

Mikennico



MIKENNICO INC BUSINESS PLAN OUTLINE

Version 1.10

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I. Executive Summary

The following section comprises the Executive Summary portion of the Overall Business Plan. For further details, review relevant sections later in the plan.

This document is intended to be a living document to insure visibility and alignment of business goals.

I Executive Summary: The Opportunity

Today's kids are more tech savvy than ever before, with gameplay evolving from the real physical world into the virtual world, causing companies to adopt business models that complement their real products with virtual counterparts via the Web & Mobile Apps.

Mikennico has identified a fantastic opportunity and has taken the next step, creating the next generation of gameplay by combining the virtual and real worlds and enabling kids to take their virtual fantasy characters into the real world with them in **collectable pocket sized electronic gaming devices**. Each gaming device is loaded with tech, complete with color display and multiple wireless battle options between devices for hours of fun, and we've been able to keep costs low enough to enable multiple purchases as kids strive to collect each fantasy character.

In essence, we're creating a new market segment... **Digital Gaming Collectables**.

A recipe for a great opportunity: Combine the solidity of the Toy Market; the high growth of the Virtual Gaming market; the explosive possibility of a Digital Gaming Collectable; a next-gen product that the market craves; all created and developed by a veteran team.

II Executive Summary: The Solution

Demonites™

Demonites World is a new and unique **battle-based gaming platform** based on cute and mischievous virtual fantasy characters called **Demonites**, where gameplay spans both the virtual and real worlds, with both online and offline gameplay.



Gaming Collectable: Battery powered and pocket sized, with an active color display, interactive motion sense technology, wireless communication, sound, and comprehensive battle capabilities, each collectable gaming device comes with a single customizable Demonite fantasy character.

Online & Offline Play: Kids interact with and battle their Demonites against each other in the real world, and upload their battle stats and status to their own personal page on the Demonite Web site where they can track battle records, showcase their Demonites collection, and even join in world-wide battles over the internet using their own characters. Character appearance and battle capabilities can be customized by purchasing online accessories/items in microtransactions, which get downloaded to the actual gaming device for continuously evolving gameplay and character appearance!

Battle-mode is where *Demonites* really shine. Each Demonite character has unique strengths, weaknesses, and battle characteristics. Simply physically place any number of gaming devices in position

alongside each other like gamepieces on a boardgame, and once you initiate the battle, watch them battle it out as the *Demonites* attack, shield, and take damage from their opponents all by themselves. Add another *Demonite* stone for a 3-way battle! Or a 4-way! Add 100 more and have a massive playground battle. Watch the battle propagate through the battlefield until only the final victor remains. Team mode allows you link your *Demonites* into your own personal army. Create battle formations by strategically placing different types of your *Demonites* on the battlefield and watch them support each other in battle against your opponents. Simple battle or complex strategy, solo or multi-team play. You can even create a battle formation on your desk and battle your friends formation over the internet!

III Executive Summary: Competition

Primary competition is from the big toy manufacturers such as Hasbor and Jakks Pacific. While we hold IP protection, time to market and constant brand awareness, visibility, and the constant micro releases of new characters, customizations, and upgrades, along with the product pipeline releases supporting the platform infrastructure is the key to reducing competition affects on business.

IV Executive Summary: Our Advantages

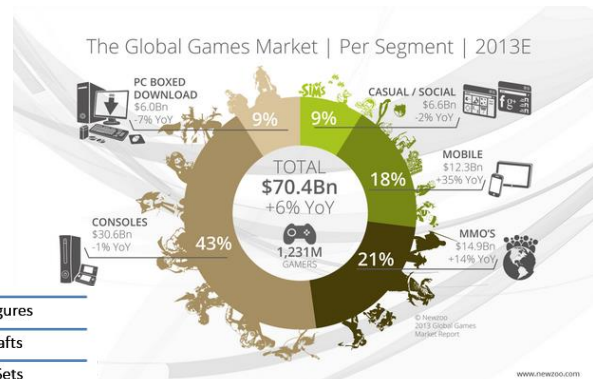
- ✓ **Absolutely Unique:** the only *interactive electronic fantasy character collectable* in the market, combining the virtual world with the real world.
- ✓ **IP Protection:** Patents Pending and Trademark protection on game design and gameplay.
- ✓ **Large Market Sector & Market Span:** High volume sales of a collectable in a high market sector. Mischievous fantasy characters bring in both boy and girl users of all ages. Strategic battle draws in teenagers, young adults, and even gaming hobbyists.
- ✓ **Addresses Untouched Market Demand:** Kids want them....parents want to give them! Offline gameplay focus enables kids to get away from the solitary play on their computers and mobile devices, and play once again with siblings, friends, and family.
- ✓ **Unique Character Customization:** Customize your character online, and download those actual customizations to your hand held battle device, allowing continually evolving play! Kids will customize their characters and rush to show their friends their latest creations.
- ✓ **Unique Multi-faceted Gameplay:** Play online with games, customize your characters, and live internet battles. Play offline battling friends & family, inside or outside, with additional mini-games in each device.
- ✓ **Comprehensive Multi-Device Battle:** Simple and strategic battle play .Solo, Team, and Army modes allow friends to team up and play each other. Specific characters

Battling one friend = fun. Battling three == Intense fun!!

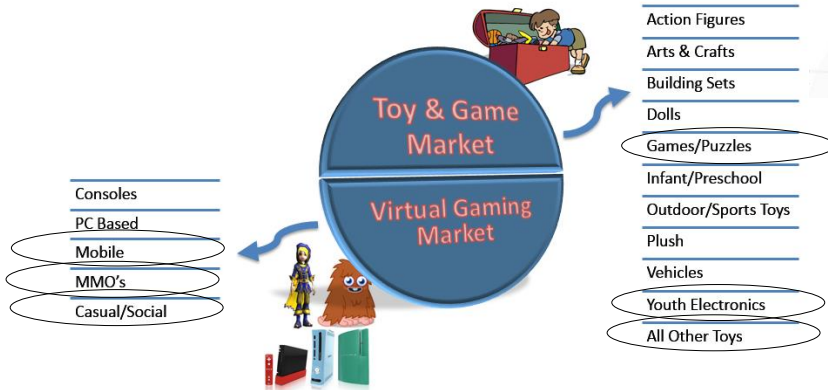
Battling >100?.....you just made YouTube top 10!

V Executive Summary: The Market

➤ **Global Gaming Market is ~\$70 Billion**



➤ **Worldwide Toy Market is \$84 Billion.**

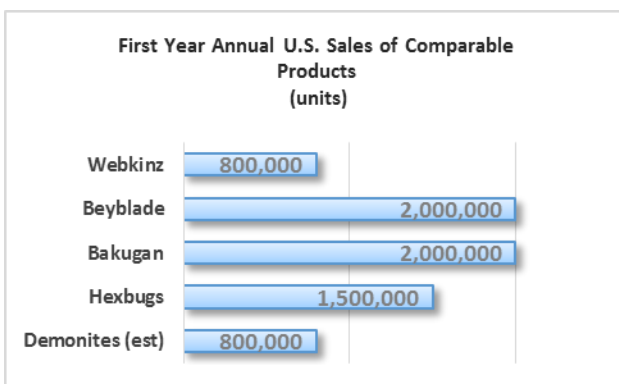


Total Toy & Gaming Market: ~\$150 Billion..... Actual Market Sectors: ~\$45 Billion

VI Executive Summary: Projected Sales/Revenue

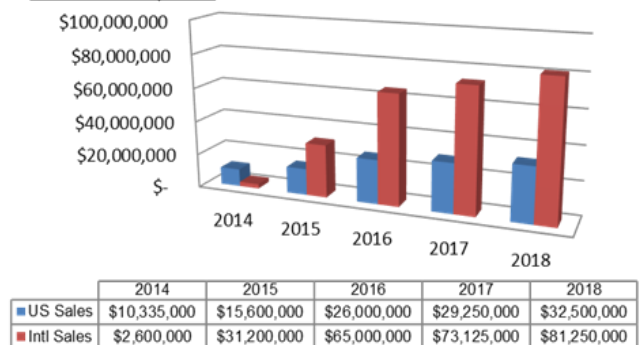
Our current business plan for the *Demonite* platform has a full product pipeline, with multiple separate revenue streams including product sales, Web revenues, and phone/tablet Apps.

Sales of comparable collectable products nominally exceeded 1M units in their first year in US sales alone....and *Demonites* specifications outshine them all.



First Year Sales Comparison

DemonStones 5yr Sales



Sales Revenues on initial product

Full company financial projections result in the company reaching total sales revenues of over \$120 Million by 2017.

VII Executive Summary: Funding Required

We are looking for funding to launch our first product in the platform through development and into the market, accompanied with the release of the supporting Web presence.

Milestones	Team #	Burn Rate	Capitol Equip	Funding Required*	Rolling Total
Development Prototype	8	\$70k/mo	\$43k	\$336k	\$337K
Initial Production	19	\$148k/mo	\$115k	\$1,067k	\$1,404K
Order fulfillment	20	\$150k/mo	\$5K	\$712k	\$2,116K
Projected Profitability	20	\$159k/mo	\$50k	\$839k	\$2,955K

SUMMARY: \$1.4M to Production / \$3.0M to Profitability

Enables Mikennico to:

- ✓ Complete development of the Demonite gaming device and supporting web presence,
- ✓ Production launch Q1-2014, Present at the New York Toy Trade Fair,
- ✓ Revise projected sales, company valuation based on actual orders,

Subsequent Funding Rounds: a series B funding round is expected:

- To sustain the company to profitability milestone based on projected sales
- Develop domestic and international sales channels & expand marketing program
- Launch follow on development projects

VIII Executive Summary: Exit Strategy

The current exit strategy is to have a liquidation event when brand recognition is strong and future revenues are looking positive. A liquidation event may be by either Sale or IPO. If by sale, the company may sell off partial IP and product lines, to continue with other products in the product pipeline.

It is highly likely that the company will be courted prior to then, as the IP would greatly benefit the major manufacturers such as Hasbor and/or Jakks Pacific.

IX Executive Summary: The Team

To insure success of the company, CEO/Founder Ken Dilbeck has handpicked the founding team members from his 'Dream Team' list, compiled over his 15 years of managing multimillion dollar programs and departments in the tech industry. Together they have combined to successfully bring a multitude of products to market. He has also enlisted multiple mentors that he has worked with in developing their own companies, and who have successfully started a combined seven separate startups.

Mikennico Detailed Business Plan

Following are sections in more detail than as defined in the preceding Executive Summary sections.

II. Products

Demonites World

Demonites World is a new and unique **battle-based gaming platform** based on cute and mischievous virtual fantasy characters called *Demonites*, where gameplay spans both the virtual and real world. Each Demonite character comes in a **collectable** pocket sized electronic gaming device complete with color display, touch/motion interaction, sound, and wireless battle features.

The platform consists of both hardware (interactive digital gaming collectable devices), and software (Demonites Web Macro-World).



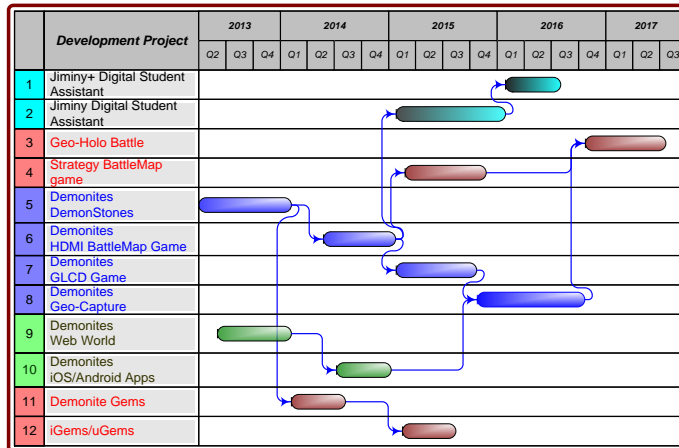
III. Core Product

Demonite Gaming Collectable: Battery powered and pocket sized, with an active color display, interactive motion sense technology, wireless communication, sound, and comprehensive battle capabilities, each collectable gaming device comes with a single customizable Demonite fantasy character.

Online & Offline Play: Kids interact with and battle their Demonites against each other in the real world, and upload their battle stats and status to their own personal page on the Demonite Web site where they can track battle records, showcase their Demonites collection, and even join in world-wide battles over the internet using their own characters. Character appearance and battle capabilities can be customized by purchasing online accessories/items in microtransactions, which get downloaded to the actual gaming device for continuously evolving gameplay and character appearance!

Battle-mode: Each Demonite character has unique strengths, weaknesses, and battle characteristics. Simply physically place any number of gaming devices in position alongside each other like gamepieces on a boardgame, and once you initiate the battle, watch them battle it out as the *Demonites* attack, shield, and take damage from their opponents all by themselves. Add another *Demonite* stone for a 3-way battle! Or a 4-way! Add 100 more and have a massive playground battle. Watch the battle propagate through the battlefield until only the final victor remains. Team mode allows you link your Demonites into your own personal army. Create battle formations by strategically placing different types of your Demonites on the battlefield and watch them support each other in battle against your opponents. Simple battle or complex strategy, solo or multi-team play. You can even create a battle formation on your desk and battle your friends formation over the internet!

IV. Product Pipeline



- Demonites HDMI BattleMap**

The Demonites HDMI BattleMap uses the Demonite gaming devices on a landscape pictured map that has an electronic X-Y grid integrated into it, enabling the BattleMap to communicate and know the identity and location of any Demonites placed on it. Battle characteristics and outcomes are then biased based on the type of landscape the individual Demonites are sitting on. Upon battle, an actual battle video of the combatants are output to any HDMI device such as a tv for complete family fun. *Maintains Demonite market fever, increasing sales of Demonite gaming devices. Constant revenue stream of different BattleMaps, Battle videos, and increased Demonite sales.*

- Demonites GLCD Gaming Device**

An enhanced version of the Demonstone that incorporates touchscreen and battle over air

- Demonites Geo-Capture**

A combination Web/Device product. A Demonite capture device that has integrated GPS, Display, touch interface, and sound. Upon syncing the Geo-Capture device with the Demonite Web site, wild Demonites are randomly virtually located in the gamers area and downloaded to the Geo-Capture device. The gamer then uses the GPS capabilities of the Demonite Geo-Capture device to find and capture the wild Demonite. Also available in iOS/Android versions with limited capability. *Maintains Demonite market fever. Revenue stream of Demonite Geo-Capture devices, empty Demonite stones, online fees, microtransactions.*

- iGems**

Small acrylic gems/jewelry in necklaces, bracelets, etc, consisting of a micro battery, motion sense, and led that backlights both Demonite characters as well as custom figures. Revenue stream

- Jiminy DSA (Digital Student Assistant)**

A small <4" square device with lcd display for assisting kids with capturing and recording their homework assignments. Device can capture homework assignments via text input, voice to text, camera, as well as downloading from the existing school database software.

V. Initial Product Development

- ✓ Product feasibility began in early 2011, completing in late 2012 with the completion of the development prototype.
- ✓ Product Development began in early 2013 as the product requirements and specifications were finalized, and the development team was enlarged, bringing in a known development team members, all with equity in the company.
- Sales & Demo prototype due in September 2013
- Final Prototype due in Dec 2013
- Pilot Prototype due Jan-2014

VI. Manufacturing

Overall view:

Final manufacturing location is targeted for overseas, most likely Singapore, Malaysia, or China as we have existing relations with high-volume manufacturing in those areas, and quality and IP protection is good.

Pilot and early introduction manufacturing will likely occur in the States, to keep introduction to manufacturing costs down and facilitate quick issue resolution. The optimum solution is to select a manufacturing partner that has both US and overseas facilities.

{ The preferred manufacturing location is Singapore, with its more stringent IP protection and low cost. The Company also has preferred contacts within a specific manufacturing company that is experienced with high volume manufacturing and has locations in Singapore, Malaysia, Indonesia, and China. }

A manufacturer will be selected relatively early in the development process based on the following criteria.

- Early Build Flexibility
- Quick Ramp up capability
- Setup costs
- Manufacturing costs
- Full/Turnkey Service
- Logistics Capability
- Sector knowledge/capability
- IP protection

Materials for the unit production will be purchased/supplied by the selected turn-key manufacturing partner, based on Mikennico design specifications.

Manufacturing will occur in three stages:

Stage One: Pilot & Early Life manufacturing < 5000 units

Stage Two: Mid-High ramp up volume < 1M units a year

Stage Three: Sustaining high volume > 1M units a year

VII. Product Sales Plan

Sales revenue for the company will come from multiple sources:

- | | | |
|---|---|--|
| <ul style="list-style-type: none">➤ Product sales➤ Accessory sales➤ Web site membership fees➤ Web store sales➤ Mobile OS sales (Android/iOS) | } | <ul style="list-style-type: none">✓ <i>Specialized Distributors</i>✓ <i>Small Specialty Retail Stores</i>✓ <i>Large Retail Stores</i>✓ <i>Warehouse Stores</i>✓ <i>Online Retailers</i>✓ <i>Web Sales</i> |
|---|---|--|

To get quick market penetration and obtain sales traction at a minimal cost, *Online Retailers*, *Specialized Distributors*, and *Web sales* will be focused on early, paving the way for entrance into the larger retail stores, showing that the product has some traction in the market.

Specialized Distributors

Using Distributors is a quick way to get our product into multiple retail stores, but has the inherent disadvantage of increased cost and exclusivity.

Due to the expectation of significant demand and growth, it is highly discouraged to enter into any kind of exclusivity agreement with any distributor without very careful consideration.

Small Specialty Retail Stores

Distributors, Trade Shows, Mall Kiosks, and footwork get our product into the specialty retail stores. While this retail avenue is not our long term solution, it is an attainable goal that is needed to not only get product on retail shelves, thus pulling in revenue, but assist in compiling sales numbers and obtaining traction in the market. The specialty stores are not only a long term retail sales avenue, but our path into the larger retail and warehouse stores.

We currently have preferred contacts with a nationwide specialty store.

Large Retail and Warehouse stores

Stores such as Walmart, Target, Toys R Us, and Costco are the bread and butter, and is our final target, but we may need to show existing sales, capability of delivering high volume early on, and large marketing budgets to get on the shelves of these retailers. That may not be possible immediately, and this business plan takes this fact into consideration.

Online Retailers

Online presence such as Amazon.com and similar online stores.

VIII. Distribution Plan

Initial distribution and logistics shall be with our selected manufacturing partner. As volume increases and business builds, separate logistics capabilities will be reviewed.

IX. After Sales Support Plan

A product hotline will be setup and the selected manufacturing partner will have RMA capabilities.

X. XI. Risks and Mitigation Strategies

Due to size and format, the product Risk Management is documented in another document/file. It is relevant to note here that there are no high risk items (after risk mitigation efforts) in the technical aspects of the product, with the most critical risk being standard cost/price point. It is also important to note that having demo prototypes available for Fall Retail meetings and the 2014 NY Toy Fair are critical, and thus are high level risk milestones.

XI. XII. Pro-Forma Financial Statements

Snapshot of Pro-Forma financial spreadsheets. Complete financial spreadsheets are located in a separate document/file.

BURN RATE:	DEVELOPMENT	PRE-PRODUCTION	PROFITABLE
	Personnel Count: \$ 7	Personnel Count: 19	Personnel Count: \$ 20
	Facilities \$ 13,000	Facilities \$ 13,000	Facilities \$ 13,000
	Payroll \$ 43,979	Payroll \$113,313	Payroll \$ 120,313
	Loaded Payroll \$ 49,094	Loaded Payroll \$129,581	Loaded Payroll \$ 137,516
	Contract \$ 7,200	Contract \$7,200	Contract \$ 8,200
	Monthly Burn Rate \$ 69,294	Monthly Burn Rate \$149,781	Monthly Burn Rate \$ 158,716
	Round Up \$ 70,000	Round Up \$150,000	Round Up \$159,000
	Weekly Burn Rate \$ 16,129	Weekly Burn Rate \$34,562	Weekly Burn Rate \$36,636

5YR FINANCIALS

5 YR QUARTERLY FINANCIALS														
	Q2/2013	Q3/2013	Q4/2013	Q1/2014	Q2/2014	Q3/2014	Q4/2014	Q1/2015	Q2/2015	Q3/2015	Q4/2015	2016	2017	2018
US Unit Sales				15,000	85,000	160,000	255,000	185,000	210,000	270,000	540,000	2,000,000	2,250,000	2,500,000
Intl Unit Sales				-	-	-	200,000	240,000	480,000	480,000	1,200,000	5,000,000	5,625,000	6,250,000
US Toy Revenue				\$ 224,770	\$ 1,273,697	\$ 2,397,547	\$ 3,821,090	\$ 2,772,163	\$ 3,146,780	\$ 4,045,860	\$ 8,091,720	\$ 29,969,333	\$ 33,715,500	\$ 37,461,667
Intl Toy Revenue				\$ -	\$ -	\$ -	\$ 2,996,933	\$ 3,596,320	\$ 7,192,640	\$ 7,192,640	\$ 17,981,600	\$ 74,923,333	\$ 84,288,750	\$ 93,654,167
Web Revenue				\$ 3,000	\$ 17,000	\$ 32,000	\$ 91,000	\$ 85,000	\$ 138,000	\$ 150,000	\$ 348,000	\$ 1,400,000	\$ 1,575,000	\$ 1,750,000
Cost of Goods				\$ 8,000	\$ 162,480	\$ 784,720	\$ 1,477,120	\$ 5,126,333	\$ 4,788,333	\$ 7,774,000	\$ 8,450,000	\$ 19,604,000	\$ 78,866,667	\$ 88,725,000
Capitol Expenses		\$ 93,500	\$ 60,000	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Burn Rate/OH		\$ 290,000	\$ 450,000	\$ 459,000	\$ 477,000	\$ 477,000	\$ 723,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
Marketing		\$ -	\$ 10,000	\$ 90,000	\$ 150,000	\$ 150,000	\$ 250,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Net		\$ (383,500)	\$ (528,000)	\$ (483,710)	\$ (171,023)	\$ 325,427	\$ 809,690	\$ 815,150	\$ 1,853,420	\$ 2,088,500	\$ 5,967,320	\$ 26,576,000	\$ 30,004,250	\$ 33,432,500
							\$ 10,857,037				\$ 54,740,723			

5YR SALES FIGURES

	Q1/2014	Q2/2014	Q3/2014	Q4/2014	Q1/2015	Q2/2015	Q3/2015	Q4/2015	2016	2017	2018
STONES											
US Unit Sales	15,000	85,000	160,000	255,000	185,000	210,000	270,000	540,000	2,000,000	2,250,000	2,500,000
INTL Unit Sales	-	-	-	200,000	240,000	480,000	480,000	1,200,000	5,000,000	5,625,000	6,250,000
Toy Revenue	\$ 224,770	\$ 1,273,697	\$ 2,397,547	\$ 6,818,023	\$ 6,368,483	\$ 10,339,420	\$ 11,238,500	\$ 26,073,320	\$ 104,892,667	\$ 118,004,250	\$ 131,115,833
BattleMap											
US Unit Sales	-	-	-	1,000	1,000	2,000	2,000	5,000	50,000	100,000	100,000
INTL Unit Sales	-	-	-	3,000	500	1,000	1,000	2,500	150,000	300,000	300,000
Toy Revenue	\$ -	\$ -	\$ -	\$ 80,000	\$ 30,000	\$ 60,000	\$ 60,000	\$ 150,000	\$ 4,000,000	\$ 8,000,000	\$ 8,000,000
GLCD											
US Unit Sales	-	-	-	-	-	-	5,000	20,000	200,000	300,000	400,000
INTL Unit Sales	-	-	-	-	-	-	-	-	300,000	900,000	1,200,000
Toy Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,000	\$ 340,000	\$ 8,500,000	\$ 20,400,000	\$ 27,200,000
WEB/APP											
US Unit Sales	1,500	8,500	16,000	25,500	18,500	21,000	27,000	54,000	200,000	225,000	250,000
INTL Unit Sales	-	-	-	20,000	24,000	48,000	48,000	120,000	500,000	562,500	625,000
Web Revenue	\$ 3,000	\$ 17,000	\$ 32,000	\$ 91,000	\$ 85,000	\$ 138,000	\$ 150,000	\$ 348,000	\$ 1,400,000	\$ 1,575,000	\$ 1,750,000
GEO											
US Unit Sales	-	-	-	-	-	-	-	-	200,000	200,000	400,000
INTL Unit Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,000	\$ 600,000	\$ 800,000
Toy Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,000,000	\$ 16,000,000	\$ 24,000,000
	\$ 227,770	\$ 1,290,697	\$ 2,429,547	\$ 6,989,023	\$ 6,483,483	\$ 10,537,420	\$ 11,533,500	\$ 26,911,320	\$ 134,792,667	\$ 163,979,250	\$ 192,065,833
				\$ 10,937,037				\$ 55,465,723	\$ 134,792,667	\$ 163,979,250	\$ 192,065,833