

Protected Data Systems

Managed Secured Services

Business Plan

1.0 Executive Summary

The exchange of information and ideas is the lifeblood of any organization. Anything that interrupts or contaminates that flow threatens an organization's survivability.

Protected Data Systems, LLC (PDS) is a managed security service consulting firm. PDS provides comprehensive end-to-end security solutions for the small to medium sized service industries. PDS is targeting such markets as, financial institutions, healthcare practices and enterprise.

Service industries are undergoing tremendous growth in their presence on the Internet. The personal computer has become a common household item, bringing the information highway to any home that wants it. Through the Internet, consumers are no longer geographically constrained. Thanks to e-Commerce, the size of a company is no longer a barrier to small companies competing side by side with mega-corporations. The Internet is the great equalizer of the emerging service industry.

As companies open their networks and reach out to consumers over the Internet, the more exposed they become to potential security risks. Security incidents have more than doubled annually over the past four years. Companies of all sizes must now employ specialized information technology (IT) staff, such as network specialists, desktop security specialists, network security specialists and web developers to protect themselves as well as their customers. Although the cost of recruiting, hiring, training and retaining employees can be prohibitively expensive, if companies do not address network security, their biggest risk becomes the potential for damage.

A common belief is that security incidents are the problem of big businesses. In fact nothing could be further from truth. Small to medium business reported over 40% of all security incidents. For many small and medium businesses, deploying a comprehensive managed security solution is a concern.

1.1 Objectives

Protected Data Systems' operating model is designed on what we have defined as the core tenets of managed security. These tenets frame our suite of managed security offerings:

1. Security Management
2. Identity
3. Perimeter Security
4. Security Monitoring
5. Secure Communications

The initial management team depends on the founders themselves, with little back-up. As we grow, we will take on additional consulting help, technical support, sales, and marketing. By executing to plan we anticipate steady sustainable growth for the first year that we can leverage going forward. Our key financial goals are:

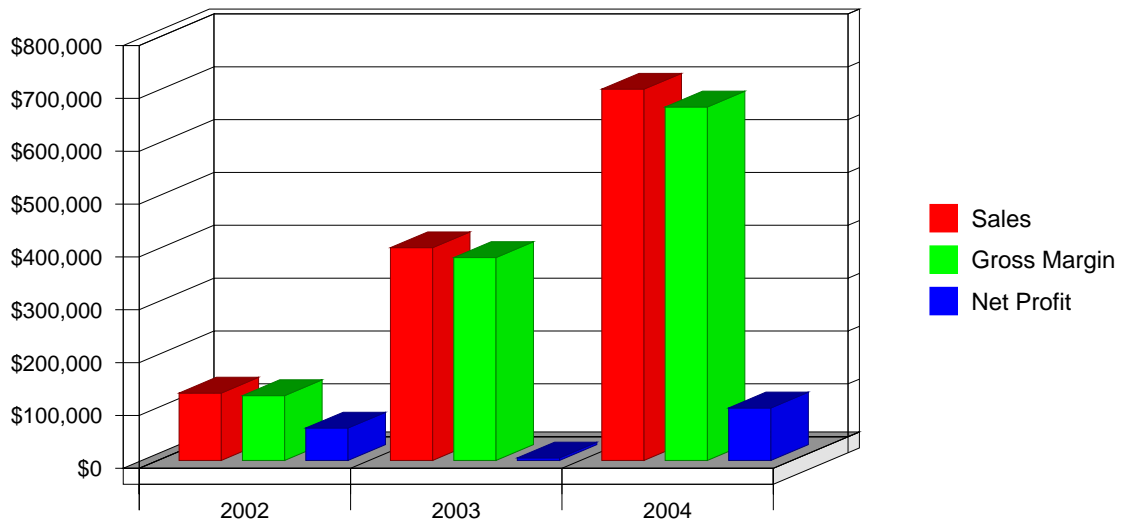
- 1.Sales of more than \$200K in 2002, more than doubling by 2003
- 2.Gross margins higher than 75%
- 3.Cost of sales less than 7%

1.2 Mission

At Protected Data Systems (PDS), we take a holistic approach to managed security solutions. We are technology independent and hardware/software agnostic. We will work with any software and hardware configuration of your choice. Providing a suite of network consulting, network integration, and managed network services, targeted to your company's specific security needs and business requirements.

A focus on managed secure service offerings, will make security accessible to thousands of small and medium businesses who would otherwise not have the knowledge or access to use them.

Highlights (Planned)



2.0 Company Summary

Protected Data Systems, LLC (PDS) is located in Dallas Texas at the following address: 14001 Dallas Parkway Suite 850, Dallas, TX 75240. PDS web site is located at, <http://www.protecteddatasystems.com>.

Protected Data Systems is a privately held and self financed LLC. Founded in February of 2002. PDS provides high-level managed secure services, network design/consulting and security planning and strategies. PDS will focus initially on three major service markets:

- Financial Service sector
- Healthcare Service sector
- Small and Medium enterprise business

As PDS grows, it will take on personal and managed network consulting work in related markets, such as larger enterprise businesses, tier two financial and healthcare providers and hosted secure services.

2.1 Company Ownership

PDS has been created as a Texas LLC corporation in Dallas County, owned by its four principal members:

- x – President and Secretary
- x – Chief Technology Officer
- x – Chief Executive Officer and Treasurer
- x - Chief Marketing Officer

As of this writing, PDS has yet to file as a sub-S corporation. All owners are actively engaged in all aspects of growing, evolving and expanding the business.

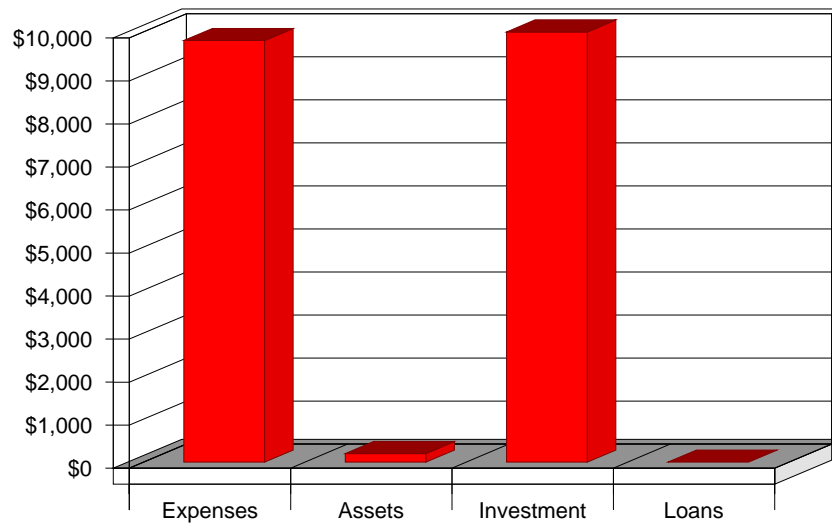
2.2 Start-up Summary

Total start-up expense (including legal costs, co-location facilities, network hardware, logo/web design, stationery and related expenses) come to \$9,800. Start-up will be financed by direct owner investment. Start-up assets include \$20,000 (long-term assets) of 'pre-existing' network equipment and \$10,000 in initial cash to handle the first few months of consulting operations as sales and accounts receivable play through the cash flow. The details are included in the following table and chart.

Table: Start-up

Start-up	
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Requirements	
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Start-up Expenses	
Legal	\$2,000
Accountant	\$200
Co-location Facility	\$1,900
Utilities/Deposits	\$4,000
Stationery, brochures, etc.	\$500
Insurance - Liability	\$300
Insurance - Life	\$200
Rent	\$0
Telephony	\$200
Expensed Equipment	\$0
Other (Web site)	\$500
Total Start-up Expense	\$9,800
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Start-up Assets Needed	
Cash Balance on Starting Date	\$200
Other Short-term Assets	\$0
Total Short-term Assets	\$200
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Long-term Assets	\$0
Total Assets	\$200
Total Requirements	\$10,000
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Funding	
<hr/>	
Investment	
Principal Owners	\$10,000
Investor 2	\$0
Other	\$0
Total Investment	\$10,000
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Short-term Liabilities	
Accounts Payable	\$0
Current Borrowing	\$0
Other Short-term Liabilities	\$0
Subtotal Short-term Liabilities	\$0
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Long-term Liabilities	\$0
Total Liabilities	\$0
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Loss at Start-up	(\$9,800)
Total Capital	\$200
Total Capital and Liabilities	\$200

Start-up



3.0 Services

The strength of the company's service offerings is the ability to leverage existing network elements and strengthen/customize them to provide the customer a complete network. The service offerings are central to any comprehensive security plan. PDS's service offerings are based upon financial and healthcare regulatory compliance items as well as standard enterprise requirements.

Network Requirement Category	Required Network Services
Security Management	Security Policy Review Corporate Policy Review Physical Audit Network Audit Patch Audit Data Categorization Policy Creation
Identity	User ID Password Token Login Digital Certificates BioMetrics
Perimeter Security	Intrusion Detection Firewall Penetration Audit / Testing Application Hardening OS Hardening Virus Scanning / Protection Content Filtering
Security Monitoring	Logging / Resource Tracking Remote Site Audit Firewall Policy Management Audit Reporting Virus Software Management
Secure Communication	Encryption Secure e-Mail Servers IP-Virtual Private Networks (VPN) Employee Training

The company's other primary strength is the ability to provide secure traffic access through a central, co-located site. From this location it is possible to provide secure email, web and other servers, remote access, intrusion detection and a host of other services. Many of these services, small and medium customers would not be able to afford or manage on their own.

4.0 Market Analysis Summary

PDS will be focusing on Information Security Services -- the fastest growing segment of the Information Technology sector (IDC and Yankee Group). The focus customers will be, IT executives and CIOs of small to medium service companies, who do not want to waste their time or risk their money looking for bargain information or questionable expertise. As they go into service markets looking at new opportunities, they are very sensitive to risking their company's name and reputation.

4.1 Market Segmentation

Security services are typically segmented into three classifications; security hardware (firewalls, VPNs), software (anti-virus, encryption) and services (outsourcing). Of these three sectors, security services are estimated to grow to over \$13 million by 2003 followed by \$9.5 million for hardware and \$7.1 million for software (IDC). Another way to view this market is, there will be \$13 million spent to design, implement and manage \$16.6 million in hardware and software. Making Information Security Services the single largest market segment of the overall Security market.

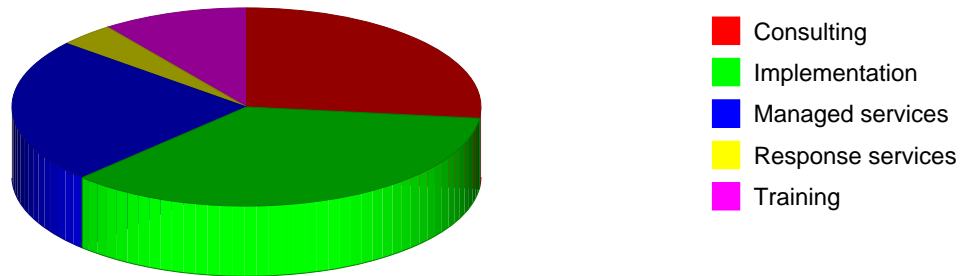
The Information Security Services market is comprised of five main sectors. PDS will initially focus on consulting, managed services and training elements, expanding into response services and implementation as business and growth dictates.

- Consulting
- Implementation
- Managed Services
- Response Services
- Training/Education

Table: Market Analysis

Market Analysis							
Potential Customers	Growth	2002	2003	2004	2005	2006	CAGR
Consulting	30%	\$1,372	\$1,724	\$2,217	\$2,980	\$3,860	29.51%
Implementation	24%	\$1,819	\$2,194	\$2,822	\$3,540	\$4,300	24.00%
Managed services	30%	\$1,213	\$1,527	\$2,034	\$2,660	\$3,500	30.33%
Response services	15%	\$197	\$228	\$277	\$327	\$350	15.45%
Training	33%	\$516	\$641	\$890	\$1,239	\$1,600	32.70%
Total	27.71%	5,117	6,314	8,240	10,746	13,610	27.71%

Market Analysis (Pie)



4.2 Target Market Segment Strategy

These security services are very applicable to service market. These are businesses that typically leverage the Internet for e-Commerce and exchange customer information online. Network integrity is paramount to future growth. In the service market segment, PDS plans to focus initially on three targeted service market sectors. These markets are each governed by different and unique business drivers, but share common security requirements.

Financial Services Sector:

Financial Services security requirements are driven by government regulations that require their compliance, such as, the Gramm-Leach-Bliley Act (GLBA).

GLBA was passed in 1999, and limits the amount of non-public personal information financial institutions can disclose to non-affiliated third parties. It also requires financial institutions to provide customers with their privacy policies and practices regarding non-public personal information. The GLBA consumer privacy provisions went into effect July 1, 2001. This new law requires all financial service companies to comply with section 501(b) of the legislation. This legislation does not mandate the deployment of a specific security technology, but is instead looking for a well-documented and implemented end-to-end security plan.

According to the FDIC, branch banks outnumber main bank offices seven to one, making the majority of banks small or medium businesses. This is the ideal corporate demographic for deploying managed secure systems, because at this scale it is difficult to bear the cost of a full security /IT department. The ability to leverage an outsourcing organization for this purpose brings the advantage of only having to pay for the amount of services necessitated by the needs of the network.

Healthcare Services sector:

Like the Financial Services sector, Healthcare, too is driven by government regulations on security, such as the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

HIPAA was signed into law on July 21, 1996. It was designed to protect the health insurance coverage of workers and their families, as they change jobs or lose them.

HIPAA is the most sweeping legislation to affect the healthcare industry in over 30 years. Every HIPAA administrative transaction between healthcare providers and payers, which are exchanged electronically, will be subject to the security standards contained within HIPAA.

According to various medical organizations, the majority of healthcare practices classify as small businesses. Small offices seldom have the personal or experience to address network issues cost effectively, let alone sophisticated issues like security.

Small Medium Business (Enterprise):

These are companies with fewer than 1,000 employees and typically lack specialized IT staffs. Unlike the financial and healthcare sectors, their motivation is not driven by government regulations. Instead, they are motivated by the need to protect their company's assets and those of their customers.

The key factor for specifically addressing the financial and healthcare sectors are two fold. These sectors are easily identifiable and spending growth is tied to government security regulations -- they must become compliant or pay fines.

The financial sector is larger in scope including; banks, insurance companies, financier and anyone involved in handling personal financial information. Spending in this sector is estimated to reach \$2.7 billion by 2005, driven by both regulatory activities and the increasing use of online e-Commerce.

The healthcare sector is the fastest growing of the two markets. In addition to pending regulatory compliance in 2003, healthcare is only now adopting on-line e-Commerce as a way to grow business (example: e-Pharmacy, online prescription refills and ordering).

Table: Market Sector Analysis

Market Sector Analysis	2001	2005	CAGR
Financial & Healthcare Sectors			
Financial Sector	\$1,240	\$2,774	17.60%
Healthcare	\$123	\$811	45.80%

5.0 Strategy and Implementation Summary

5.1 Competitive Edge

We start with a critical competitive edge: there is no competitor we know of that can claim near the specific expertise on security network issues and opportunities of developing managed services to address our key market areas. Our positioning on this point is very hard to match, but only if we maintain this focus in our strategy, marketing, business development, and fulfillment. We should be aware that the tendency to dilute this expertise with more generalized consulting work could weaken the importance of our competitive edge.

We are very aware of the tier-1 telcos traditional dominance in the managed service market. However, in the financial and healthcare service sectors that we target, a telcos size and associated overhead are a liability when the bandwidth requirements are only several hundred kilo bits per customer -- no economy scales. Our target customer base is well below the the "magic" T1 (1.54 Mbps) barrier for large telcos. This market is under served and off the radar of larger telcos. Small branch banks and doctor offices with two to three PCs require the same security services as Chase Manhattan or the Mayo Clinic. Size does matter when it comes to bandwidth requirements.

5.2 Marketing Strategy

Marketing in a high-end consulting business requires a clear set of goals and objectives. Being true to the plan is not an option, it is survival. We have identified five keys to success that will define our market plan and drive our sales campaigns.

There are five keys to success for Protected Data Systems:

- 1.Leverage government regulations (GLBA, HIPAA) on the financial and healthcare service sectors.
- 2.Focus on small and medium businesses. This market is typically under served and/or overlooked by large Tier 1 carriers.
- 3.Leverage the synergies of the common security requirements that exist across the target markets.
- 4.Develop business partnerships with key hardware, software and provider companies.
- 5.Leverage the strength of the company's co-location partnerships and the possible opportunity for upside that these facilities offer.

Our marketing plan addresses the fact that PDS is a start-up and therefore must get maximum returns on minimum spending. We will accomplish this by leveraging the Internet through our web site, focused marcom activities and actively engaging potential alliances. Reality dictates that the marketing plan be no more than ninety days out and revisited on a 30/60/90 day basis to keep fresh and modify.

Marketing Strategy	Activity	Outcome
Web Presence	Web site development	Web presence Customer communications Web cast
Targeted Collateral	White Papers	Focus on outlining PDS's service offering Target healthcare – HIPAA Target financial – GLBA Target enterprise – Small/Medium businesses
Market communications	Mailers	General mailer to small healthcare providers and branch banks – includes company information and white paper Focused smaller 3D mailer – includes company information, white paper and item requiring sales follow up
Partnerships / Alliances	Market alliances	Team with key manufacturers of security hardware and software. Partnership with MCIB Business referrals
Professional Organization	Healthcare / Financial Security certifications	Speaking engagements at user-groups, meetings Tradeshows Technical credibility

Future activities will address higher cost items such as printed glossies, slicks, brochures and tradeshow floor participation.

5.3 Sales Strategy

Sales in our business is client service. It is repeat business. One doesn't sell a management consulting project, one develops a proposal that works for the client.

We must always be aware of the big-company consulting phenomenon of the split between selling the job and fulfilling the job, which leads to client dissatisfaction. The job should be developed and scoped, sold, and fulfilled by the same people. Our clients should never buy a job from one partner and have it delivered by anybody other than that same partner.

We need to avoid the temptation to drop fees to gain jobs. When a potential client questions the cost of a project, we explain the benefits. If the budget is for less money, then we must offer less

service. Billing rates are not negotiated.

5.3.1 Sales Forecast

The following table and chart give a run-down on forecasted sales. We expect sales to increase at a rate of one new customer add per every two months for no longer the balance of the first year. This will allow us the time required to fully turn-up our network and have the required cash-flow to execute to plan. Our goal is to under commit and over deliver to ensure maximum customer satisfaction. We fully anticipate adding at minimum one new customer per month by the end of the year. Network deployment plans are currently in place to address this bandwidth.

First quarter, we expect zero sales, as we bring the co-location facility at MCI on-line. From April through June we will be getting our first customers up and running at the MCI co-location facility. From the June time frame on, we should begin adding at least one new customer per month.

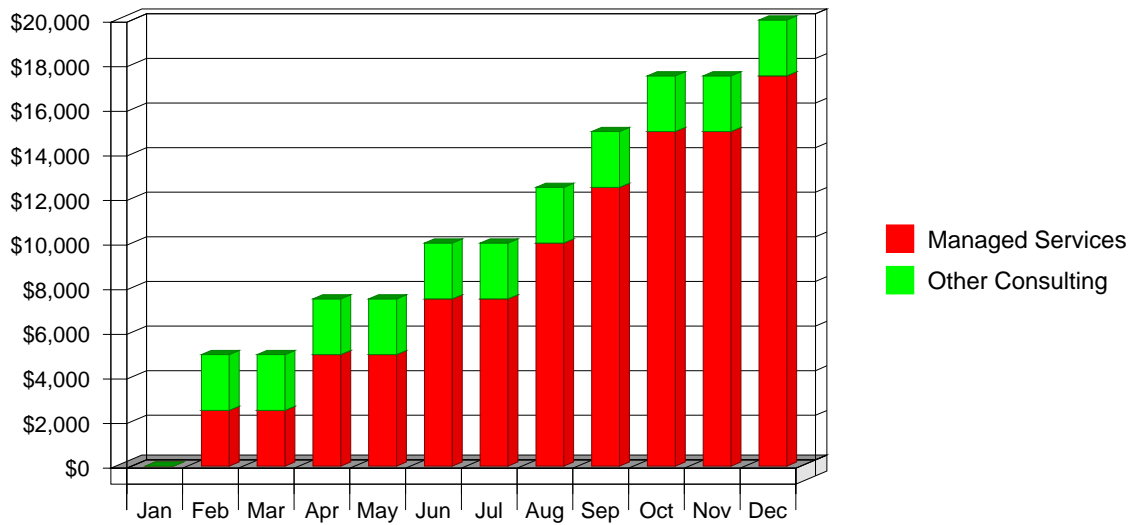
Another core service offering we offer in addition to managed services is consulting. Many potential customers will start out requesting security audits and networking consulting. This will all be billable revenue. We plan to leverage consulting services as a vehicle to up-sell our managed service portfolio.

Note: Our portfolio is extremely service focus. As such, we have forecasted cost of sales as a fix percent of sales revenues for the managed services. This should be more than sufficient to cover the cost of customer demos, etc..

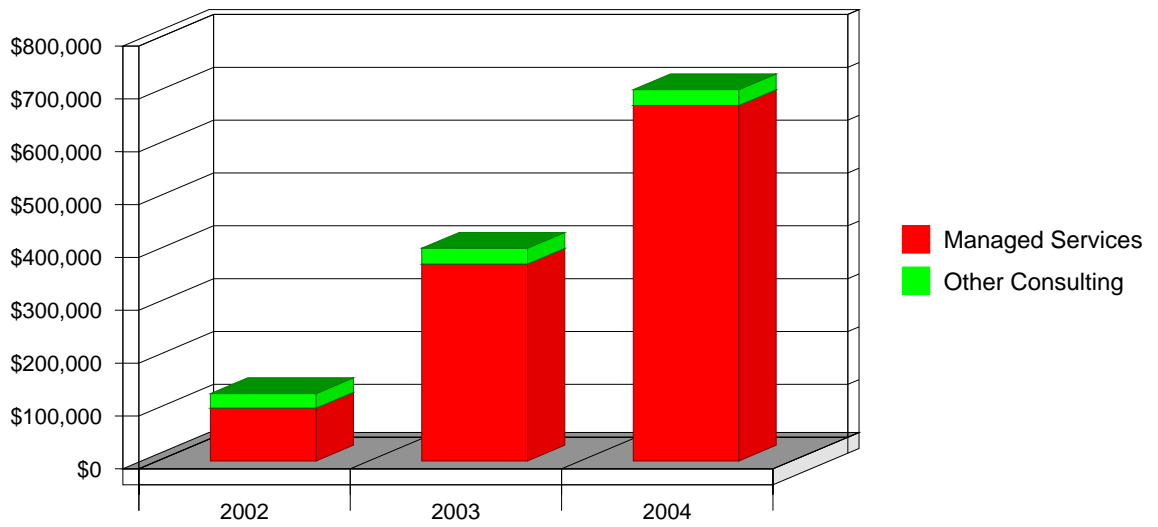
Table: Sales Forecast (Planned)

Sales Forecast	2002	2003	2004
Sales			
Managed Services	\$100,000	\$372,500	\$672,500
Other Consulting	\$27,500	\$30,000	\$30,000
Total Sales	\$127,500	\$402,500	\$702,500
Direct Cost of Sales			
Managed Services	\$5,000	\$18,625	\$33,625
Other Consulting	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$5,000	\$18,625	\$33,625

Sales Monthly (Planned)



Sales by Year (Planned)



6.0 Management Summary

The strength of the PDS management team is the diversity of backgrounds and skill sets each member brings to the team.

x, President

x, CEO

x, PDS' Chief Executive Officer, has over 15 years experience in communications networking, ranging from network level design, down to integrated circuit and software design. Prior to PDS, Mr. x had been with Nortel Networks, where he held multiple positions over the past 14 years.

x, CTO

Mr. x, PDS's Chief Technology Officer, has over 12 years of experience in the Network Design and Engineering, Application Consulting, Telecommunications, Medical Electronics, Training, and Data Warehousing industry segments. He brings with him a broad business and technical background, which enables him to better understand his customer's desires and requirements. Prior to PDS, Mr. x was with Nortel Networks where he worked as a Senior Network Engineer for IP and Optical networks. He has performed/managed projects in various environments. Some of the more notable groups that he has worked with are Sprint PCS, Verizon Wireless, PPL Telcom, MCI, American Airlines, and the City of Las Vegas. Mr. x holds numerous industry certifications, which include CCNP, MCSE, CWNA, CWA, CCNA, CCSE, MCP, MCT, and NNCAS.

Tom x, CMO

Mr. x PDS's Chief Marketing Officer and has over 17 years experience with a wide variety of roles in technology. Ranging from semi-conductors, RF to telecommunications. Prior to PDS, Mr. x was with Nortel Networks where he worked in Sales, Marketing and Business Development. Mr. x holds a BSEE from the University of South Carolina.

6.1 Personnel Plan

The following table summarizes our personnel expenditures for the first three years, with compensation increasing from \$0 the first year to a \$100K in the third. We believe this plan is a fair compromise between fairness and expedience, and meets the commitment of our mission statement and business plan.

All owners will take an active roll in the business and perform cross functional duties. Therefore, the need to add additional personal will be minimal.

Table: Personnel (Planned)

Personnel Plan	2002	2003	2004
x - President	\$0	\$70,000	\$100,000
x - CEO	\$0	\$70,000	\$100,000
x - CTO	\$0	\$70,000	\$100,000
x - CMO	\$0	\$70,000	\$100,000
Other	\$0	\$0	\$0
Total Payroll	\$0	\$280,000	\$400,000
Total People	4	4	4
Payroll Burden	\$0	\$28,000	\$40,000
Total Payroll Expenditures	\$0	\$308,000	\$440,000

7.0 Financial Plan

Our financial plan is basic and concise, free from complex loans and borrowing. Executing to the business plan will ensure that we meet our financial goals.

- We are self financed.
- We want to finance growth mainly through cash flow. We recognize that this means we will have to grow more slowly than we might like.
- The most important factor in our case is collection days. Our cash flow is based upon re-occurring monthly service bills. Therefore we need to develop a permanent system of receivables financing, using one of the established financial companies in that business.

7.1 Important Assumptions

The financial plan depends on important assumptions, most of which are shown in the following table as annual assumptions. The monthly assumptions are included in the appendices. From the beginning, we recognize that collection days are critical, but not a factor we can influence easily. Interest rates, tax rates, and personnel burden are based on conservative assumptions.

Two of the more important underlying assumptions are:

1. We assume minimal further disruption to the economy, without major recession.
2. We assume, of course, that there are no unforeseen changes in technology or regulatory environment that would influence of clients' security requirements negatively.

Several cost control measures have been agreed to for the first year. Thus conserving cash-flow required to maintain day-to-day operations.

- 1.No salaries will be drawn for year one. Future salaries will determined, based on previous quarters performance and future sales.
- 2.No leased office space, will work home-based
- 3.Basic office supplies, telephone, milage, etc will be handled personally for atleast the first year

Table: General Assumptions

General Assumptions	2002	2003	2004
Short-term Interest Rate %	10.00%	10.00%	10.00%
Long-term Interest Rate %	10.00%	10.00%	10.00%
Tax Rate %	30.00%	30.00%	30.00%
Expenses in Cash %	5.00%	5.00%	5.00%
Personnel Burden %	10.00%	10.00%	10.00%

7.2 Break-even Analysis

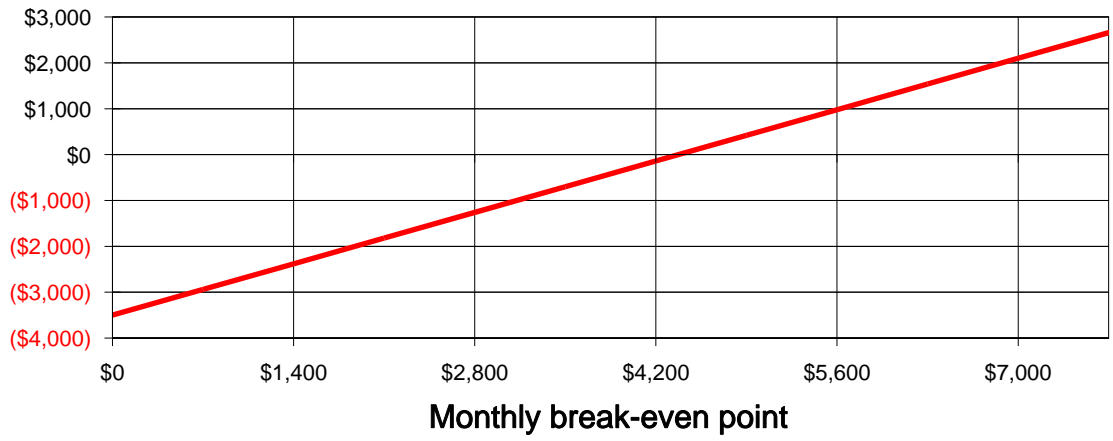
The following chart and table summarize our break-even analysis. With fixed costs of \$3,500 per month at the outset (a bare minimum), we need to bill \$4,375 to cover our costs. We do not expect to reach break-even until six months into business operation.

The break-even assumes variable costs of 20 percent of revenue. This assumption is probably too high, and therefore conservative. For the first year of operations, the partners have not planned on drawing salary. Instead, this money will be used for funding additional growth and thus reducing the need for third party financing or loans.

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	4,375
Monthly Sales Break-even	\$4,375
Assumptions:	
Average Per-Unit Revenue	\$1.00
Average Per-Unit Variable Cost	\$0.20
Estimated Monthly Fixed Cost	\$3,500

Break-even Analysis



Break-even point = where line intersects with 0

7.3 Projected Profit and Loss

Our projected profit and loss is shown on the following table, with sales increasing from more than \$120K the first year to more than \$700K the third. Profits shown the first year are the result of paying out no salaries. Profits will be directed back into the business during the year. By the second year, when salaries are paid the profits will sag negligibly. Realistically, we will reach break-even by late in year two. If needed, salaries will be adjusted to offset sagging profits.

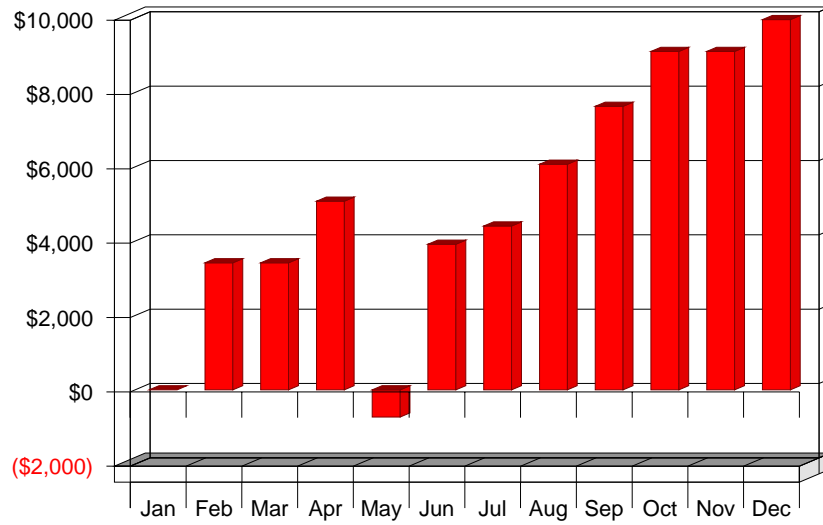
As with the break-even, we are projecting very conservatively regarding cost of sales and gross margin. We are confident that by leveraging relationships within several key customers, we can grow the business and keep cost of sales very low for the first year to year and half. Initially, we will depend on ourselves for most of fulfillment, which is why costs should be lower than shown. We prefer to project conservatively so that we make sure we have enough cash.

The detailed monthly projections are included in the appendices.

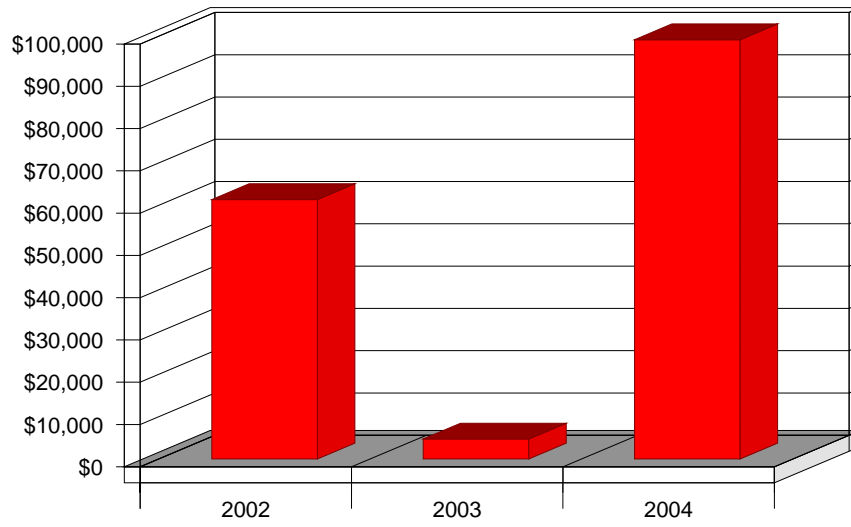
Table: Profit and Loss (Planned)

Pro Forma Profit and Loss	2002	2003	2004
Sales	\$127,500	\$402,500	\$702,500
Direct Cost of Sales	\$5,000	\$18,625	\$33,625
Other Production Expenses	\$0	\$0	\$0
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Total Cost of Sales	\$5,000	\$18,625	\$33,625
Gross Margin	\$122,500	\$383,875	\$668,875
Gross Margin %	96.08%	95.37%	95.21%
Operating Expenses:			
Advertising/Promotion	\$1,400	\$2,100	\$2,100
Travel	\$0	\$1,200	\$1,200
Miscellaneous	\$0	\$0	\$0
Payroll Expense	\$0	\$280,000	\$400,000
Payroll Burden	\$0	\$28,000	\$40,000
Depreciation: Network H/W	\$1,248	\$5,000	\$5,000
Leased Equipment	\$0	\$0	\$0
Software: Purchases, Licenses	\$1,000	\$1,000	\$1,000
Telephony: Loc, LD, 800, Wireless	\$4,550	\$7,800	\$7,800
Utilities: Deposits, etc	\$4,000	\$0	\$0
Insurance: Life	\$1,680	\$2,520	\$2,520
Insurance: Liability	\$2,400	\$3,600	\$3,600
Internet Access	\$8,664	\$0	\$0
Internet Access (Expansion)	\$0	\$24,276	\$32,400
Co-Location	\$6,648	\$9,972	\$9,972
Co-Location (Expansion-1)	\$0	\$9,972	\$9,972
Co-Location (Expansion-2)	\$0		\$9,972
Web Site Development	\$500	\$0	\$0
Legal	\$2,281	\$1,000	\$1,000
Accounting	\$500	\$700	\$700
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Total Operating Expenses	\$34,871	\$377,140	\$527,236
Profit Before Interest and Taxes	\$87,629	\$6,735	\$141,639
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$0	\$0	\$0
Taxes Incurred	\$26,289	\$2,021	\$42,492
Extraordinary Items	\$0	\$0	\$0
Net Profit	\$61,340	\$4,715	\$99,147
Net Profit/Sales	48.11%	1.17%	14.11%

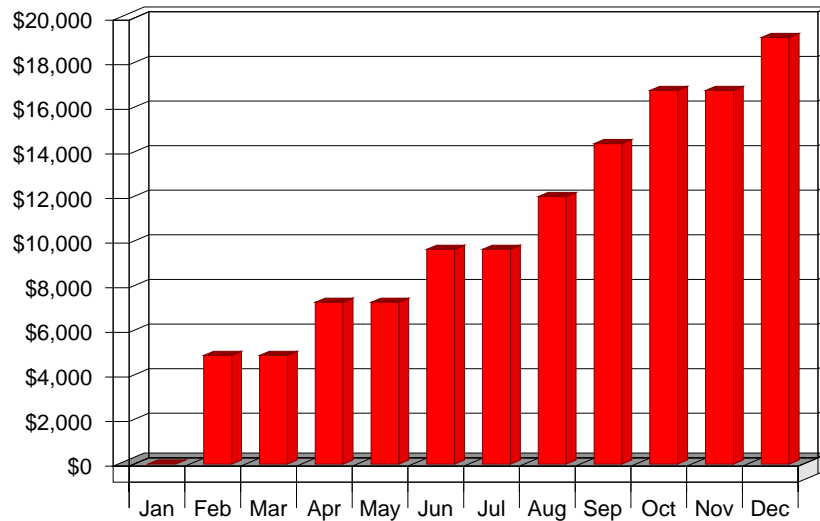
Profit Monthly (Planned)



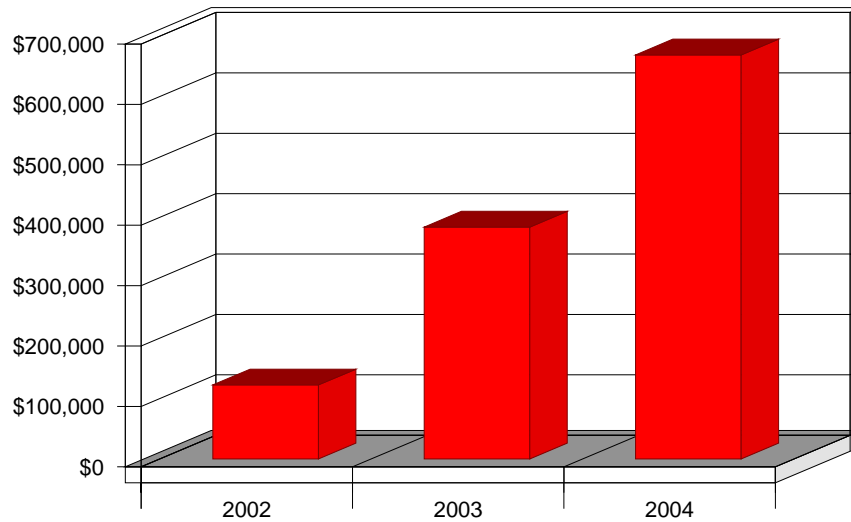
Profit Yearly (Planned)



Gross Margin Monthly (Planned)



Gross Margin Yearly (Planned)



7.4 Projected Cash Flow

The following cash flow projections show the annual amounts only. We are not showing any near term or long term borrowing. In a service oriented business like consulting, overhead expenses are one of the single largest line items in the P/L. Exercising conservative control of overhead expenses will allow us to maintain of cash flow.

Cash flow projections are critical to our success. The monthly cash flow is shown in the

illustration, with one bar representing the cash flow per month, and the other the monthly cash balance. The annual cash flow figures are included here and the more important detailed monthly numbers are included in the appendices.

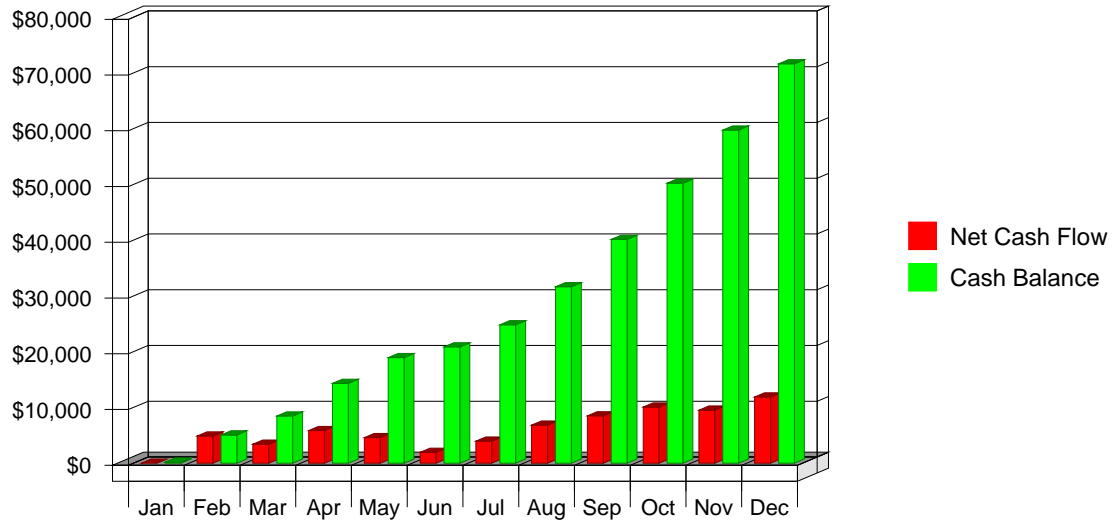
Table: Cash Flow (Planned)

Pro Forma Cash Flow	2002	2003	2004
Cash Received			
Cash from Operations:			
Cash Sales	\$127,500	\$402,500	\$702,500
From Receivables	\$0	\$0	\$0
Subtotal Cash from Operations	\$127,500	\$402,500	\$702,500
Additional Cash Received			
Extraordinary Items	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of other Short-term Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$127,500	\$402,500	\$702,500
Expenditures			
Expenditures from Operations:			
Cash Spent on Costs and Expenses	\$3,246	\$4,239	\$7,918
Wages, Salaries, Payroll Taxes, etc.	\$0	\$308,000	\$440,000
Payment of Accounts Payable	\$52,827	\$77,840	\$140,417
Subtotal Spent on Operations	\$56,073	\$390,079	\$588,335
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Short-term Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0
Subtotal Cash Spent	\$56,073	\$390,079	\$588,335
Net Cash Flow	\$71,427	\$12,421	\$114,165

Cash Balance

\$71,627 \$84,048 \$198,213

Cash (Planned)



7.5 Projected Balance Sheet

The balance sheet in the following table shows managed but adequate growth, and a sufficiently healthy financial position. The monthly estimates are included in the appendices.

Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets	2002	2003	2004
Short-term Assets			
Cash	\$71,627	\$84,048	\$198,213
Other Short-term Assets	\$0	\$0	\$0
Total Short-term Assets	\$71,627	\$84,048	\$198,213
Long-term Assets			
Long-term Assets	\$0	\$0	\$0
Accumulated Depreciation	\$1,248	\$6,248	\$11,248
Total Long-term Assets	(\$1,248)	(\$6,248)	(\$11,248)
Total Assets	\$70,379	\$77,800	\$186,965
Liabilities and Capital			
	2002	2003	2004
Accounts Payable	\$8,839	\$11,545	\$21,563
Current Borrowing	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$8,839	\$11,545	\$21,563
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$8,839	\$11,545	\$21,563
Paid-in Capital	\$10,000	\$10,000	\$10,000
Retained Earnings	(\$9,800)	\$51,540	\$56,255
Earnings	\$61,340	\$4,715	\$99,147
Total Capital	\$61,540	\$66,255	\$165,402
Total Liabilities and Capital	\$70,379	\$77,800	\$186,965
Net Worth	\$61,540	\$66,255	\$165,402

Appendix Table: Market Sector Analysis

Market Sector Analysis	2001	2005	CAGR
Financial & Healthcare Sectors			
Financial Sector	\$1,240	\$2,774	17.60%
Healthcare	\$123	\$811	45.80%

Appendix Table: Sales Forecast (Planned)

Sales Forecast	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Sales								
Managed Services	\$0	\$2,500	\$2,500	\$5,000	\$5,000	\$7,500	\$7,500	\$10,000
Other Consulting	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Total Sales	\$0	\$5,000	\$5,000	\$7,500	\$7,500	\$10,000	\$10,000	\$12,500
Direct Cost of Sales								
Managed Services	\$0	\$125	\$125	\$250	\$250	\$375	\$375	\$500
Other Consulting	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$0	\$125	\$125	\$250	\$250	\$375	\$375	\$500

Appendix Table: Profit and Loss (Planned)

Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Sales	\$0	\$5,000	\$5,000	\$7,500	\$7,500	\$10,000	\$10,000	\$12,500
Direct Cost of Sales	\$0	\$125	\$125	\$250	\$250	\$375	\$375	\$500
Other Production Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$0	\$125	\$125	\$250	\$250	\$375	\$375	\$500
Gross Margin	\$0	\$4,875	\$4,875	\$7,250	\$7,250	\$9,625	\$9,625	\$12,000
Gross Margin %	0.00%	97.50%	97.50%	96.67%	96.67%	96.25%	96.25%	96.00%
Operating Expenses:								
Advertising/Promotion	\$0	\$0	\$0	\$0	\$175	\$175	\$175	\$175
Travel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Burden	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation: Network H/W	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leased Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Software: Purchases, Licenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Telephony: Loc, LD, 800, Wireless	\$0	\$0	\$0	\$0	\$0	\$650	\$650	\$650
Utilities: Deposits, etc	\$0	\$0	\$0	\$0	\$4,000	\$0	\$0	\$0
Insurance: Life	\$0	\$0	\$0	\$0	\$210	\$210	\$210	\$210
Insurance: Liability	\$0	\$0	\$0	\$0	\$300	\$300	\$300	\$300
Internet Access	\$0	\$0	\$0	\$0	\$1,083	\$1,083	\$1,083	\$1,083
Internet Access (Expansion)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Co-Location	\$0	\$0	\$0	\$0	\$831	\$831	\$831	\$831
Co-Location (Expansion-1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Co-Location (Expansion-2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Web Site Development	\$0	\$0	\$0	\$0	\$0	\$500	\$0	\$0
Legal	\$0	\$0	\$0	\$0	\$1,700	\$83	\$83	\$83
Accounting	\$0	\$0	\$0	\$0	\$0	\$200	\$0	\$0
Total Operating Expenses	\$0	\$0	\$0	\$0	\$8,299	\$4,032	\$3,332	\$3,332
Profit Before Interest and Taxes	\$0	\$4,875	\$4,875	\$7,250	(\$1,049)	\$5,593	\$6,293	\$8,668
Interest Expense Short-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Expense Long-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$0	\$1,463	\$1,463	\$2,175	(\$315)	\$1,678	\$1,888	\$2,000
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	\$0	\$3,413	\$3,413	\$5,075	(\$734)	\$3,915	\$4,405	\$6,668
Net Profit/Sales	0.00%	68.25%	68.25%	67.67%	-9.79%	39.15%	44.05%	48.54%

Appendix Table: Cash Flow (Planned)

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Cash Received								
Cash from Operations:								
Cash Sales	\$0	\$5,000	\$5,000	\$7,500	\$7,500	\$10,000	\$10,000	\$12,500
From Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash from Operations	\$0	\$5,000	\$5,000	\$7,500	\$7,500	\$10,000	\$10,000	\$12,500
Additional Cash Received								
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$0	\$5,000	\$5,000	\$7,500	\$7,500	\$10,000	\$10,000	\$12,500
Expenditures								
Expenditures from Operations:								
Cash Spent on Costs and Expenses	\$0	\$79	\$79	\$121	\$412	\$304	\$280	\$322
Wages, Salaries, Payroll Taxes, etc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payment of Accounts Payable	\$0	\$50	\$1,508	\$1,535	\$2,488	\$7,755	\$5,765	\$5,342
Subtotal Spent on Operations	\$0	\$130	\$1,588	\$1,656	\$2,899	\$8,059	\$6,045	\$5,664
Additional Cash Spent								
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$0	\$130	\$1,588	\$1,656	\$2,899	\$8,059	\$6,045	\$5,664
Net Cash Flow	\$0	\$4,870	\$3,413	\$5,844	\$4,601	\$1,941	\$3,955	\$6,836
Cash Balance	\$200	\$5,070	\$8,483	\$14,327	\$18,928	\$20,869	\$24,824	\$31,660

Appendix Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Short-term Assets									
Cash	\$200	\$200	\$5,070	\$8,483	\$14,327	\$18,928	\$20,869	\$24,824	\$31,661
Other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Short-term Assets	\$200	\$200	\$5,070	\$8,483	\$14,327	\$18,928	\$20,869	\$24,824	\$31,661
Long-term Assets									
Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Assets	\$200	\$200	\$5,070	\$8,483	\$14,327	\$18,928	\$20,869	\$24,824	\$31,661
Liabilities and Capital									
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Accounts Payable	\$0	\$0	\$1,458	\$1,458	\$2,227	\$7,562	\$5,588	\$5,138	\$5,907
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$0	\$0	\$1,458	\$1,458	\$2,227	\$7,562	\$5,588	\$5,138	\$5,907
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$0	\$0	\$1,458	\$1,458	\$2,227	\$7,562	\$5,588	\$5,138	\$5,907
Paid-in Capital	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Retained Earnings	(\$9,800)	(\$9,800)	(\$9,800)	(\$9,800)	(\$9,800)	(\$9,800)	(\$9,800)	(\$9,800)	(\$9,800)
Earnings	\$0	\$0	\$3,413	\$6,825	\$11,900	\$11,166	\$15,081	\$19,486	\$25,554
Total Capital	\$200	\$200	\$3,613	\$7,025	\$12,100	\$11,366	\$15,281	\$19,686	\$25,754
Total Liabilities and Capital	\$200	\$200	\$5,070	\$8,483	\$14,327	\$18,928	\$20,869	\$24,824	\$31,661
Net Worth	\$200	\$200	\$3,613	\$7,025	\$12,100	\$11,366	\$15,281	\$19,686	\$25,754

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