MEMORANDUM

From: Jack Horner. VP Product Development LegacyCo

To: LegacyCo ExCom

Subject: Proposed Projects

You requested a listing of product development projects under two scenarios:

- Projects needed for direct competition with Pear
- Projects needed to attack the D-AR category.

COMPETING WITH PEAR

- Buffalo: Design
- Antelope: Keyboard
- Gibbon: Interface

As you will see the amounts are substantial: Pear has a long lead on us. To be blunt, I do not believe we can make the necessary advances before other consumer companies pile in behind Pear. I would expect a frenzy of product advances that will leave us even further behind.

ATTACKING D-AR

In the D-AR offering, we have learned from the Pear experience and focused on the design aspects of the consumer headset. Our experience with Pear has made us realize that in the consumer market design and look and feel are critical. The fact is that even though our prior offerings were in both markets our cultural 'heart' was in B2B. In B2B utility outweighs looks!

In view of the above, I have been reshaping the development team and retraining them toward a consumer viewpoint. This is not easy, so I have hired a design consultancy to audit our offerings.
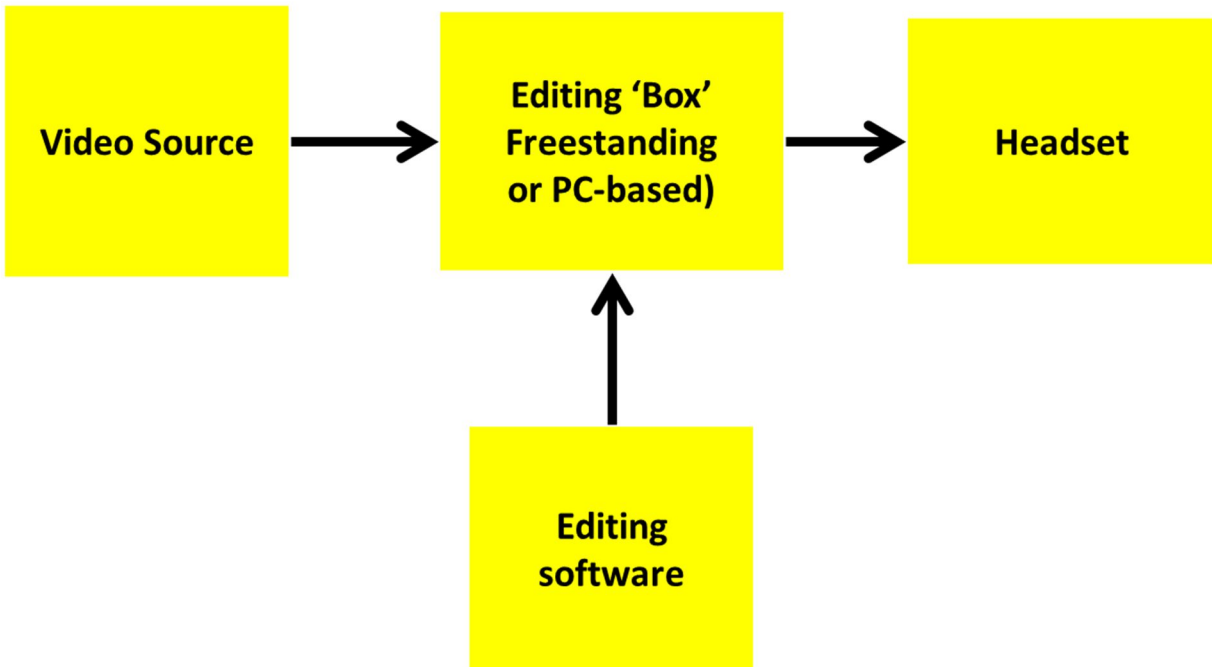
In D-AR development, we anticipate little investment in fundamental technology as the bulk is integration of suppliers. However, our real need is developing a Developer Community of firms willing to provide extra functionality and that want to use our offering as a platform for other applications.

The proposed D-AR projects are:

- Vixen: Design competence development
- Polecat: Integration with all Hardware
- Leopard: Headset Adult
- Aardvark: Creativity Software Current Version
- Crow: Base Editing Software Next Versions
- Raven: Video Source Integration

Attached is the proposed project list and budget for Product Development plus a graphic on the new offering for those that missed the presentation.

Product Structure

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│                 │     │  Editing 'Box'  │     │                 │
│  Video Source   │ ──► │  Freestanding   │ ──► │     Headset     │
│                 │     │  or PC-based)   │     │                 │
└─────────────────┘     └─────────────────┘     └─────────────────┘
                                 ▲
                                 │
                        ┌─────────────────┐
                        │    Editing      │
                        │    software     │
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- The video source can be any video camera or video payer; any of the emerging 'smart devices'. We do not supply the camera
- The Editing hardware can be a PC. Discussions are in place for a specialist box, but this has been resisted because it simply adds to domestic clutter. Regardless, we would not develop or market the box.
- The headset. We developed the headset in conjunction with our supply/co-development partner. We brought the NewCo experiences and they brought the manufacturability and aesthetics experience. Given the Pear experience we will be continuing to invest in aesthetics. Our partner is responsible for production scaling.
- The Editing Software. This is our contribution. As software it can be distributed across the internet. Scaling this up is easy. The software was developed on Amazon and has been moved to delivery mode. The capacity is variable and well beyond our conceivable needs. The software has been developed as all-platform.

Period 5: LegacyCo: PRODUCT DEVELOPMENT LIST AND COSTS

Working Project Name	Strategic Logic	Market	Risl of Mkt Failure	Risk of Dev. Failure	Cost to Product Development Budget				Headcount
					Period 5 Current	Period 6	Period 7	Period 8	Required
					These costs are charged to Prod Devel budget in the period, if the project is NOT cancelled				
Projects to catch up with Pear in Legacy markets									
Buffalo	NC	B2C/B2B	High	Low	$10,000,000	$12,000,000			12
Antelope	NC	B2C/B2B	High	Medium	$12,000,000	$6,000,000	$3,000,000		10
Gibbon	NC	B2C/B2B	High	Medium	$15,000,000	$12,000,000	$10,000,000		15
Rabbit	NF	B2B/B2C	High	Medium	$4,000,000	$4,000,000	$4,000,000	$4,000,000	3
Total					$41,000,000	$34,000,000	$17,000,000	$4,000,000	40
Projects to drive Domestic Augmented Reality									
					5 Current	6	7	8	
Projects			Risl of Mkt Failure	Risk of Dev. Failure	These costs are charged to Prod Devel budget in the period, if the project is NOT cancelled				
Vixen	NF	D-AR	High	High	$3,000,000	$2,000,000			3
Polecat	NF	D-AR	Low	Medium	$7,000,000	$1,000,000	$500,000		2
Leopard	NF	D-AR	Low	Medium	$2,000,000	$2,000,000			2
Aardvark	NF	D-AR	Medium	Medium	$2,000,000	$500,000			1
Crow	NF	D-AR	Medium	High	$12,000,000	$4,000,000	$1,000,000	$1,000,000	3
Raven	NF	D-AR	Low	Low	$2,000,000	$2,000,000	$2,000,000	$2,000,000	1
Eagle	NF				$4,000,000	$4,000,000	$4,000,000	$4,000,000	
Total					$32,000,000	$15,500,000	$7,500,000	$7,000,000	12
Platypus	IS			Minimal	$4,000,000	$4,000,000	$4,000,000	$4,000,000	
					77,000,000	53,500,000	28,500,000	15,000,000	52

Key: NC=Neutralize Competition; NF=New Functionality; M=Maintenance; B=Potential Blockbuster; IS=Innovation Stimulation