (000s)

	YEARS ENDED DECEMBER 31							
	1998	% TOTAL	1999	% TOTAL	2000	% TOTAL	2001	% TOTAL
ASSETS								
Current Assets								
Cash & Cash Equivalents	\$39.0	24.5%	\$189.3	2.8%	\$182.7	1.2%	\$261.6	1.4%
Accounts Receivable	0.0	0.0%	2,381.3	35.1%	5,175.0	33.2%	7,638.8	39.8%
Inventory								
Finished Goods	0.0	0.0%	540.0	8.0%	1,961.9	12.6%	2,060.8	10.7%
Work In Progress	0.0	0.0%	3,349.1	49.3%	7,766.8	49.9%	8,543.5	44.6%
Total Inventory	0.0	0.0%	3,889.1	57.3%	9,728.6	62.5%	10,604.3	55.3%
Other Current Assets	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total Current Assets	39.0	24.5%	6,459.6	95.1%	15,086.3	96.9%	18,504.7	96.5%
Property, Plant & Equipment								
Machinery & Equipment	150.0	94.3%	450.0	6.6%	750.0	4.8%	1,150.0	6.0%
Less Accumulated Depreciation	30.0	18.9%	120.0	1.8%	270.0	1.7%	480.0	2.5%
Net Machinery & Equipment	120.0	75.5%	330.0	4.9%	480.0	3.1%	670.0	3.5%
Intangibles & Other Assets	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
TOTAL ASSETS	\$159.0	100.0%	\$6,789.6	100.0%	\$15,566.3	100.0%	\$19,174.7	100.0%
LIABILITIES & EQUITY								
Current Liabilities								
Accounts Payable	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Notes Payable	0.0	0.0%	1,350.0	19.9%	8,800.0	56.5%	8,850.0	46.2%
Accrued Warranty Expenses	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other Accrued Expenses	0.0	0.0%	59.5	0.9%	129.4	0.8%	191.0	1.0%
Total Current Liabilities	0.0	0.0%	1,409.5	20.8%	8,929.4	57.4%	9,041.0	47.2%
Long-Term Liabilities								
Long-Term Debt	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total Long-Term Liabilities	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Shareholders Equity								
Equity	750.0	471.7%	6,750.0	99.4%	6,750.0	43.4%	6,750.0	35.2%
Retained Earnings	-591.0	-371.7%	-1,369.9	-20.2%	-113.1	-0.7%	3,383.7	17.6%
Total Shareholders Equity	159.0	100.0%	5,380.1	79.2%	6,636.9	42.6%	10,133.7	52.8%
TOTAL LIABILITIES & EQUITY	\$159.0	100.0%	\$6,789.6	100.0%	\$15,566.3	100.0%	\$19,174.7	100.0%

INTELLIGENT BOOK COMPANY
PROJECTED STATEMENTS OF CASH FLOW (\$000s)

	<u>Year Ended December 31</u>			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
CASH PROVIDED BY (USED IN)				
Operating Activities				
Net Income/(Loss)	-\$591.0	-\$778.9	\$1,256.8	\$3,496.8
Adjustments to reconcile net income/(loss) to net cash provided by operations:				
Depreciation & Amortization	30.0	90.0	150.0	210.0
Provision for Warranty Costs	0.0	0.0	0.0	0.0
Changes in operating assets & liabilities				
Accounts receivable	0.0	-2,381.3	-2,793.8	-2,463.8
Inventories	0.0	-3,889.1	-5,839.5	-875.7
Other Assets	0.0	0.0	0.0	0.0
Notes Payable	0.0	1,350.0	7,450.0	50.0
Other Liabilities	0.0	59.5	69.8	61.6
Warranty costs paid	---	0.0	0.0	0.0
Net cash provided by (used in) operating activities	-561.0	-5,549.7	293.4	479.0
Investing Activities				
Additions to property, plant and equipment	-150.0	-300.0	-300.0	-400.0
Financing Activities				
Proceeds from issuance of stock	750.0	6,000.0	0.0	0.0
Increase (decrease) in cash & equivalents	39.0	150.3	-6.6	79.0
Cash & cash equivalents at beginning of year	0.0	39.0	189.3	182.7
Cash & cash equivalents at end of year	\$39.0	\$189.3	\$182.7	\$261.6

INTELLIGENT BOOK COMPANY
NET PRESENT VALUE ANALYSIS (000s)

NPV/INTERNAL RATE OF RETURN	YEAR ENDED DECEMBER 31				TERMINAL VALUE
	1998	1999	2000	2001	
CAPITAL INVESTMENTS	\$150.0	\$300.0	\$300.0	\$400.0	
Contribution Margin	-\$564.9	-\$700.9	\$2,823.0	\$7,319.0	
Depreciation & Amortization	\$30.0	\$90.0	\$150.0	\$210.0	
PRETAX INCOME	-\$594.9	-\$790.9	\$2,673.0	\$7,109.0	
Net Interest Expense (Income)	-\$3.9	-\$12.0	\$347.0	\$768.6	
Provision for Income Taxes	-\$236.4	-\$311.6	\$930.4	\$2,536.2	
NET INCOME	-\$354.6	-\$467.3	\$1,395.6	\$3,804.2	
Add Back Depreciation & Amortization	\$30.0	\$90.0	\$150.0	\$210.0	
NET CASH FLOW	-\$474.6	-\$677.3	\$1,245.6	\$3,614.2	\$19,174.7
NET PRESENT VALUE (20% Hurdle)	\$11,164.6				
INTERNAL RATE OF RETURN	168.7%				
RETURN ON EQUITY					
Beginning Equity	\$0.0	\$395.4	\$5,928.1	\$7,323.7	
Proceeds from Stock	\$750.0	\$6,000.0	\$0.0	\$0.0	
Net Income/Loss	-\$354.6	-\$467.3	\$1,395.6	\$3,804.2	
Year Ending Retained Earnings	-\$354.6	-\$821.9	\$573.7	\$4,377.9	
YEAR ENDING EQUITY	\$395.4	\$5,928.1	\$7,323.7	\$11,127.9	
RETURN ON AVERAGE EQUITY	-89.7%	-14.8%	21.1%	41.2%	
RECONCILIATION OF TERMINAL VALUE TO 12/31/2001 BOOK VALUE					
Terminal Value	\$19,174.7				
Inventory	10604.3				
PP&E	670.0				
Cash & Equivalents	261.6				
Accounts Receivable	7,638.8				
BOOK VALUE	\$19,174.7				

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT SALES FORECAST - 1998 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Suggested Retail Price/Gross Margin -		\$199.99	25.0%										
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	#DIV/0!
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>NEXTBOOK - Rev. 2.0</u>													
Suggested Retail Price/Gross Margin -		\$249.99	25.0%										
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	#DIV/0!
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>REPROGRAMMABLE CARTRIDGES</u>													
Suggested Retail Price/Gross Margin -		\$24.99	40.0%										
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	#DIV/0!
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>ELECTRONIC BOOK SALES</u>													
Average Retail Price/Gross Margin -		\$14.99	40.0%										
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	#DIV/0!
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL UNIT SALES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AVERAGE SALE PRICE	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SALES REVENUES	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT SALES FORECAST - 1999 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Suggested Retail Price/Gross Margin -		\$199.99	25.0%										
Unit Sales	0.0	0.0	0.0	10.0	5.0	2.5	2.5	2.5	5.0	10.0	15.0	12.5	65.0
Average Sale Price	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$1,500.0	\$750.0	\$375.0	\$375.0	\$375.0	\$750.0	\$1,500.0	\$2,250.0	\$1,875.0	\$9,750.0
<u>NEXTBOOK - Rev. 2.0</u>													
Suggested Retail Price/Gross Margin -		\$249.99	25.0%										
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	#DIV/0!
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>REPROGRAMMABLE CARTRIDGES</u>													
Suggested Retail Price/Gross Margin -		\$24.99	40.0%										
Unit Sales	0.0	0.0	0.0	15.0	7.5	3.8	3.8	3.8	7.5	15.0	22.5	18.8	97.5
Average Sale Price	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$225.0	\$112.5	\$56.3	\$56.3	\$56.3	\$112.5	\$225.0	\$337.5	\$281.3	\$1,462.5
<u>ELECTRONIC BOOK SALES</u>													
Average Retail Price/Gross Margin -		\$14.99	40.0%										
Unit Sales	0.0	0.0	0.0	20.0	10.0	5.0	5.0	5.0	10.0	20.0	30.0	25.0	130.0
Average Sale Price	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$180.0	\$90.0	\$45.0	\$45.0	\$45.0	\$90.0	\$180.0	\$270.0	\$225.0	\$1,170.0
TOTAL UNIT SALES	0.0	0.0	0.0	45.0	22.5	11.3	11.3	11.3	22.5	45.0	67.5	56.3	292.5
AVERAGE SALE PRICE	#DIV/0!	#DIV/0!	#DIV/0!	\$42.3	\$42.3	\$42.3	\$42.3	\$42.3	\$42.3	\$42.3	\$42.3	\$42.3	\$42.33
TOTAL SALES REVENUES	\$0.0	\$0.0	\$0.0	\$1,905.0	\$952.5	\$476.3	\$476.3	\$476.3	\$952.5	\$1,905.0	\$2,857.5	\$2,381.3	\$12,382.5
% INCREASE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT SALES FORECAST - 2000 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Suggested Retail Price/Gross Margin -		\$179.99	25.0%										
Unit Sales	10.0	7.5	7.5	6.0	6.0	5.0	5.0	5.0	10.0	17.5	25.0	20.0	124.5
Average Sale Price	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00
Total Dollar Sales	\$1,350.0	\$1,012.5	\$1,012.5	\$810.0	\$810.0	\$675.0	\$675.0	\$675.0	\$1,350.0	\$2,362.5	\$3,375.0	\$2,700.0	\$16,807.5
<u>NEXTBOOK - Rev. 2.0</u>													
Suggested Retail Price/Gross Margin -		\$249.99	25.0%										
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	5.0	10.0	7.5	32.5
Average Sale Price	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,875.0	\$937.5	\$1,875.0	\$1,406.3	\$6,093.8
<u>REPROGRAMMABLE CARTRIDGES</u>													
Suggested Retail Price/Gross Margin -		\$24.99	40.0%										
Unit Sales	15.0	11.3	11.3	9.0	9.0	7.5	7.5	7.5	30.0	33.8	52.5	41.3	235.5
Average Sale Price	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Total Dollar Sales	\$225.0	\$168.8	\$168.8	\$135.0	\$135.0	\$112.5	\$112.5	\$112.5	\$450.0	\$506.3	\$787.5	\$618.8	\$3,532.5
<u>ELECTRONIC BOOK SALES</u>													
Average Retail Price/Gross Margin -		\$14.99	40.0%										
Unit Sales	25.0	18.8	18.8	15.0	15.0	12.5	12.5	12.5	25.0	43.8	62.5	50.0	311.3
Average Sale Price	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Total Dollar Sales	\$225.0	\$168.8	\$168.8	\$135.0	\$135.0	\$112.5	\$112.5	\$112.5	\$225.0	\$393.8	\$562.5	\$450.0	\$2,801.3
TOTAL UNIT SALES	50.0	37.5	37.5	30.0	30.0	25.0	25.0	25.0	75.0	100.0	150.0	118.8	703.8
AVERAGE SALE PRICE	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$52.0	\$42.0	\$44.0	\$43.6	\$41.54
TOTAL SALES REVENUES	\$1,800.0	\$1,350.0	\$1,350.0	\$1,080.0	\$1,080.0	\$900.0	\$900.0	\$900.0	\$3,900.0	\$4,200.0	\$6,600.0	\$5,175.0	\$29,235.0
% INCREASE	100.0%	100.0%	100.0%	-43.3%	13.4%	89.0%	89.0%	89.0%	309.4%	120.5%	131.0%	117.3%	136.1%

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT SALES FORECAST - 2001 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Suggested Retail Price/Gross Margin -		\$159.99	25.0%										
Unit Sales	17.5	15.0	15.0	12.0	12.0	10.0	10.0	10.0	20.0	35.0	50.0	35.0	241.5
Average Sale Price	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Total Dollar Sales	\$2,100.0	\$1,800.0	\$1,800.0	\$1,440.0	\$1,440.0	\$1,200.0	\$1,200.0	\$1,200.0	\$2,400.0	\$4,200.0	\$6,000.0	\$4,200.0	\$28,980.0
<u>NEXTBOOK - Rev. 2.0</u>													
Suggested Retail Price/Gross Margin -		\$229.99	25.0%										
Unit Sales	4.4	3.8	3.8	3.0	3.0	2.5	2.5	2.5	5.0	8.8	12.5	8.8	60.4
Average Sale Price	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50
Total Dollar Sales	\$754.7	\$646.9	\$646.9	\$517.5	\$517.5	\$431.3	\$431.3	\$431.3	\$862.5	\$1,509.4	\$2,156.3	\$1,509.4	\$10,414.7
<u>REPROGRAMMABLE CARTRIDGES</u>													
Suggested Retail Price/Gross Margin -		\$24.99	40.0%										
Unit Sales	32.8	28.1	28.1	22.5	22.5	18.8	18.8	18.8	37.5	65.6	93.8	65.6	452.8
Average Sale Price	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Total Dollar Sales	\$492.2	\$421.9	\$421.9	\$337.5	\$337.5	\$281.3	\$281.3	\$281.3	\$562.5	\$984.4	\$1,406.3	\$984.4	\$6,792.2
<u>ELECTRONIC BOOK SALES</u>													
Average Retail Price/Gross Margin -		\$14.99	40.0%										
Unit Sales	52.5	45.0	45.0	36.0	36.0	30.0	30.0	30.0	60.0	105.0	150.0	105.0	724.5
Average Sale Price	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Total Dollar Sales	\$472.5	\$405.0	\$405.0	\$324.0	\$324.0	\$270.0	\$270.0	\$270.0	\$540.0	\$945.0	\$1,350.0	\$945.0	\$6,520.5
TOTAL UNIT SALES	107.2	91.9	91.9	73.5	73.5	61.3	61.3	61.3	122.5	214.4	306.3	214.4	1479.2
AVERAGE SALE PRICE	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$35.63
TOTAL SALES REVENUES	\$3,819.4	\$3,273.8	\$3,273.8	\$2,619.0	\$2,619.0	\$2,182.5	\$2,182.5	\$2,182.5	\$4,365.0	\$7,638.8	\$10,912.5	\$7,638.8	\$52,707.4
% INCREASE	112.2%	142.5%	142.5%	142.5%	142.5%	142.5%	142.5%	142.5%	11.9%	81.9%	65.3%	47.6%	80.3%

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT COST STRUCTURE (000s)

	<u>1998</u>	<u>1999</u>	<u>+/-</u>	<u>2000</u>	<u>+/-</u>	<u>2001</u>	<u>+/-</u>
<u>NEXTBOOK</u>							
Direct Materials	\$90.000	\$90.000	0.0%	\$81.000	-10.0%	\$72.900	-10.0%
Direct Labor	\$3.000	\$3.000	0.0%	\$2.700	-10.0%	\$2.430	-10.0%
Manufacturing Overhead	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Royalties	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Software	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
TOTAL	\$93.000	\$93.000	0.0%	\$83.700	-10.0%	\$75.330	-10.0%
<u>NEXTBOOK - Rev. 2.0</u>							
Direct Materials	\$115.000	\$115.000	0.0%	\$115.000	0.0%	\$103.500	-10.0%
Direct Labor	\$3.000	\$3.000	0.0%	\$3.000	0.0%	\$2.700	-10.0%
Manufacturing Overhead	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Royalties	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Software	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
TOTAL	\$118.000	\$118.000	0.0%	\$118.000	0.0%	\$106.200	-10.0%
<u>REPROGRAMMABLE CARTRIDGES</u>							
Direct Materials	\$9.000	\$9.000	0.0%	\$8.100	-10.0%	\$7.695	-5.0%
Direct Labor	\$1.000	\$1.000	0.0%	\$0.900	-10.0%	\$0.855	-5.0%
Manufacturing Overhead	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Royalties	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Software	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
TOTAL	\$10.000	\$10.000	0.0%	\$9.000	-10.0%	\$8.550	-5.0%
<u>ELECTRONIC BOOKS</u>							
Direct Materials	\$7.650	\$7.650	0.0%	\$7.650	0.0%	\$7.650	0.0%
Direct Labor	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Manufacturing Overhead	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Royalties	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
Software	\$0.000	\$0.000	0.0%	\$0.000	0.0%	\$0.000	0.0%
TOTAL	\$7.650	\$7.650	0.0%	\$7.650	0.0%	\$7.650	0.0%

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT MARGIN FORECAST - 1998 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
Unit Cost	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Sales	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	#DIV/0!
<u>NEXTBOOK - Rev. 2.0</u>													
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50
Unit Cost	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Sales	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	#DIV/0!
<u>REPROGRAMMABLE CARTRIDGES</u>													
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Unit Cost	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Sales	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	#DIV/0!
<u>ELECTRONIC BOOKS</u>													
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Unit Cost	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Sales	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	#DIV/0!
<u>TOTAL</u>													
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Sales	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT MARGIN FORECAST - 1999 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Unit Sales	0.0	0.0	0.0	10.0	5.0	2.5	2.5	2.5	5.0	10.0	15.0	12.5	65.0
Average Sale Price	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
Unit Cost	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$1,500.0	\$750.0	\$375.0	\$375.0	\$375.0	\$750.0	\$1,500.0	\$2,250.0	\$1,875.0	\$9,750.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$930.0	\$465.0	\$232.5	\$232.5	\$232.5	\$465.0	\$930.0	\$1,395.0	\$1,162.5	\$6,045.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$570.0	\$285.0	\$142.5	\$142.5	\$142.5	\$285.0	\$570.0	\$855.0	\$712.5	\$3,705.0
% Sales	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
<u>NEXTBOOK - Rev. 2.0</u>													
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Sale Price	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50
Unit Cost	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Sales	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	#DIV/0!
<u>REPROGRAMMABLE CARTRIDGES</u>													
Unit Sales	0.0	0.0	0.0	15.0	7.5	3.8	3.8	3.8	7.5	15.0	22.5	18.8	97.5
Average Sale Price	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Unit Cost	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$225.0	\$112.5	\$56.3	\$56.3	\$56.3	\$112.5	\$225.0	\$337.5	\$281.3	\$1,462.5
Cost of Sales	\$0.0	\$0.0	\$0.0	\$150.0	\$75.0	\$37.5	\$37.5	\$37.5	\$75.0	\$150.0	\$225.0	\$187.5	\$975.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$75.0	\$37.5	\$18.8	\$18.8	\$18.8	\$37.5	\$75.0	\$112.5	\$93.8	\$487.5
% Sales	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
<u>ELECTRONIC BOOKS</u>													
Unit Sales	0.0	0.0	0.0	20.0	10.0	5.0	5.0	5.0	10.0	20.0	30.0	25.0	130.0
Average Sale Price	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Unit Cost	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$180.0	\$90.0	\$45.0	\$45.0	\$45.0	\$90.0	\$180.0	\$270.0	\$225.0	\$1,170.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$153.0	\$76.5	\$38.3	\$38.3	\$38.3	\$76.5	\$153.0	\$229.5	\$191.3	\$994.5
Gross Margin	\$0.0	\$0.0	\$0.0	\$27.0	\$13.5	\$6.8	\$6.8	\$6.8	\$13.5	\$27.0	\$40.5	\$33.8	\$175.5
% Sales	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<u>TOTAL</u>													
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$1,905.0	\$952.5	\$476.3	\$476.3	\$476.3	\$952.5	\$1,905.0	\$2,857.5	\$2,381.3	\$12,382.5
Cost of Sales	\$0.0	\$0.0	\$0.0	\$1,233.0	\$616.5	\$308.3	\$308.3	\$308.3	\$616.5	\$1,233.0	\$1,849.5	\$1,541.3	\$8,014.5
Gross Margin	\$0.0	\$0.0	\$0.0	\$672.0	\$336.0	\$168.0	\$168.0	\$168.0	\$336.0	\$672.0	\$1,008.0	\$840.0	\$4,368.0
% Sales	#DIV/0!	#DIV/0!	#DIV/0!	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT MARGIN FORECAST - 2000 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Unit Sales	10.0	7.5	7.5	6.0	6.0	5.0	5.0	5.0	10.0	17.5	25.0	20.0	124.5
Average Sale Price	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$311.25
Unit Cost	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	
Total Dollar Sales	\$1,350.0	\$1,012.5	\$1,012.5	\$810.0	\$810.0	\$675.0	\$675.0	\$675.0	\$1,350.0	\$2,362.5	\$3,375.0	\$2,700.0	\$16,807.5
Cost of Sales	\$837.0	\$627.8	\$627.8	\$502.2	\$502.2	\$418.5	\$418.5	\$418.5	\$837.0	\$1,464.8	\$2,092.5	\$1,674.0	\$10,420.7
Gross Margin	\$513.0	\$384.8	\$384.8	\$307.8	\$307.8	\$256.5	\$256.5	\$256.5	\$513.0	\$897.8	\$1,282.5	\$1,026.0	\$6,386.9
% Sales	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
<u>NEXTBOOK - Rev. 2.0</u>													
Unit Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	5.0	10.0	7.5	32.5
Average Sale Price	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50	\$187.50
Unit Cost	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00
Total Dollar Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,875.0	\$937.5	\$1,875.0	\$1,406.3	\$6,093.8
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,180.0	\$590.0	\$1,180.0	\$885.0	\$4,850.0
Gross Margin	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$695.0	\$347.5	\$695.0	\$521.3	\$2,258.8
% Sales	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%
<u>REPROGRAMMABLE CARTRIDGES</u>													
Unit Sales	15.0	11.3	11.3	9.0	9.0	7.5	7.5	7.5	30.0	33.8	52.5	41.3	235.5
Average Sale Price	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Unit Cost	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Total Dollar Sales	\$225.0	\$168.8	\$168.8	\$135.0	\$135.0	\$112.5	\$112.5	\$112.5	\$450.0	\$506.3	\$787.5	\$618.8	\$3,532.5
Cost of Sales	\$135.0	\$101.3	\$101.3	\$81.0	\$81.0	\$67.5	\$67.5	\$67.5	\$270.0	\$303.8	\$472.5	\$371.3	\$2,119.5
Gross Margin	\$90.0	\$67.5	\$67.5	\$54.0	\$54.0	\$45.0	\$45.0	\$45.0	\$180.0	\$202.5	\$315.0	\$247.5	\$1,413.0
% Sales	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
<u>ELECTRONIC BOOKS</u>													
Unit Sales	25.0	18.8	18.8	15.0	15.0	12.5	12.5	12.5	25.0	43.8	62.5	50.0	311.3
Average Sale Price	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Unit Cost	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65
Total Dollar Sales	\$225.0	\$168.8	\$168.8	\$135.0	\$135.0	\$112.5	\$112.5	\$112.5	\$225.0	\$393.8	\$562.5	\$450.0	\$2,801.3
Cost of Sales	\$191.3	\$143.4	\$143.4	\$114.8	\$114.8	\$95.6	\$95.6	\$95.6	\$191.3	\$334.7	\$478.1	\$382.5	\$2,381.1
Gross Margin	\$33.8	\$25.3	\$25.3	\$20.3	\$20.3	\$16.9	\$16.9	\$16.9	\$33.8	\$59.1	\$84.4	\$67.5	\$420.2
% Sales	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<u>TOTAL</u>													
Total Dollar Sales	\$1,800.0	\$1,350.0	\$1,350.0	\$1,080.0	\$1,080.0	\$900.0	\$900.0	\$900.0	\$3,900.0	\$4,200.0	\$6,600.0	\$5,175.0	\$29,235.0
Cost of Sales	\$1,163.3	\$872.4	\$872.4	\$698.0	\$698.0	\$581.6	\$581.6	\$581.6	\$2,478.3	\$2,693.2	\$4,223.1	\$3,312.8	\$18,756.2
Gross Margin	\$636.8	\$477.6	\$477.6	\$382.1	\$382.1	\$318.4	\$318.4	\$318.4	\$1,421.8	\$1,506.8	\$2,376.9	\$1,862.3	\$10,478.8
% Sales	35.4%	35.4%	35.4%	35.4%	35.4%	35.4%	35.4%	35.4%	36.5%	35.9%	36.0%	36.0%	35.8%

INTELLIGENT BOOK COMPANY
PROJECTED PRODUCT MARGIN FORECAST - 2001 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Unit Sales	17.5	15.0	15.0	12.0	12.0	10.0	10.0	10.0	20.0	35.0	50.0	35.0	241.5
Average Sale Price	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Unit Cost	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33
Total Dollar Sales	\$2,100.0	\$1,800.0	\$1,800.0	\$1,440.0	\$1,440.0	\$1,200.0	\$1,200.0	\$1,200.0	\$2,400.0	\$4,200.0	\$6,000.0	\$4,200.0	\$28,980.0
Cost of Sales	\$1,318.3	\$1,130.0	\$1,130.0	\$904.0	\$904.0	\$753.3	\$753.3	\$753.3	\$1,506.6	\$2,636.6	\$3,766.5	\$2,636.6	\$18,192.2
Gross Margin	\$781.7	\$670.1	\$670.1	\$536.0	\$536.0	\$446.7	\$446.7	\$446.7	\$893.4	\$1,563.5	\$2,233.5	\$1,563.5	\$10,787.8
% Sales	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%
<u>NEXTBOOK - Rev. 2.0</u>													
Unit Sales	4.4	3.8	3.8	3.0	3.0	2.5	2.5	2.5	5.0	8.8	12.5	8.8	60.4
Average Sale Price	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50	\$172.50
Unit Cost	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20
Total Dollar Sales	\$754.7	\$646.9	\$646.9	\$517.5	\$517.5	\$431.3	\$431.3	\$431.3	\$862.5	\$1,509.4	\$2,156.3	\$1,509.4	\$10,414.7
Cost of Sales	\$464.6	\$398.3	\$398.3	\$318.6	\$318.6	\$265.5	\$265.5	\$265.5	\$531.0	\$929.3	\$1,327.5	\$929.3	\$6,411.8
Gross Margin	\$290.1	\$248.6	\$248.6	\$198.9	\$198.9	\$165.8	\$165.8	\$165.8	\$331.5	\$580.1	\$828.8	\$580.1	\$4,002.9
% Sales	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%
<u>REPROGRAMMABLE CARTRIDGES</u>													
Unit Sales	32.8	28.1	28.1	22.5	22.5	18.8	18.8	18.8	37.5	65.6	93.8	65.6	452.8
Average Sale Price	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Unit Cost	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55
Total Dollar Sales	\$492.2	\$421.9	\$421.9	\$337.5	\$337.5	\$281.3	\$281.3	\$281.3	\$562.5	\$984.4	\$1,406.3	\$984.4	\$6,792.2
Cost of Sales	\$280.5	\$240.5	\$240.5	\$192.4	\$192.4	\$160.3	\$160.3	\$160.3	\$320.6	\$561.1	\$801.6	\$561.1	\$3,871.5
Gross Margin	\$211.6	\$181.4	\$181.4	\$145.1	\$145.1	\$120.9	\$120.9	\$120.9	\$241.9	\$423.3	\$604.7	\$423.3	\$2,920.6
% Sales	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%
<u>ELECTRONIC BOOKS</u>													
Unit Sales	52.5	45.0	45.0	36.0	36.0	30.0	30.0	30.0	60.0	105.0	150.0	105.0	724.5
Average Sale Price	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Unit Cost	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65
Total Dollar Sales	\$472.5	\$405.0	\$405.0	\$324.0	\$324.0	\$270.0	\$270.0	\$270.0	\$540.0	\$945.0	\$1,350.0	\$945.0	\$6,520.5
Cost of Sales	\$401.6	\$344.3	\$344.3	\$275.4	\$275.4	\$229.5	\$229.5	\$229.5	\$459.0	\$803.3	\$1,147.5	\$803.3	\$5,542.4
Gross Margin	\$70.9	\$60.8	\$60.8	\$48.6	\$48.6	\$40.5	\$40.5	\$40.5	\$81.0	\$141.8	\$202.5	\$141.8	\$978.1
% Sales	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<u>TOTAL</u>													
Total Dollar Sales	\$3,819.4	\$3,273.8	\$3,273.8	\$2,619.0	\$2,619.0	\$2,182.5	\$2,182.5	\$2,182.5	\$4,365.0	\$7,638.8	\$10,912.5	\$7,638.8	\$52,707.4
Cost of Sales	\$2,465.1	\$2,112.9	\$2,112.9	\$1,690.3	\$1,690.3	\$1,408.6	\$1,408.6	\$1,408.6	\$2,817.2	\$4,930.1	\$7,043.1	\$4,930.1	\$34,018.0
Gross Margin	\$1,354.3	\$1,160.8	\$1,160.8	\$928.7	\$928.7	\$773.9	\$773.9	\$773.9	\$1,547.8	\$2,708.6	\$3,869.4	\$2,708.6	\$18,689.4
% Sales	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%

INTELLIGENT BOOK COMPANY
PROJECTED INVENTORY/PRODUCTION REQUIREMENTS - 1998 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unit Sales Forecast (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory Purchases (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit Cost Minus Royalties	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>NEXTBOOK - Rev. 2.0</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unit Sales Forecast (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory Purchases (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit Cost Minus Royalties	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>REPROGRAMMABLE CARTRIDGES</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unit Sales Forecast (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory Purchases (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit Cost Minus Royalties	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>ELECTRONIC BOOKS</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unit Sales Forecast (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory Purchases (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit Cost Minus Royalties	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PRODUCTION COSTS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
ROYALTY PAYMENTS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL CASH REQUIREMENTS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
ENDING INVENTORY VALUE	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

INTELLIGENT BOOK COMPANY
PROJECTED INVENTORY/PRODUCTION REQUIREMENTS - 1999 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	5.0	2.5	10.0	17.5	22.5	22.5	17.5	
Unit Sales Forecast (000s)	0.0	0.0	0.0	10.0	5.0	2.5	2.5	2.5	5.0	10.0	15.0	12.5	65.0
Inventory Purchases (000s)	0.0	0.0	0.0	10.0	10.0	0.0	10.0	10.0	10.0	10.0	10.0	0.0	70.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	5.0	2.5	10.0	17.5	22.5	22.5	17.5	5.0	5.0
Unit Cost Minus Royalties	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$930.0	\$930.0	\$0.0	\$930.0	\$930.0	\$930.0	\$930.0	\$930.0	\$0.0	\$837.0	\$837.0	\$837.0	\$9,021.0
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$930.0	\$930.0	\$0.0	\$930.0	\$930.0	\$930.0	\$930.0	\$930.0	\$0.0	\$837.0	\$837.0	\$837.0	\$9,021.0
<u>NEXTBOOK - Rev. 2.0</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unit Sales Forecast (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory Purchases (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit Cost Minus Royalties	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>REPROGRAMMABLE CARTRIDGES</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	5.0	7.5	13.8	20.0	26.3	28.8	23.8	11.3	
Unit Sales Forecast (000s)	0.0	0.0	0.0	15.0	7.5	3.8	3.8	3.8	7.5	15.0	22.5	18.8	97.5
Inventory Purchases (000s)	0.0	0.0	0.0	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	15.0	105.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	5.0	7.5	13.8	20.0	26.3	28.8	23.8	11.3	7.5	7.5
Unit Cost Minus Royalties	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$200.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$150.0	\$180.0	\$90.0	\$90.0	\$1,410.0
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$200.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$150.0	\$180.0	\$90.0	\$90.0	\$1,410.0
<u>ELECTRONIC BOOKS</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unit Sales Forecast (000s)	0.0	0.0	0.0	20.0	10.0	5.0	5.0	5.0	10.0	20.0	30.0	25.0	130.0
Inventory Purchases (000s)	0.0	0.0	0.0	20.0	10.0	5.0	5.0	5.0	10.0	20.0	30.0	25.0	130.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit Cost Minus Royalties	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$153.0	\$76.5	\$38.3	\$38.3	\$38.3	\$76.5	\$153.0	\$229.5	\$191.3	\$191.3	\$143.4	\$143.4	\$1,472.6
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$153.0	\$76.5	\$38.3	\$38.3	\$38.3	\$76.5	\$153.0	\$229.5	\$191.3	\$191.3	\$143.4	\$143.4	\$1,472.6
PRODUCTION COSTS	\$1,283.0	\$1,106.5	\$138.3	\$1,068.3	\$1,068.3	\$1,106.5	\$1,183.0	\$1,259.5	\$341.3	\$1,208.3	\$1,070.4	\$1,070.4	\$11,903.6
ROYALTY PAYMENTS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL CASH REQUIREMENTS	\$1,283.0	\$1,106.5	\$138.3	\$1,068.3	\$1,068.3	\$1,106.5	\$1,183.0	\$1,259.5	\$341.3	\$1,208.3	\$1,070.4	\$1,070.4	\$11,903.6
ENDING INVENTORY VALUE	\$0.0	\$0.0	\$0.0	\$50.0	\$540.0	\$370.0	\$1,130.0	\$1,890.0	\$2,380.0	\$2,330.0	\$1,740.0	\$540.0	\$540.0

INTELLIGENT BOOK COMPANY
PROJECTED INVENTORY/PRODUCTION REQUIREMENTS - 2000 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Beginning Inventory (000s)	5.0	5.0	7.5	10.0	14.0	18.0	13.0	8.0	13.0	13.0	15.5	10.5	
Unit Sales Forecast (000s)	10.0	7.5	7.5	6.0	6.0	5.0	5.0	5.0	10.0	17.5	25.0	20.0	124.5
Inventory Purchases (000s)	10.0	10.0	10.0	10.0	10.0	0.0	0.0	10.0	10.0	20.0	20.0	20.0	130.0
Ending Finished Goods Inventory (000s)	5.0	7.5	10.0	14.0	18.0	13.0	8.0	13.0	13.0	15.5	10.5	10.5	10.5
Unit Cost Minus Royalties	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	\$83.70	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$837.0	\$837.0	\$0.0	\$0.0	\$837.0	\$837.0	\$1,674.0	\$1,674.0	\$1,674.0	\$1,506.6	\$1,506.6	\$1,130.0	\$12,513.2
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$837.0	\$837.0	\$0.0	\$0.0	\$837.0	\$837.0	\$1,674.0	\$1,674.0	\$1,674.0	\$1,506.6	\$1,506.6	\$1,130.0	\$12,513.2
<u>NEXTBOOK - Rev. 2.0</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.0	
Unit Sales Forecast (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	5.0	10.0	7.5	32.5
Inventory Purchases (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	10.0	10.0	10.0	40.0
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.0	7.5	7.5
Unit Cost Minus Royalties	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,180.0	\$1,180.0	\$1,180.0	\$1,180.0	\$531.0	\$531.0	\$531.0	\$6,313.0
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,180.0	\$1,180.0	\$1,180.0	\$1,180.0	\$531.0	\$531.0	\$531.0	\$6,313.0
<u>REPROGRAMMABLE CARTRIDGES</u>													
Beginning Inventory (000s)	7.5	12.5	11.3	10.0	11.0	12.0	14.5	27.0	39.5	39.5	45.8	33.3	
Unit Sales Forecast (000s)	15.0	11.3	11.3	9.0	9.0	7.5	7.5	7.5	30.0	33.8	52.5	41.3	235.5
Inventory Purchases (000s)	20.0	10.0	10.0	10.0	10.0	10.0	20.0	20.0	30.0	40.0	40.0	30.0	250.0
Ending Finished Goods Inventory (000s)	12.5	11.3	10.0	11.0	12.0	14.5	27.0	39.5	39.5	45.8	33.3	22.0	22.0
Unit Cost Minus Royalties	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$90.0	\$90.0	\$90.0	\$180.0	\$180.0	\$270.0	\$360.0	\$360.0	\$270.0	\$427.5	\$256.5	\$256.5	\$2,830.5
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$90.0	\$90.0	\$90.0	\$180.0	\$180.0	\$270.0	\$360.0	\$360.0	\$270.0	\$427.5	\$256.5	\$256.5	\$2,830.5
<u>ELECTRONIC BOOKS</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unit Sales Forecast (000s)	25.0	18.8	18.8	15.0	15.0	12.5	12.5	12.5	25.0	43.8	62.5	50.0	311.3
Inventory Purchases (000s)	25.0	18.8	18.8	15.0	15.0	12.5	12.5	12.5	25.0	43.8	62.5	50.0	311.3
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit Cost Minus Royalties	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Production Cash Requirements (000s)	\$114.8	\$114.8	\$95.6	\$95.6	\$95.6	\$191.3	\$334.7	\$478.1	\$382.5	\$401.6	\$344.3	\$344.3	\$2,993.1
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$114.8	\$114.8	\$95.6	\$95.6	\$95.6	\$191.3	\$334.7	\$478.1	\$382.5	\$401.6	\$344.3	\$344.3	\$2,993.1
PRODUCTION COSTS	\$1,041.8	\$1,041.8	\$185.6	\$275.6	\$1,112.6	\$2,478.3	\$3,548.7	\$3,692.1	\$3,506.5	\$2,866.7	\$2,638.4	\$2,261.7	\$24,649.7
ROYALTY PAYMENTS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL CASH REQUIREMENTS	\$1,041.8	\$1,041.8	\$185.6	\$275.6	\$1,112.6	\$2,478.3	\$3,548.7	\$3,692.1	\$3,506.5	\$2,866.7	\$2,638.4	\$2,261.7	\$24,649.7
ENDING INVENTORY VALUE	\$531.0	\$729.0	\$927.0	\$1,270.8	\$1,614.6	\$1,218.6	\$912.6	\$1,443.6	\$1,443.6	\$2,299.1	\$1,768.1	\$1,961.9	\$1,961.9

INTELLIGENT BOOK COMPANY
PROJECTED INVENTORY/PRODUCTION REQUIREMENTS - 2001 (000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>NEXTBOOK</u>													
Beginning Inventory (000s)	10.5	13.0	18.0	18.0	16.0	14.0	14.0	14.0	24.0	24.0	29.0	19.0	
Unit Sales Forecast (000s)	17.5	15.0	15.0	12.0	12.0	10.0	10.0	10.0	20.0	35.0	50.0	35.0	241.5
Inventory Purchases (000s)	20.0	20.0	15.0	10.0	10.0	10.0	10.0	20.0	20.0	40.0	40.0	30.0	245.0
Ending Finished Goods Inventory (000s)	13.0	18.0	18.0	16.0	14.0	14.0	14.0	24.0	24.0	29.0	19.0	14.0	14.0
Unit Cost Minus Royalties	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33	\$75.33
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production Cash Requirements (000s)	\$753.3	\$753.3	\$753.3	\$753.3	\$1,506.6	\$1,506.6	\$3,013.2	\$3,013.2	\$2,259.9	\$1,657.3	\$1,657.3	\$1,242.9	\$18,870.2
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$753.3	\$753.3	\$753.3	\$753.3	\$1,506.6	\$1,506.6	\$3,013.2	\$3,013.2	\$2,259.9	\$1,657.3	\$1,657.3	\$1,242.9	\$18,870.2
<u>NEXTBOOK - Rev. 2.0</u>													
Beginning Inventory (000s)	7.5	8.1	9.4	10.6	12.6	14.6	17.1	19.6	22.1	22.1	18.4	10.9	
Unit Sales Forecast (000s)	4.4	3.8	3.8	3.0	3.0	2.5	2.5	2.5	5.0	8.8	12.5	8.8	60.4
Inventory Purchases (000s)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	60.0
Ending Finished Goods Inventory (000s)	8.1	9.4	10.6	12.6	14.6	17.1	19.6	22.1	22.1	18.4	10.9	7.1	7.1
Unit Cost Minus Royalties	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20	\$106.20
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production Cash Requirements (000s)	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$584.1	\$584.1	\$584.1	\$6,531.3
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$531.0	\$584.1	\$584.1	\$584.1	\$6,531.3
<u>REPROGRAMMABLE CARTRIDGES</u>													
Beginning Inventory (000s)	22.0	39.2	41.1	42.9	45.4	47.9	49.2	50.4	61.7	74.2	78.6	54.8	
Unit Sales Forecast (000s)	32.8	28.1	28.1	22.5	22.5	18.8	18.8	18.8	37.5	65.6	93.8	65.6	452.8
Inventory Purchases (000s)	50.0	30.0	30.0	25.0	25.0	20.0	20.0	30.0	50.0	70.0	70.0	40.0	460.0
Ending Finished Goods Inventory (000s)	39.2	41.1	42.9	45.4	47.9	49.2	50.4	61.7	74.2	78.6	54.8	29.2	29.2
Unit Cost Minus Royalties	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production Cash Requirements (000s)	\$213.8	\$213.8	\$171.0	\$171.0	\$256.5	\$427.5	\$598.5	\$598.5	\$342.0	\$470.3	\$282.2	\$282.2	\$4,027.1
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$213.8	\$213.8	\$171.0	\$171.0	\$256.5	\$427.5	\$598.5	\$598.5	\$342.0	\$470.3	\$282.2	\$282.2	\$4,027.1
<u>ELECTRONIC BOOKS</u>													
Beginning Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unit Sales Forecast (000s)	52.5	45.0	45.0	36.0	36.0	30.0	30.0	30.0	60.0	105.0	150.0	105.0	724.5
Inventory Purchases (000s)	52.5	45.0	45.0	36.0	36.0	30.0	30.0	30.0	60.0	105.0	150.0	105.0	724.5
Ending Finished Goods Inventory (000s)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit Cost Minus Royalties	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65	\$7.65
Unit Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production Cash Requirements (000s)	\$275.4	\$275.4	\$229.5	\$229.5	\$229.5	\$459.0	\$803.3	\$1,147.5	\$803.3	\$441.8	\$378.7	\$378.7	\$5,651.4
Royalty Cash Payments (000s)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Requirements (000s)	\$275.4	\$275.4	\$229.5	\$229.5	\$229.5	\$459.0	\$803.3	\$1,147.5	\$803.3	\$441.8	\$378.7	\$378.7	\$5,651.4
PRODUCTION COSTS	\$1,773.5	\$1,773.5	\$1,684.8	\$1,684.8	\$2,523.6	\$2,924.1	\$4,946.0	\$5,290.2	\$3,936.2	\$3,153.4	\$2,902.2	\$2,487.9	\$35,080.0
ROYALTY PAYMENTS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL CASH REQUIREMENTS	\$1,773.5	\$1,773.5	\$1,684.8	\$1,684.8	\$2,523.6	\$2,924.1	\$4,946.0	\$5,290.2	\$3,936.2	\$3,153.4	\$2,902.2	\$2,487.9	\$35,080.0
ENDING INVENTORY VALUE	\$2,177.2	\$2,702.6	\$2,851.4	\$2,934.5	\$3,017.7	\$3,293.8	\$3,570.0	\$4,685.0	\$4,791.9	\$4,807.7	\$3,054.8	\$2,060.8	\$2,060.8

INTELLIGENT BOOK COMPANY
PROJECTED STAFF REQUIREMENTS - 1998 (\$000s)

		<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
MARKETING														
Marketing & Sales Manager	Head Count	-	-	-	-	-	-	-	-	1	1	1	1	1
Salary & Benefits	\$97.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$8.1	\$8.1	\$8.1	\$8.1	\$32.5
Expenses	\$60.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$20.0
Marketing Manager	Head Count	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary & Benefits	\$78.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenses	\$24.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sales Manager	Head Count	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary & Benefits	\$91.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenses	\$36.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Marketing Salary		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$8.1	\$8.1	\$8.1	\$8.1	\$32.5
Total Marketing Expenses		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$20.0
CUSTOMER SERVICE														
Customer Service Manager	Head Count	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary & Benefits	\$65.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenses	\$18.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Technical Support Manager	Head Count	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary & Benefits	\$65.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenses	\$18.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Customer Service Reps	Head Count	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary & Benefits	\$45.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Technical Support Reps	Head Count	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary & Benefits	\$45.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Customer Service Salary		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Customer Service Expenses		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
RESEARCH & DEVELOPMENT														
Engineers	Head Count	-	-	-	-	-	1	1	1	2	2	2	2	2
Salary & Benefits	\$91.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.6	\$7.6	\$7.6	\$15.2	\$15.2	\$15.2	\$15.2	\$83.4
Expenses	\$15.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.3	\$1.3	\$1.3	\$2.5	\$2.5	\$2.5	\$2.5	\$13.8
Designers/Techs	Head Count	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary & Benefits	\$52.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total R&D Salary		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.6	\$7.6	\$7.6	\$15.2	\$15.2	\$15.2	\$15.2	\$83.4
Total R&D Expenses		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.3	\$1.3	\$1.3	\$2.5	\$2.5	\$2.5	\$2.5	\$13.8
GENERAL STAFF														
General Manager	Head Count	-	-	-	-	-	1	1	1	1	1	1	1	1
Salary & Benefits	\$91.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.6	\$7.6	\$7.6	\$7.6	\$7.6	\$7.6	\$7.6	\$53.1
Expenses	\$60.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$35.0
Administrative	Head Count	-	-	-	-	-	-	-	-	2	2	2	2	2
Salary & Benefits	\$52.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$8.7	\$8.7	\$8.7	\$8.7	\$34.7
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Staff Salary		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.6	\$7.6	\$7.6	\$16.3	\$16.3	\$16.3	\$16.3	\$87.8
Total Staff Expenses		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$35.0
TOTAL HEAD COUNT		-	-	-	-	-	2	2	2	6	6	6	6	6
TOTAL SALARY		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$15.2	\$15.2	\$15.2	\$39.5	\$39.5	\$39.5	\$39.5	\$203.7
TOTAL EXPENSES		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6.3	\$6.3	\$6.3	\$12.5	\$12.5	\$12.5	\$12.5	\$68.8

INTELLIGENT BOOK COMPANY
PROJECTED STAFF REQUIREMENTS - 1999 (\$000s)

		<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
MARKETING														
Marketing & Sales Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$101.4	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$101.4
Expenses	\$62.4	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$62.4
Marketing Manager	Head Count	-	-	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$81.1	\$0.0	\$0.0	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$67.6
Expenses	\$25.0	\$0.0	\$0.0	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$20.8
Sales Manager	Head Count	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary & Benefits	\$94.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenses	\$37.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Marketing Salary		\$8.5	\$8.5	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$169.0
Total Marketing Expenses		\$5.2	\$5.2	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$83.2
CUSTOMER SERVICE														
Customer Service Manager	Head Count	-	-	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$67.6	\$0.0	\$0.0	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$56.3
Expenses	\$18.7	\$0.0	\$0.0	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$15.6
Technical Support Manager	Head Count	-	-	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$67.6	\$0.0	\$0.0	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$56.3
Expenses	\$18.7	\$0.0	\$0.0	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$15.6
Customer Service Reps	Head Count	-	-	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$47.3	\$0.0	\$0.0	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$39.4
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Technical Support Reps	Head Count	-	-	3	3	3	3	3	3	3	3	3	3	3
Salary & Benefits	\$47.3	\$0.0	\$0.0	\$11.8	\$11.8	\$11.8	\$11.8	\$11.8	\$11.8	\$11.8	\$11.8	\$11.8	\$11.8	\$118.3
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Customer Service Salary		\$0.0	\$0.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$270.4
Total Customer Service Expenses		\$0.0	\$0.0	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$31.2
RESEARCH & DEVELOPMENT														
Engineers	Head Count	2	2	2	2	2	2	2	2	2	2	2	2	2
Salary & Benefits	\$94.6	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$189.3
Expenses	\$15.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$31.2
Designers/Techs	Head Count	-	-	-	-	-	1	1	1	1	1	1	1	1
Salary & Benefits	\$54.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$27.0
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total R&D Salary		\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$20.3	\$20.3	\$20.3	\$20.3	\$20.3	\$20.3	\$216.3
Total R&D Expenses		\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$31.2
GENERAL STAFF														
General Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$94.6	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$94.6
Expenses	\$62.4	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$62.4
Administrative	Head Count	2	2	2	2	2	2	3	3	3	3	3	3	3
Salary & Benefits	\$54.1	\$9.0	\$9.0	\$9.0	\$9.0	\$9.0	\$9.0	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$135.2
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Staff Salary		\$16.9	\$16.9	\$16.9	\$16.9	\$16.9	\$16.9	\$21.4	\$21.4	\$21.4	\$21.4	\$21.4	\$21.4	\$229.8
Total Staff Expenses		\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$62.4
TOTAL HEAD COUNT		6	6	13	13	13	13	15	15	15	15	15	15	15
TOTAL SALARY		\$41.1	\$41.1	\$74.9	\$74.9	\$74.9	\$74.9	\$83.9	\$83.9	\$83.9	\$83.9	\$83.9	\$83.9	\$885.6
TOTAL EXPENSES		\$13.0	\$13.0	\$18.2	\$18.2	\$18.2	\$18.2	\$18.2	\$18.2	\$18.2	\$18.2	\$18.2	\$18.2	\$208.0

INTELLIGENT BOOK COMPANY
PROJECTED STAFF REQUIREMENTS - 2000 (\$000s)

		<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
MARKETING														
Marketing & Sales Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$105.5	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$105.5
Expenses	\$64.9	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$64.9
Marketing Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$84.4	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$84.4
Expenses	\$26.0	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$26.0
Sales Manager	Head Count	-	-	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$98.4	\$0.0	\$0.0	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$82.0
Expenses	\$38.9	\$0.0	\$0.0	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$32.4
Total Marketing Salary		\$15.8	\$15.8	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$271.8
Total Marketing Expenses		\$7.6	\$7.6	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$123.3
CUSTOMER SERVICE														
Customer Service Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$70.3	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$70.3
Expenses	\$19.5	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$19.5
Technical Support Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$70.3	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$70.3
Expenses	\$19.5	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$19.5
Customer Service Reps	Head Count	1	1	2	2	2	2	2	2	2	2	2	2	2
Salary & Benefits	\$49.2	\$4.1	\$4.1	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$90.2
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Technical Support Reps	Head Count	4	4	4	4	4	4	4	4	4	4	4	4	4
Salary & Benefits	\$49.2	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$196.9
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Customer Service Salary		\$32.2	\$32.2	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$427.7
Total Customer Service Expenses		\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$38.9
RESEARCH & DEVELOPMENT														
Engineers	Head Count	2	2	2	2	2	2	2	2	2	2	2	2	2
Salary & Benefits	\$98.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4	\$196.9
Expenses	\$16.2	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$32.4
Designers/Techs	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$56.2	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$56.2
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total R&D Salary		\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$253.1
Total R&D Expenses		\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$32.4
GENERAL STAFF														
General Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$98.4	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$8.2	\$98.4
Expenses	\$64.9	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$64.9
Administrative	Head Count	4	4	4	4	4	4	4	4	4	4	4	4	4
Salary & Benefits	\$56.2	\$18.7	\$18.7	\$18.7	\$18.7	\$18.7	\$18.7	\$18.7	\$18.7	\$18.7	\$18.7	\$18.7	\$18.7	\$225.0
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Staff Salary		\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$323.4
Total Staff Expenses		\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$64.9
TOTAL HEAD COUNT		17	17	19	19	19	19	19	19	19	19	19	19	19
TOTAL SALARY		\$96.1	\$96.1	\$108.4	\$108.4	\$108.4	\$108.4	\$108.4	\$108.4	\$108.4	\$108.4	\$108.4	\$108.4	\$1,276.0
TOTAL EXPENSES		\$18.9	\$18.9	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$259.6

INTELLIGENT BOOK COMPANY
PROJECTED STAFF REQUIREMENTS - 2001 (\$000s)

		<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
MARKETING														
Marketing & Sales Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$109.7	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$109.7
Expenses	\$67.5	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$67.5
Marketing Manager	Head Count	1	2	2	2	2	2	2	2	2	2	2	2	2
Salary & Benefits	\$87.7	\$7.3	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$168.2
Expenses	\$27.0	\$2.2	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$51.7
Sales Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$102.4	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$102.4
Expenses	\$40.5	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$40.5
Total Marketing Salary		\$25.0	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$380.2
Total Marketing Expenses		\$11.2	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$159.7
CUSTOMER SERVICE														
Customer Service Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$73.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$73.1
Expenses	\$20.2	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$20.2
Technical Support Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$73.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$73.1
Expenses	\$20.2	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$20.2
Customer Service Reps	Head Count	2	2	2	2	2	2	2	2	2	2	2	2	2
Salary & Benefits	\$51.2	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$102.4
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Technical Support Reps	Head Count	5	5	5	5	5	5	5	5	5	5	5	5	5
Salary & Benefits	\$51.2	\$21.3	\$21.3	\$21.3	\$21.3	\$21.3	\$21.3	\$21.3	\$21.3	\$21.3	\$21.3	\$21.3	\$21.3	\$255.9
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Customer Service Salary		\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$504.5
Total Customer Service Expenses		\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$40.5
RESEARCH & DEVELOPMENT														
Engineers	Head Count	3	3	3	3	3	3	3	3	3	3	3	3	3
Salary & Benefits	\$102.4	\$25.6	\$25.6	\$25.6	\$25.6	\$25.6	\$25.6	\$25.6	\$25.6	\$25.6	\$25.6	\$25.6	\$25.6	\$307.1
Expenses	\$16.9	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$50.6
Designers/Techs	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$58.5	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$58.5
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total R&D Salary		\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$365.6
Total R&D Expenses		\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$50.6
GENERAL STAFF														
General Manager	Head Count	1	1	1	1	1	1	1	1	1	1	1	1	1
Salary & Benefits	\$102.4	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5	\$102.4
Expenses	\$67.5	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$67.5
Administrative	Head Count	5	5	5	5	5	5	5	5	5	5	5	5	5
Salary & Benefits	\$58.5	\$24.4	\$24.4	\$24.4	\$24.4	\$24.4	\$24.4	\$24.4	\$24.4	\$24.4	\$24.4	\$24.4	\$24.4	\$292.5
Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Staff Salary		\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$394.8
Total Staff Expenses		\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$67.5
TOTAL HEAD COUNT		22	23	23	23	23	23	23	23	23	23	23	23	23
TOTAL SALARY		\$130.4	\$137.7	\$137.7	\$137.7	\$137.7	\$137.7	\$137.7	\$137.7	\$137.7	\$137.7	\$137.7	\$137.7	\$1,645.1
TOTAL EXPENSES		\$24.5	\$26.7	\$26.7	\$26.7	\$26.7	\$26.7	\$26.7	\$26.7	\$26.7	\$26.7	\$26.7	\$26.7	\$318.3

INTELLIGENT BOOK COMPANY
PROJECTED MARKETING EXPENDITURES (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
FISCAL 1998													
ADVERTISING & PROMOTION													
Creative, Design & Layout	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$20.0	\$20.0	\$20.0	\$60.0
Consumer Print Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Trade Print Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Television Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Production, Printing, Collateral	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0	\$0.0	\$10.0	\$0.0	\$15.0	\$26.0
Public Relations	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$10.0
Promotions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Trade Show Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$20.0	\$0.0	\$20.0
Market Research	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$25.0	\$0.0	\$0.0	\$25.0	\$50.0
Co-op/Discount Funds (8% of sales)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Retail Displays	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Advertising and Promotion	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0	\$25.0	\$30.0	\$45.0	\$65.0	\$166.0
% Sales	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SELLING EXPENSES													
Rep Sales Commissions (2.5% of sales)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Warranty/Tech Support (1.5% of sales)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Bad Debt Charges	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL EXPENDITURES	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0	\$25.0	\$30.0	\$45.0	\$65.0	\$166.0
	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
FISCAL 1999													
ADVERTISING & PROMOTION													
Creative, Design & Layout	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$240.0
Consumer Print Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$100.0	\$200.0	\$300.0	\$400.0	\$1,000.0
Trade Print Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Television Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Media	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$45.0
Production, Printing, Collateral	\$0.0	\$0.0	\$0.0	\$20.0	\$0.0	\$20.0	\$0.0	\$20.0	\$0.0	\$20.0	\$0.0	\$16.5	\$96.5
Public Relations	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$8.0	\$5.0	\$5.0	\$5.0	\$5.0	\$8.0	\$5.0	\$66.0
Promotions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Trade Show Expenses	\$0.0	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$200.0	\$0.0	\$400.0
Market Research	\$0.0	\$0.0	\$25.0	\$0.0	\$5.0	\$0.0	\$0.0	\$0.0	\$0.0	\$30.0	\$0.0	\$0.0	\$60.0
Co-op/Discount Funds (6% of sales)	\$0.0	\$0.0	\$0.0	\$114.3	\$57.2	\$28.6	\$28.6	\$28.6	\$57.2	\$114.3	\$171.5	\$142.9	\$743.0
Retail Displays	\$0.0	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$200.0
Total Advertising and Promotion	\$25.0	\$25.0	\$50.0	\$564.3	\$92.2	\$81.6	\$58.6	\$78.6	\$187.2	\$394.3	\$704.5	\$589.4	\$2,850.5
% Sales	#DIV/0!	#DIV/0!	#DIV/0!	29.6%	9.7%	17.1%	12.3%	16.5%	19.6%	20.7%	24.7%	24.8%	23.0%
SELLING EXPENSES													
Rep Sales Commissions (2.5% of sales)	\$0.0	\$0.0	\$0.0	\$47.6	\$23.8	\$11.9	\$11.9	\$11.9	\$23.8	\$47.6	\$71.4	\$59.5	\$309.6
Warranty/Tech Support (1.5% of sales)	\$0.0	\$0.0	\$0.0	\$28.6	\$14.3	\$7.1	\$7.1	\$7.1	\$14.3	\$28.6	\$42.9	\$35.7	\$185.7
Bad Debt Charges	\$0.0	\$0.0	\$0.0	\$9.5	\$4.8	\$2.4	\$2.4	\$2.4	\$4.8	\$9.5	\$14.3	\$11.9	\$61.9
TOTAL EXPENDITURES	\$25.0	\$25.0	\$50.0	\$650.0	\$135.0	\$103.0	\$80.0	\$100.0	\$230.0	\$480.0	\$833.0	\$696.5	\$3,407.7
	#DIV/0!	#DIV/0!	#DIV/0!	34.1%	14.2%	21.6%	16.8%	21.0%	24.1%	25.2%	29.2%	29.3%	27.5%

INTELLIGENT BOOK COMPANY
PROJECTED MARKETING EXPENDITURES (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
FISCAL 2000													
ADVERTISING & PROMOTION													
Creative, Design & Layout	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$300.0
Consumer Print Media	\$75.0	\$75.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$100.0	\$150.0	\$250.0	\$300.0	\$1,250.0
Trade Print Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Television Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Media	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$60.0
Production, Printing, Collateral	\$0.0	\$0.0	\$20.0	\$0.0	\$0.0	\$20.0	\$0.0	\$20.0	\$0.0	\$20.0	\$0.0	\$18.2	\$98.2
Public Relations	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$9.0	\$7.0	\$7.0	\$7.0	\$7.0	\$9.0	\$7.0	\$88.0
Promotions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Trade Show Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$30.0	\$0.0	\$0.0	\$0.0	\$0.0	\$200.0	\$0.0	\$230.0
Market Research	\$0.0	\$0.0	\$30.0	\$0.0	\$5.0	\$0.0	\$5.0	\$0.0	\$0.0	\$30.0	\$0.0	\$0.0	\$70.0
Co-op/Discount Funds (5% of sales)	\$90.0	\$67.5	\$67.5	\$54.0	\$54.0	\$45.0	\$45.0	\$45.0	\$195.0	\$210.0	\$330.0	\$258.8	\$1,461.8
Retail Displays	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$200.0
Total Advertising and Promotion	\$202.0	\$179.5	\$204.5	\$141.0	\$146.0	\$184.0	\$337.0	\$152.0	\$332.0	\$447.0	\$819.0	\$613.9	\$3,757.9
% Sales	11.2%	13.3%	15.1%	13.1%	13.5%	20.4%	37.4%	16.9%	8.5%	10.6%	12.4%	11.9%	12.9%
SELLING EXPENSES													
Rep Sales Commissions (2.5% of sales)	\$45.0	\$33.8	\$33.8	\$27.0	\$27.0	\$22.5	\$22.5	\$22.5	\$97.5	\$105.0	\$165.0	\$129.4	\$730.9
Warranty/Tech Support (1.5% of sales)	\$27.0	\$20.3	\$20.3	\$16.2	\$16.2	\$13.5	\$13.5	\$13.5	\$58.5	\$63.0	\$99.0	\$77.6	\$438.5
Bad Debt Charges	\$9.0	\$6.8	\$6.8	\$5.4	\$5.4	\$4.5	\$4.5	\$4.5	\$19.5	\$21.0	\$33.0	\$25.9	\$146.2
TOTAL EXPENDITURES	\$283.0	\$240.3	\$265.3	\$189.6	\$194.6	\$224.5	\$377.5	\$192.5	\$507.5	\$636.0	\$1,116.0	\$846.8	\$5,073.5
% Sales	15.7%	17.8%	19.6%	17.6%	18.0%	24.9%	41.9%	21.4%	13.0%	15.1%	16.9%	16.4%	17.4%
FISCAL 2001													
ADVERTISING & PROMOTION													
Creative, Design & Layout	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$360.0
Consumer Print Media	\$82.5	\$82.5	\$55.0	\$55.0	\$55.0	\$55.0	\$55.0	\$55.0	\$110.0	\$165.0	\$275.0	\$330.0	\$1,375.0
Trade Print Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$500.0	\$500.0
Television Media	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Media	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$72.0
Production, Printing, Collateral	\$0.0	\$0.0	\$24.0	\$0.0	\$0.0	\$24.0	\$0.0	\$24.0	\$0.0	\$24.0	\$0.0	\$21.8	\$117.8
Public Relations	\$8.4	\$8.4	\$8.4	\$8.4	\$8.4	\$10.8	\$8.4	\$8.4	\$8.4	\$8.4	\$10.8	\$8.4	\$105.6
Promotions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Trade Show Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$36.0	\$0.0	\$0.0	\$0.0	\$0.0	\$240.0	\$0.0	\$276.0
Market Research	\$0.0	\$0.0	\$36.0	\$0.0	\$6.0	\$0.0	\$6.0	\$0.0	\$0.0	\$36.0	\$0.0	\$0.0	\$84.0
Co-op/Discount Funds (4% of sales)	\$152.8	\$131.0	\$131.0	\$104.8	\$104.8	\$87.3	\$87.3	\$87.3	\$174.6	\$305.6	\$436.5	\$305.6	\$2,108.3
Retail Displays	\$0.0	\$0.0	\$0.0	\$250.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$250.0
Total Advertising and Promotion	\$279.7	\$257.9	\$290.4	\$454.2	\$210.2	\$249.1	\$192.7	\$210.7	\$329.0	\$575.0	\$998.3	\$1,201.7	\$5,248.7
% Sales	7.3%	7.9%	8.9%	17.3%	8.0%	11.4%	8.8%	9.7%	7.5%	7.5%	9.1%	15.7%	10.0%
SELLING EXPENSES													
Rep Sales Commissions (2.5% of sales)	\$95.5	\$81.8	\$81.8	\$65.5	\$65.5	\$54.6	\$54.6	\$54.6	\$109.1	\$191.0	\$272.8	\$191.0	\$1,317.7
Warranty/Tech Support (1.5% of sales)	\$57.3	\$49.1	\$49.1	\$39.3	\$39.3	\$32.7	\$32.7	\$32.7	\$65.5	\$114.6	\$163.7	\$114.6	\$790.6
Bad Debt Charges	\$19.1	\$16.4	\$16.4	\$13.1	\$13.1	\$10.9	\$10.9	\$10.9	\$21.8	\$38.2	\$54.6	\$38.2	\$263.5
TOTAL EXPENDITURES	\$451.5	\$405.2	\$437.7	\$572.0	\$328.0	\$347.3	\$290.9	\$308.9	\$525.4	\$918.7	\$1,489.4	\$1,545.5	\$7,620.5
% Sales	11.8%	12.4%	13.4%	21.8%	12.5%	15.9%	13.3%	14.2%	12.0%	12.0%	13.6%	20.2%	14.5%

INTELLIGENT BOOK COMPANY

PROJECTED GENERAL & ADMINISTRATIVE EXPENSES (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
FISCAL 1998													
SALARIES													
Marketing	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$8.1	\$8.1	\$8.1	\$8.1	\$32.5
Customer Service/Tech Support	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Research & Development	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.6	\$7.6	\$7.6	\$15.2	\$15.2	\$15.2	\$15.2	\$83.4
General/Administrative	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.6	\$7.6	\$7.6	\$16.3	\$16.3	\$16.3	\$16.3	\$87.8
TRAVEL & ENTERTAINMENT													
Marketing	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$20.0
Customer Service/Tech Support	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Research & Development	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.3	\$1.3	\$1.3	\$2.5	\$2.5	\$2.5	\$2.5	\$13.8
General/Administrative	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$35.0
RESEARCH & DEVELOPMENT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$70.0
CONSULTING SERVICES	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$35.0
RENT & UTILITIES	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$4.0	\$4.0	\$4.0	\$4.0	\$16.0
DISTRIBUTION (1% of sales)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TELEPHONE	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5	\$0.5	\$0.5	\$1.0	\$1.0	\$1.0	\$1.0	\$5.5
POSTAGE & FREIGHT (1% of sales)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL G&A EXPENDITURES	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$36.9	\$36.9	\$36.9	\$72.0	\$72.0	\$72.0	\$72.0	\$398.9
% SALES	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
FISCAL 1999													
SALARIES													
Marketing	\$8.5	\$8.5	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$15.2	\$169.0
Customer Service/Tech Support	\$0.0	\$0.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$270.4
Research & Development	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$15.8	\$20.3	\$20.3	\$20.3	\$20.3	\$20.3	\$20.3	\$216.3
General/Administrative	\$16.9	\$16.9	\$16.9	\$16.9	\$16.9	\$16.9	\$21.4	\$21.4	\$21.4	\$21.4	\$21.4	\$21.4	\$229.8
TRAVEL & ENTERTAINMENT													
Marketing	\$5.2	\$5.2	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$83.2
Customer Service/Tech Support	\$0.0	\$0.0	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$31.2
Research & Development	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$31.2
General/Administrative	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$62.4
RESEARCH & DEVELOPMENT	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$120.0
CONSULTING SERVICES	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$72.0
RENT & UTILITIES	\$6.0	\$6.0	\$6.0	\$6.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$104.0
DISTRIBUTION (1% of sales)	\$0.0	\$0.0	\$0.0	\$19.1	\$9.5	\$4.8	\$4.8	\$4.8	\$9.5	\$19.1	\$28.6	\$23.8	\$123.8
TELEPHONE	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$24.0
POSTAGE & FREIGHT (1% of sales)	\$0.0	\$0.0	\$0.0	\$19.1	\$9.5	\$4.8	\$4.8	\$4.8	\$9.5	\$19.1	\$28.6	\$23.8	\$123.8
TOTAL G&A EXPENDITURES	\$78.1	\$78.1	\$117.1	\$155.2	\$140.2	\$130.6	\$139.7	\$139.7	\$149.2	\$168.2	\$187.3	\$177.8	\$1,661.2
% SALES	#DIV/0!	#DIV/0!	#DIV/0!	8.1%	14.7%	27.4%	29.3%	29.3%	15.7%	8.8%	6.6%	7.5%	13.4%

INTELLIGENT BOOK COMPANY

PROJECTED GENERAL & ADMINISTRATIVE EXPENSES (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
FISCAL 2000													
SALARIES													
Marketing	\$15.8	\$15.8	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$271.8
Customer Service/Tech Support	\$32.2	\$32.2	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$36.3	\$427.7
Research & Development	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1	\$253.1
General/Administrative	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$26.9	\$323.4
TRAVEL & ENTERTAINMENT													
Marketing	\$7.6	\$7.6	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$123.3
Customer Service/Tech Support	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$38.9
Research & Development	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$32.4
General/Administrative	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$5.4	\$64.9
RESEARCH & DEVELOPMENT	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$180.0
CONSULTING SERVICES	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$72.0
RENT & UTILITIES	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$120.0
DISTRIBUTION (1% of sales)	\$18.0	\$13.5	\$13.5	\$10.8	\$10.8	\$9.0	\$9.0	\$9.0	\$39.0	\$42.0	\$66.0	\$51.8	\$292.4
TELEPHONE	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$36.0
POSTAGE & FREIGHT (1% of sales)	\$18.0	\$13.5	\$13.5	\$10.8	\$10.8	\$9.0	\$9.0	\$9.0	\$39.0	\$42.0	\$66.0	\$51.8	\$292.4
TOTAL G&A EXPENDITURES	\$185.0	\$176.0	\$191.6	\$186.2	\$186.2	\$182.6	\$182.6	\$182.6	\$242.6	\$248.6	\$296.6	\$268.1	\$2,528.3
% SALES	10.3%	13.0%	14.2%	17.2%	17.2%	20.3%	20.3%	20.3%	6.2%	5.9%	4.5%	5.2%	8.6%
FISCAL 2001													
SALARIES													
Marketing	\$25.0	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$32.3	\$380.2
Customer Service/Tech Support	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$42.0	\$504.5
Research & Development	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$30.5	\$365.6
General/Administrative	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$32.9	\$394.8
TRAVEL & ENTERTAINMENT													
Marketing	\$11.2	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5	\$159.7
Customer Service/Tech Support	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$40.5
Research & Development	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$50.6
General/Administrative	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$67.5
RESEARCH & DEVELOPMENT	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$300.0
CONSULTING SERVICES	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$90.0
RENT & UTILITIES	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$120.0
DISTRIBUTION (1% of sales)	\$38.2	\$32.7	\$32.7	\$26.2	\$26.2	\$21.8	\$21.8	\$21.8	\$43.7	\$76.4	\$109.1	\$76.4	\$527.1
TELEPHONE	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$36.0
POSTAGE & FREIGHT (1% of sales)	\$38.2	\$32.7	\$32.7	\$26.2	\$26.2	\$21.8	\$21.8	\$21.8	\$43.7	\$76.4	\$109.1	\$76.4	\$527.1
TOTAL G&A EXPENDITURES	\$276.7	\$275.4	\$275.4	\$262.3	\$262.3	\$253.6	\$253.6	\$253.6	\$297.2	\$362.7	\$428.2	\$362.7	\$3,563.6
% SALES	7.2%	8.4%	8.4%	10.0%	10.0%	11.6%	11.6%	11.6%	6.8%	4.7%	3.9%	4.7%	6.8%

INTELLIGENT BOOK COMPANY
CAPITAL EXPENDITURES (000s)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1998 PP&E Expenditures	\$150.0						
Depreciation Rates	20.00%	20.00%	20.00%	20.00%	20.00%		
Depreciation Expense	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$0.0	\$0.0
1999 PP&E Expenditures		\$300.0					
Depreciation Rates		20.00%	20.00%	20.00%	20.00%	20.00%	
Depreciation Expense		\$60.0	\$60.0	\$60.0	\$60.0	\$60.0	\$0.0
2000 PP&E Expenditures			\$300.0				
Depreciation Rates			20.00%	20.00%	20.00%	20.00%	20.00%
Depreciation Expense			\$60.0	\$60.0	\$60.0	\$60.0	\$60.0
2001 PP&E Expenditures				\$400.0			
Depreciation Rates				20.00%	20.00%	20.00%	20.00%
Depreciation Expense				\$60.0	\$60.0	\$60.0	\$60.0
NEW CAPITAL EXPENDITURES	\$150.0	\$300.0	\$300.0	\$400.0	\$0.0	\$0.0	\$0.0
DEPRECIATION	\$30.0	\$90.0	\$150.0	\$210.0	\$210.0	\$180.0	\$120.0
NET PP&E	\$120.0	\$330.0	\$480.0	\$670.0	\$460.0	\$280.0	\$160.0

INTELLIGENT BOOK COMPANY
PROJECTED CASH REQUIREMENTS - 1998 (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
CASH OUTFLOWS													
Production Costs (-90 days)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Royalties & Software	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Advertising, Promotion & Co-op	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0	\$25.0	\$30.0	\$45.0	\$65.0	\$166.0
Sales Commissions (-30 days)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Warranty/Tech Support	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Bad Debt Charges	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
General & Administrative	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$36.9	\$36.9	\$36.9	\$72.0	\$72.0	\$72.0	\$72.0	\$398.9
Capital Expenditures	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$20.0	\$0.0	\$0.0	\$30.0	\$50.0	\$50.0	\$0.0	\$150.0
Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL CASH OUTFLOWS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$57.9	\$36.9	\$36.9	\$127.0	\$152.0	\$167.0	\$137.0	\$714.9
CASH INFLOWS													
Capital Infusions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$150.0	\$0.0	\$0.0	\$600.0	\$0.0	\$0.0	\$0.0	\$750.0
Receipts from Sales (-30 days)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Borrowing/Repayments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Credit Line Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL CASH INFLOWS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$150.0	\$0.0	\$0.0	\$600.0	\$0.0	\$0.0	\$0.0	\$750.0
CASH BALANCES													
Beginning Cash Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$92.1	\$55.5	\$18.7	\$491.8	\$341.4	\$175.5	
Cash Outflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$57.9	\$36.9	\$36.9	\$127.0	\$152.0	\$167.0	\$137.0	
Cash Inflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$150.0	\$0.0	\$0.0	\$600.0	\$0.0	\$0.0	\$0.0	
Net Interest	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$0.3	-\$0.2	-\$0.1	-\$1.6	-\$1.1	-\$0.6	-\$3.9
PERIOD ENDING CASH & EQUIVALENTS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$92.1	\$55.5	\$18.7	\$491.8	\$341.4	\$175.5	\$39.0	

INTELLIGENT BOOK COMPANY
PROJECTED CASH REQUIREMENTS - 1999 (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
CASH OUTFLOWS													
Production Costs (-90 days)	\$1,283.0	\$1,106.5	\$138.3	\$1,068.3	\$1,068.3	\$1,106.5	\$1,183.0	\$1,259.5	\$341.3	\$1,208.3	\$1,070.4	\$1,070.4	\$11,903.6
Royalties & Software	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Advertising, Promotion & Co-op	\$25.0	\$25.0	\$50.0	\$564.3	\$92.2	\$81.6	\$58.6	\$78.6	\$187.2	\$394.3	\$704.5	\$589.4	\$2,850.5
Sales Commissions (-30 days)	\$0.0	\$0.0	\$0.0	\$0.0	\$47.6	\$23.8	\$11.9	\$11.9	\$11.9	\$23.8	\$47.6	\$71.4	\$250.0
Warranty/Tech Support	\$0.0	\$0.0	\$0.0	\$28.6	\$14.3	\$7.1	\$7.1	\$7.1	\$14.3	\$28.6	\$42.9	\$35.7	\$185.7
Bad Debt Charges	\$0.0	\$0.0	\$0.0	\$9.5	\$4.8	\$2.4	\$2.4	\$2.4	\$4.8	\$9.5	\$14.3	\$11.9	\$61.9
General & Administrative	\$78.1	\$78.1	\$117.1	\$155.2	\$140.2	\$130.6	\$139.7	\$139.7	\$149.2	\$168.2	\$187.3	\$177.8	\$1,661.2
Capital Expenditures	\$50.0	\$100.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$100.0	\$0.0	\$50.0	\$0.0	\$0.0	\$300.0
Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL CASH OUTFLOWS	\$1,436.1	\$1,309.6	\$305.4	\$1,825.9	\$1,367.2	\$1,352.1	\$1,402.7	\$1,599.2	\$708.5	\$1,882.7	\$2,066.9	\$1,956.6	\$17,213.0
CASH INFLOWS													
Capital Infusions	\$6,000.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6,000.0
Receipts from Sales (-30 days)	\$0.0	\$0.0	\$0.0	\$0.0	\$1,905.0	\$952.5	\$476.3	\$476.3	\$476.3	\$952.5	\$1,905.0	\$2,857.5	\$10,001.3
Borrowing/Repayments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$850.0	\$250.0	\$900.0	\$200.0	-\$850.0	\$1,350.0
Ending Credit Line Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$850.0	\$1,100.0	\$2,000.0	\$2,200.0	\$1,350.0	\$1,350.0
TOTAL CASH INFLOWS	\$6,000.0	\$0.0	\$0.0	\$0.0	\$1,905.0	\$952.5	\$476.3	\$1,326.3	\$726.3	\$1,852.5	\$2,105.0	\$2,007.5	\$17,351.3
CASH BALANCES													
Beginning Cash Balance	\$39.0	\$4,603.0	\$3,308.7	\$3,014.4	\$1,198.6	\$1,740.3	\$1,346.5	\$424.6	\$153.1	\$165.5	\$128.3	\$153.0	
Cash Outflows	\$1,436.1	\$1,309.6	\$305.4	\$1,825.9	\$1,367.2	\$1,352.1	\$1,402.7	\$1,599.2	\$708.5	\$1,882.7	\$2,066.9	\$1,956.6	
Cash Inflows	\$6,000.0	\$0.0	\$0.0	\$0.0	\$1,905.0	\$952.5	\$476.3	\$1,326.3	\$726.3	\$1,852.5	\$2,105.0	\$2,007.5	
Net Interest	-\$0.1	-\$15.3	-\$11.0	-\$10.0	-\$4.0	-\$5.8	-\$4.5	-\$1.4	\$5.3	\$7.0	\$13.3	\$14.6	-\$12.0
PERIOD ENDING CASH & EQUIVALENTS	\$4,603.0	\$3,308.7	\$3,014.4	\$1,198.6	\$1,740.3	\$1,346.5	\$424.6	\$153.1	\$165.5	\$128.3	\$153.0	\$189.3	

INTELLIGENT BOOK COMPANY
PROJECTED CASH REQUIREMENTS - 2000 (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
CASH OUTFLOWS													
Production Costs (-90 days)	\$1,041.8	\$1,041.8	\$185.6	\$275.6	\$1,112.6	\$2,478.3	\$3,548.7	\$3,692.1	\$3,506.5	\$2,866.7	\$2,638.4	\$2,261.7	\$24,649.7
Royalties & Software	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Advertising, Promotion & Co-op	\$202.0	\$179.5	\$204.5	\$141.0	\$146.0	\$184.0	\$337.0	\$152.0	\$332.0	\$447.0	\$819.0	\$613.9	\$3,757.9
Sales Commissions (-30 days)	\$59.5	\$45.0	\$33.8	\$33.8	\$27.0	\$27.0	\$22.5	\$22.5	\$22.5	\$97.5	\$105.0	\$165.0	\$661.0
Warranty/Tech Support	\$27.0	\$20.3	\$20.3	\$16.2	\$16.2	\$13.5	\$13.5	\$13.5	\$58.5	\$63.0	\$99.0	\$77.6	\$438.5
Bad Debt Charges	\$9.0	\$6.8	\$6.8	\$5.4	\$5.4	\$4.5	\$4.5	\$4.5	\$19.5	\$21.0	\$33.0	\$25.9	\$146.2
General & Administrative	\$185.0	\$176.0	\$191.6	\$186.2	\$186.2	\$182.6	\$182.6	\$182.6	\$242.6	\$248.6	\$296.6	\$268.1	\$2,528.3
Capital Expenditures	\$100.0	\$0.0	\$0.0	\$0.0	\$100.0	\$0.0	\$0.0	\$0.0	\$100.0	\$0.0	\$0.0	\$0.0	\$300.0
Taxes	\$0.0	\$0.0	\$267.3	\$0.0	\$0.0	\$267.3	\$0.0	\$0.0	\$267.3	\$0.0	\$0.0	\$267.3	\$1,069.2
TOTAL CASH OUTFLOWS	\$1,624.3	\$1,469.3	\$909.7	\$658.1	\$1,593.4	\$3,157.1	\$4,108.7	\$4,067.2	\$4,548.9	\$3,743.8	\$3,990.9	\$3,679.5	\$33,550.8
CASH INFLOWS													
Capital Infusions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Receipts from Sales (-30 days)	\$2,381.3	\$1,800.0	\$1,350.0	\$1,350.0	\$1,080.0	\$1,080.0	\$900.0	\$900.0	\$900.0	\$3,900.0	\$4,200.0	\$6,600.0	\$26,441.3
Borrowing/Repayments	-\$750.0	-\$350.0	-\$250.0	\$0.0	\$0.0	\$1,700.0	\$3,200.0	\$3,200.0	\$3,750.0	-\$100.0	-\$100.0	-\$2,850.0	\$7,450.0
Ending Credit Line Balance	\$600.0	\$250.0	\$0.0	\$0.0	\$0.0	\$1,700.0	\$4,900.0	\$8,100.0	\$11,850.0	\$11,750.0	\$11,650.0	\$8,800.0	\$8,800.0
TOTAL CASH INFLOWS	\$1,631.3	\$1,450.0	\$1,100.0	\$1,350.0	\$1,080.0	\$2,780.0	\$4,100.0	\$4,100.0	\$4,650.0	\$3,800.0	\$4,100.0	\$3,750.0	\$33,891.3
CASH BALANCES													
Beginning Cash Balance	\$189.3	\$187.6	\$164.8	\$353.9	\$1,046.9	\$537.1	\$161.7	\$141.8	\$141.4	\$187.4	\$162.7	\$191.6	
Cash Outflows	\$1,624.3	\$1,469.3	\$909.7	\$658.1	\$1,593.4	\$3,157.1	\$4,108.7	\$4,067.2	\$4,548.9	\$3,743.8	\$3,990.9	\$3,679.5	
Cash Inflows	\$1,631.3	\$1,450.0	\$1,100.0	\$1,350.0	\$1,080.0	\$2,780.0	\$4,100.0	\$4,100.0	\$4,650.0	\$3,800.0	\$4,100.0	\$3,750.0	
Net Interest	\$8.7	\$3.5	\$1.2	-\$1.2	-\$3.5	-\$1.8	\$11.1	\$33.2	\$55.2	\$80.8	\$80.2	\$79.5	\$347.0
PERIOD ENDING CASH & EQUIVALENTS	\$187.6	\$164.8	\$353.9	\$1,046.9	\$537.1	\$161.7	\$141.8	\$141.4	\$187.4	\$162.7	\$191.6	\$182.7	

INTELLIGENT BOOK COMPANY
PROJECTED CASH REQUIREMENTS - 2001 (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
CASH OUTFLOWS													
Production Costs (-90 days)	\$1,773.5	\$1,773.5	\$1,684.8	\$1,684.8	\$2,523.6	\$2,924.1	\$4,946.0	\$5,290.2	\$3,936.2	\$3,153.4	\$2,902.2	\$2,487.9	\$35,080.0
Royalties & Software	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Advertising, Promotion & Co-op	\$279.7	\$257.9	\$290.4	\$454.2	\$210.2	\$249.1	\$192.7	\$210.7	\$329.0	\$575.0	\$998.3	\$1,201.7	\$5,248.7
Sales Commissions (-30 days)	\$129.4	\$95.5	\$81.8	\$81.8	\$65.5	\$65.5	\$54.6	\$54.6	\$54.6	\$109.1	\$191.0	\$272.8	\$1,256.1
Warranty/Tech Support	\$57.3	\$49.1	\$49.1	\$39.3	\$39.3	\$32.7	\$32.7	\$32.7	\$65.5	\$114.6	\$163.7	\$114.6	\$790.6
Bad Debt Charges	\$19.1	\$16.4	\$16.4	\$13.1	\$13.1	\$10.9	\$10.9	\$10.9	\$21.8	\$38.2	\$54.6	\$38.2	\$263.5
General & Administrative	\$276.7	\$275.4	\$275.4	\$262.3	\$262.3	\$253.6	\$253.6	\$253.6	\$297.2	\$362.7	\$428.2	\$362.7	\$3,563.6
Capital Expenditures	\$100.0	\$0.0	\$0.0	\$100.0	\$0.0	\$0.0	\$100.0	\$0.0	\$0.0	\$100.0	\$0.0	\$0.0	\$400.0
Taxes	\$0.0	\$0.0	\$710.9	\$0.0	\$0.0	\$710.9	\$0.0	\$0.0	\$710.9	\$0.0	\$0.0	\$710.9	\$2,843.6
TOTAL CASH OUTFLOWS	\$2,635.6	\$2,467.7	\$3,108.8	\$2,635.5	\$3,113.9	\$4,246.8	\$5,590.4	\$5,852.7	\$5,415.1	\$4,452.9	\$4,737.9	\$5,188.8	\$49,446.1
CASH INFLOWS													
Capital Infusions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Receipts from Sales (-30 days)	\$5,175.0	\$3,819.4	\$3,273.8	\$3,273.8	\$2,619.0	\$2,619.0	\$2,182.5	\$2,182.5	\$2,182.5	\$4,365.0	\$7,638.8	\$10,912.5	\$50,243.6
Borrowing/Repayments	-\$2,500.0	-\$1,300.0	-\$100.0	-\$600.0	\$550.0	\$1,650.0	\$3,450.0	\$3,750.0	\$3,350.0	\$200.0	-\$2,800.0	-\$5,600.0	\$50.0
Ending Credit Line Balance	\$6,300.0	\$5,000.0	\$4,900.0	\$4,300.0	\$4,850.0	\$6,500.0	\$9,950.0	\$13,700.0	\$17,050.0	\$17,250.0	\$14,450.0	\$8,850.0	\$8,850.0
TOTAL CASH INFLOWS	\$2,675.0	\$2,519.4	\$3,173.8	\$2,673.8	\$3,169.0	\$4,269.0	\$5,632.5	\$5,932.5	\$5,532.5	\$4,565.0	\$4,838.8	\$5,312.5	\$50,293.6
CASH BALANCES													
Beginning Cash Balance	\$182.7	\$162.2	\$171.1	\$202.3	\$207.5	\$233.8	\$223.4	\$221.5	\$233.7	\$257.6	\$253.3	\$236.5	
Cash Outflows	\$2,635.6	\$2,467.7	\$3,108.8	\$2,635.5	\$3,113.9	\$4,246.8	\$5,590.4	\$5,852.7	\$5,415.1	\$4,452.9	\$4,737.9	\$5,188.8	
Cash Inflows	\$2,675.0	\$2,519.4	\$3,173.8	\$2,673.8	\$3,169.0	\$4,269.0	\$5,632.5	\$5,932.5	\$5,532.5	\$4,565.0	\$4,838.8	\$5,312.5	
Net Interest	\$59.9	\$42.8	\$33.8	\$33.0	\$28.9	\$32.6	\$43.9	\$67.7	\$93.4	\$116.4	\$117.7	\$98.6	\$768.6
PERIOD ENDING CASH & EQUIVALENTS	\$162.2	\$171.1	\$202.3	\$207.5	\$233.8	\$223.4	\$221.5	\$233.7	\$257.6	\$253.3	\$236.5	\$261.6	

INTELLIGENT BOOK COMPANY
PROJECTED INCOME STATEMENTS (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
FISCAL 1998													
SALES REVENUE	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cost of Goods Sold	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Inventory Cost Adjustments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GROSS MARGIN	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
EXPENSES													
Marketing Expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0	\$25.0	\$30.0	\$45.0	\$65.0	\$166.0
General & Administrative	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$36.9	\$36.9	\$36.9	\$72.0	\$72.0	\$72.0	\$72.0	\$398.9
Depreciation & Amortization	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$30.0
TOTAL EXPENSES	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$40.4	\$39.4	\$39.4	\$99.5	\$104.5	\$119.5	\$139.5	\$594.9
INCOME BEFORE INTEREST & TAXES	-\$2.5	-\$2.5	-\$2.5	-\$2.5	-\$2.5	-\$40.4	-\$39.4	-\$39.4	-\$99.5	-\$104.5	-\$119.5	-\$139.5	-\$594.9
% SALES	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Interest Expense (Income)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$0.3	-\$0.2	-\$0.1	-\$1.6	-\$1.1	-\$0.6	-\$3.9
Provision for Income Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
NET INCOME	-\$2.5	-\$2.5	-\$2.5	-\$2.5	-\$2.5	-\$40.4	-\$39.1	-\$39.2	-\$99.5	-\$102.9	-\$118.4	-\$139.0	-\$591.0
% SALES	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FISCAL 1999													
SALES REVENUE	\$0.0	\$0.0	\$0.0	\$1,905.0	\$952.5	\$476.3	\$476.3	\$476.3	\$952.5	\$1,905.0	\$2,857.5	\$2,381.3	\$12,382.5
Cost of Goods Sold	\$0.0	\$0.0	\$0.0	\$1,233.0	\$616.5	\$308.3	\$308.3	\$308.3	\$616.5	\$1,233.0	\$1,849.5	\$1,541.3	\$8,014.5
Inventory Cost Adjustments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GROSS MARGIN	\$0.0	\$0.0	\$0.0	\$672.0	\$336.0	\$168.0	\$168.0	\$168.0	\$336.0	\$672.0	\$1,008.0	\$840.0	\$4,368.0
EXPENSES													
Marketing Expenses	\$25.0	\$25.0	\$50.0	\$650.0	\$135.0	\$103.0	\$80.0	\$100.0	\$230.0	\$480.0	\$833.0	\$696.5	\$3,407.7
General & Administrative	\$78.1	\$78.1	\$117.1	\$155.2	\$140.2	\$130.6	\$139.7	\$139.7	\$149.2	\$168.2	\$187.3	\$177.8	\$1,661.2
Depreciation & Amortization	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$90.0
TOTAL EXPENSES	\$110.6	\$110.6	\$174.6	\$812.7	\$282.7	\$241.2	\$227.2	\$247.2	\$386.7	\$655.8	\$1,027.8	\$881.8	\$5,158.9
INCOME BEFORE INTEREST & TAXES	-\$110.6	-\$110.6	-\$174.6	-\$140.7	\$53.3	-\$73.2	-\$59.2	-\$79.2	-\$50.7	\$16.2	-\$19.8	-\$41.8	-\$790.9
% SALES	#DIV/0!	#DIV/0!	#DIV/0!	-7.4%	5.6%	-15.4%	-12.4%	-16.6%	-5.3%	0.9%	-0.7%	-1.8%	-6.4%
Net Interest Expense (Income)	-\$0.1	-\$15.3	-\$11.0	-\$10.0	-\$4.0	-\$5.8	-\$4.5	-\$1.4	\$5.3	\$7.0	\$13.3	\$14.6	-\$12.0
Provision for Income Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
NET INCOME	-\$110.5	-\$95.3	-\$163.6	-\$130.7	\$57.3	-\$67.4	-\$54.7	-\$77.8	-\$56.0	\$9.2	-\$33.1	-\$56.4	-\$778.9
% SALES	0.0%	0.0%	0.0%	-6.9%	6.0%	-14.1%	-11.5%	-16.3%	-5.9%	0.5%	-1.2%	-2.4%	-6.3%

INTELLIGENT BOOK COMPANY
PROJECTED INCOME STATEMENTS (\$000s)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
FISCAL 2000													
SALES REVENUE	\$1,800.0	\$1,350.0	\$1,350.0	\$1,080.0	\$1,080.0	\$900.0	\$900.0	\$900.0	\$3,900.0	\$4,200.0	\$6,600.0	\$5,175.0	\$29,235.0
Cost of Goods Sold	\$1,163.3	\$872.4	\$872.4	\$698.0	\$698.0	\$581.6	\$581.6	\$581.6	\$2,478.3	\$2,693.2	\$4,223.1	\$3,312.8	\$18,756.2
Inventory Cost Adjustments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$54.0	\$54.0
GROSS MARGIN	\$636.8	\$477.6	\$477.6	\$382.1	\$382.1	\$318.4	\$318.4	\$318.4	\$1,421.8	\$1,506.8	\$2,376.9	\$1,808.3	\$10,424.8
EXPENSES													
Marketing Expenses	\$283.0	\$240.3	\$265.3	\$189.6	\$194.6	\$224.5	\$377.5	\$192.5	\$507.5	\$636.0	\$1,116.0	\$846.8	\$5,073.5
General & Administrative	\$185.0	\$176.0	\$191.6	\$186.2	\$186.2	\$182.6	\$182.6	\$182.6	\$242.6	\$248.6	\$296.6	\$268.1	\$2,528.3
Depreciation & Amortization	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$150.0
TOTAL EXPENSES	\$480.5	\$428.8	\$469.3	\$388.3	\$393.3	\$419.6	\$572.6	\$387.6	\$762.6	\$897.1	\$1,425.1	\$1,127.3	\$7,751.8
INCOME BEFORE INTEREST & TAXES	\$156.2	\$48.8	\$8.3	-\$6.2	-\$11.2	-\$101.2	-\$254.2	-\$69.2	\$659.2	\$609.8	\$951.8	\$680.9	\$2,673.0
% SALES	8.7%	3.6%	0.6%	-0.6%	-1.0%	-11.2%	-28.2%	-7.7%	16.9%	14.5%	14.4%	13.2%	9.1%
Net Interest Expense (Income)	\$8.7	\$3.5	\$1.2	-\$1.2	-\$3.5	-\$1.8	\$11.1	\$33.2	\$55.2	\$80.8	\$80.2	\$79.5	\$347.0
Provision for Income Tax	\$62.5	\$19.5	\$3.3	-\$2.5	-\$4.5	-\$40.5	-\$101.7	-\$27.7	\$263.7	\$243.9	\$380.7	\$272.4	\$1,069.2
NET INCOME	\$85.1	\$25.8	\$3.8	-\$2.5	-\$3.2	-\$58.9	-\$163.7	-\$74.7	\$340.3	\$285.0	\$490.9	\$329.1	\$1,256.8
% SALES	4.7%	1.9%	0.3%	-0.2%	-0.3%	-6.5%	-18.2%	-8.3%	8.7%	6.8%	7.4%	6.4%	4.3%
FISCAL 2001													
SALES REVENUE	\$3,819.4	\$3,273.8	\$3,273.8	\$2,619.0	\$2,619.0	\$2,182.5	\$2,182.5	\$2,182.5	\$4,365.0	\$7,638.8	\$10,912.5	\$7,638.8	\$52,707.4
Cost of Goods Sold	\$2,465.1	\$2,112.9	\$2,112.9	\$1,690.3	\$1,690.3	\$1,408.6	\$1,408.6	\$1,408.6	\$2,817.2	\$4,930.1	\$7,043.1	\$4,930.1	\$34,018.0
Inventory Cost Adjustments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$186.3	\$186.3
GROSS MARGIN	\$1,354.3	\$1,160.8	\$1,160.8	\$928.7	\$928.7	\$773.9	\$773.9	\$773.9	\$1,547.8	\$2,708.6	\$3,869.4	\$2,522.3	\$18,503.1
EXPENSES													
Marketing Expenses	\$451.5	\$405.2	\$437.7	\$572.0	\$328.0	\$347.3	\$290.9	\$308.9	\$525.4	\$918.7	\$1,489.4	\$1,545.5	\$7,620.5
General & Administrative	\$276.7	\$275.4	\$275.4	\$262.3	\$262.3	\$253.6	\$253.6	\$253.6	\$297.2	\$362.7	\$428.2	\$362.7	\$3,563.6
Depreciation & Amortization	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$210.0
TOTAL EXPENSES	\$745.8	\$698.1	\$730.6	\$851.8	\$607.8	\$618.4	\$562.0	\$580.0	\$840.1	\$1,298.9	\$1,935.0	\$1,925.7	\$11,394.1
INCOME BEFORE INTEREST & TAXES	\$608.5	\$462.8	\$430.3	\$76.9	\$320.9	\$155.5	\$211.9	\$193.9	\$707.6	\$1,409.7	\$1,934.4	\$596.7	\$7,109.0
% SALES	15.9%	14.1%	13.1%	2.9%	12.3%	7.1%	9.7%	8.9%	16.2%	18.5%	17.7%	7.8%	13.5%
Net Interest Expense (Income)	\$59.9	\$42.8	\$33.8	\$33.0	\$28.9	\$32.6	\$43.9	\$67.7	\$93.4	\$116.4	\$117.7	\$98.6	\$768.6
Provision for Income Tax	\$243.4	\$185.1	\$172.1	\$30.7	\$128.3	\$62.2	\$84.8	\$77.6	\$283.1	\$563.9	\$773.8	\$238.7	\$2,843.6
NET INCOME	\$305.2	\$234.9	\$224.4	\$13.1	\$163.6	\$60.7	\$83.2	\$48.7	\$331.2	\$729.5	\$1,042.9	\$259.4	\$3,496.8
% SALES	8.0%	7.2%	6.9%	0.5%	6.2%	2.8%	3.8%	2.2%	7.6%	9.5%	9.6%	3.4%	6.6%