0.   THE EXECTIVE SUMMARY

Our company -- "Blue Sky" -- is a new venture co-founded by Felix Lee, Cynthia Chan and Jim Liu. Our mission statement is "Foster the end-use; provide freedom on accessing and understanding network platforms; and enhance our business propriety. " We are looking for some venture capitals to start our business on January 1, 1998. We will split evenly the most of the shares of the company. Our new office will be located in Markham, Ontario, Canada, which will be first equipped with several Pentiums. We will be hiring one senior programmer and one marketing consultant at the beginning.

In 1996 and 1997, Windows NT Server 4.0 was the best selling network platform. And the market has continued to grow rapidly. At the same time, Microsoft has tried to add many new management utilities to its existing operating system. However, Windows NT, like any other platforms, cannot possibly anticipate and handle the system administration needs for a huge variety of applications and unlimited diversity of the end-users. So we are seeing the opportunity for our new venture to develop new management tool software for the Windows NT platform.

The product we will be offering is a management tool package aimed at Windows NT network administrators and users. The price will basically be $75 per end user, which is very competitive on the current market. In the first year, we will be concentrating on the Canada educational institutions. Then we will develop a package suitable for Canadian businesses in the second year. In the third and the fourth year, our product will be distributed in the U.S. as well. We will also want to go into the markets of Australia and England in the future.

The benefits that our product offer to the users are: provide ease of managing, motioning and troubleshooting (some of our features are new in this area) on Windows NT platform. As the targeted market changes, more customized features will be added on to the package according to the market needs. These add-on features can also be sold separately. We will promote them as shareware online or through other distribution channels. We will mainly use the direct sales approach at the first few years of the business, and give out software as trial versions. We will do direct sales personally in the first year. Sales force will be formed in the following years. We

will also looking for annual subscription from customers when we establish good relationships with a large number of customers.

As our business grows, more programmers will be needed for development process. We will also need to watch the trends of the industry closely as it will determine our success or failure. Getting professional legal help will be very important. We will be interested in forming alliances with other companies that have effective distributing channels, large customer sources, or great software development abilities.

Our projected income after tax is $_____ in the first year, $_____ in the second year, $_____ in the third year, and $_____ in the fourth year.

The venture capital required for our venture is $100,000 at the beginning. We would like to use this fund as a debt, with a return rate of 45% annually. The investor(s) can convert this debt into shares of the company after the end of the second year. In the fourth year, our company will consider going public, which is another way for the investor(s) to cash out.

Please read the following parts carefully with the details and the supporting documents.

1. THE COMPANY

1.1 Current Status:

Our company is a start-up business and is co-founded by 3 people: Felix Lee, Cynthia Chan and Jim Liu. It will start operating on January 1, 1998 as a private corporation. We are looking for a $100,000 investment from the investors to start. We will treat the funds as debt in our business. We are planning to set up an office in Markham, Ontario, Canada. The founders will be in charge of the finance, production and selling aspects of the business. At the beginning, we are looking for a programmer and a marketing consultant. Our company mainly develops management tool software that runs on the Windows NT platform.

Here are the current shareholders and their shares in the company

Felix Lee	30%
Cynthia Chan	30%
Jim Liu	30%
The programmer	5%
The marketing consultant	5%

We only consider giving out our shares to the employees when our corporation becomes economically stable and those employees are loyal to our company for many years.

1.2 Near Term Objective (Year 1)

Our first product will be a management application for Windows NT. This allows the administrator and end-users to have more understanding and more control over his working environment. We plan to approach the education market in Canada first. We will also sell it through the Internet at the same time. We are planning to complete developing the beta version of the product by the end of February. We project the sales will be 2,000 copies in the first year.

1.3 Long Term Objective (Year 2 - Year 4)

We will probably not make profit in the first year of the business due to weak publicity. So we need to spend more on

promoting our product. After the first year, our revenue will start to increase. We expect the rate of increase to be around 20% to 25% in the second year. Since a software product only lasts for a short period of time (one or two years), our company will set aside around 10% of each year's profit for the next year's advertising, or research and development cost in order to produce more product to meet the market demand.

1.4   Management Team:

Felix Lee is a third year student at the University of Toronto. He specializes in information systems and majors in Economics. He also has taken some accounting courses. He has abundant experience in constructing financial reports and the dynamic changes of economics. His knowledge can help in setting up the finance statements and budgeting of our future business expenses. He will be the financial manager. His duties will also include preparing financial forecasts.

Cynthia Chan is a third year computer science student and specializes in information systems. She has previous experience in working as a technical assistant in a high technology company. Her main duties are to solve technical problems and web pages. She is currently working as an assistant in a computer lab and is responsible for managing computer system networks. She has rich knowledge on current computer technology. Her computer knowledge and working experience are good enough to allow her to take a position as the supervisor in the production department of our business. Her duties are to ensure the product meets its specifications and to design the interface of the product.

Jim Liu has much technical experience in programming and networks. He is experienced in C, C++, Java, UNIX, Windows NT and web programming. Thus, he will do some programming development in the first year. Furthermore, he has good communication skills and interpersonal skills. He knows a lot about selling software. Therefore, he will take the role of Sales Manager. He will construct the sales strategy for our business.

Since all three of us do not have good marketing experience, we need to hire someone who has real world marketing practice to give us advice on our marketing approach. This means a marketing consultant will be hired on a part-time basis.

1.5 Management Objective:

As the primary shareholders of the company, we will be put our effort on making this company grow and becoming a major software producer in the industry. All three cofounders will take this venture as their ultimate career goal.

2.   MARKET

2.1   Present Market and Outlook

The Windows NT Server market is growing rapidly!

In 1996, Windows NT Server became the best-selling server platform in the world by out-shipping all competitive products. According to Microsoft, the 1996 Microsoft Windows NT Server outsold NetWare, 3.x and 4.x combined, by over six times and more than double that of all UNIX servers.

From 1995 to 1997, Microsoft's Windows NT server 4.0 sold more than 1.7 million copies. According to a 1996 study by International Data Corporation (IDC), the growth of Windows NT Server is projected to be over 30 percent per year through the year 2000.

What is driving this growth? All organizations in every area of the industry are finding it useful to use the network. Even small ones are installing networks for e-mail and simple file and application sharing, such as accounting and payroll management. Educational institutes are finding a higher demand for information access and computer literacy by non-science students ever than before. Businesses of all sizes are finding innovative ways to use databases, from simple mailing list applications to more sophisticated profiling and analysis. And everyone wants to connect to the Internet! These rapidly evolving networking trends in the world and the specialized problems of end-users are driving the demand for even more specialized application solutions.

2.1.1   Present Problems

Since Microsoft introduced Win NT two years ago, it has not significantly provided or enhanced Windows NT network utilities. The problems Microsoft has addressed so far are not satisfactory. Microsoft's up coming version, Windows 98, has emphasized on catching up with new hardware technologies and the Internet, instead of providing better management facilities. But it is announcing a package named Internet Information server (IIS) to come out later this year, to improve managing capabilities. Also Microsoft Management Console (MMC), an add-on package that will go with Microsoft's Internet Information Server 4.0, and eventually

will be shipped with every Windows NT-based product, is under development. However, Windows NT, like any other platform, can not possibly anticipate and handle the systems administration needs of a the huge variety of applications and the unlimited diversity of the end-user.

2.1.2   Present Market Needs

Users, who are short-handed with the network facilities provided by this operating system, are turning to third-party products more and more often. Sales, of the growing library of System Management Tools being created by independent software developers all over the world, are growing as fast as Windows NT. Resellers, that offer the systems administrator of their clients the widest variety of high quality NT System Management Software Tools, stand to profit from this ever-growing market. (A detailed analysis of the software firms appears in the section "competitive analysis")

In conclusion, the window of opportunity for developing such high demanded Windows NT management software is present for our new venture. The growth of the market and the diversity of the application demanded will allow us to grow quickly as we specialize in a market niche and obtain proprietary technology that can be applied broadly to the other sections of the industry.

2.2   Projected Market & User Benefit

The Windows NT users can be further subdivided into three areas: educational institutions, small offices and large enterprises. However, the benefits of our product can be applied on different areas. In schools, more non-science students want some computer training because the demand of computer literacy continues to increase in the job market. They find the Windows environment more appealing than the traditional UNIX systems, because of the superior advantage in the graphical user interface. Because of the students requiring high computational power, Windows NT workstations can be the solution. Windows NT workstations are based on Intel hardware and Microsoft's Windows NT OS, and they are slowly occupying the market share of UNIX workstations. The reasons are: 1) the starting price of a Windows NT workstation, which is about $4,500, is much lower than that of a UNIX workstation, which is about $10,000; 2)

about 50% to 60% of all UNIX workstation applications are now available in Windows NT. It is moving toward becoming an operating system as powerful and complete as UNIX.

- Our first year our targeted market is the secondary and post-secondary educational institutions in Canada. The market size is about 100 of institutions in Canada and approximately with an average of 50 workstations in a LAN. Our targeted users are those Windows NT server administrators and users. Our projected sales are 50% - 60% of this market (around 100 x 50 = 5000) by the end of the first year.

- The major user benefit that our product provides to the education institutions will be the easy management for administrators and the fast, fair and supervised access by immense amount of students.

As our revenue accumulates and our reputation grows, we will launch a second version of the product with more customized features added to help small or large business to better handle their network.

- In the second year, we will be looking at __% of the Canadian business industry having installed our software. That is a market of about _____ Win NT machines.

- The benefit to the user will be the ease of the maintenance and the repair of its relatively complex network hardware connections. It also helps end users to keep updated with the system.

The U.S market is about 10 times as large as the Canadian market. We will proceed to expand over the southern border with the same product that succeeded in the second year. (We acknowledge that U.S. often tends to bring failure to many Canadian based businesses when they expand over the border, and we will address the risk in next version)

In the third year, we expect to grab another __% from the Canadian industry. At the same time we will expand into the U.S., which has about _____Win NT machines. The projected market share would be ___% in this year in the U.S. With the possibilities of going public, forming alliances and taking even a larger step in the

direction the company is going, we are certain that a new product will be developed in our future years.

   In the fourth and third year of our financial forecast, we will continue to increase our market share in the U.S with the existing products from the previous two years, and the new products are out for taking __% to __% of the market within this fourth year.

3.   THE PRODUCTS

3.1   Product Description

Our central product, called "Manager Mate", is a great management tool for Windows NT platforms. It is designed for network administrators and users. Our product displays the entire local network environment in a complete, clear picture, with the information about location and connections between each computer and each device (i.e. processor, memory, printer, scanner, communication devices). If a computer or a device is down, our software will display an appropriate signal for the administrator to repair the problem. Furthermore, our product will allow the administrators to monitor each end user, as to what kind of application he is running, current system status, etc. For example, once the administrator clicks on the device that is shown in the environment picture. The administrator is able to see the entire information about that device, like, who is using this machine, and the login user's details, like current status. The user also able to see the entire network but special authorities has to be assigned by administrators.

3.2   Product Development

At the beginning of the business, we have one programmer and three of us for developing the beta version of our first product. This will be finished within two months. Then the beta version will be available as a shareware on the Internet. After we are getting feedback from the public, we will improve the product based on the feedback. Thus, the alpha version of the product is ready. While we are improving our product, we will start developing more add-on features to our product and composed them as a package. That package are use to sell to our first targeted (the educational institutions). This product will carry the business through the first year.

At the second year, a software package targeted (with more features that fit the business needs) at business enterprises will be out and be marketed in Canada. In the third year the product will be marketed in the U.S. In the forth year, another product for the business enterprise will be introduced.

All the products will go through beta testing on the net. Aside from direct Sales, they will all be available as shareware online, as a whole (a customized packages), or as separate product (add-on features).

3.3   Product Economics and Advantages:

Our product can enhance the working atmosphere in most organization. The feature of light monitoring each login user current running application, can prevent people from playing games rather than doing actual work. If our product is applied to educational institutes, the administrator will be able to know the deadlines of each assignment for all courses, and so to determine the peak hours in the computer labs. In these rush periods, the administrator can use our software to suggest who is actually playing games in the terminal but not doing academic work. The administrator can then send an appropriate warning message to that user and remind him someone else needs the terminal. This ensures people who really need the terminal can get it. In business, this will also increase the productivity at work.

(There are some controversies and legal issues about monitoring work places. We will keep an eye on it. Our monitoring should be light, and for necessary administration purposes only.)

The display of the entire network environment can help to reduce the cost of the maintenance and time to find the bug. It saves more time to find out the faults by using our software, especially for large firm. In addition, the administrator can gain more insight about the status of the entire local network area.

The price that we offer to the industry is around 60% of our competitors' prices. Since we are new to the market, we want to get the recognition from the public first.

3.4   Patents and Copyright

We will apply for patents and copyright for all products.

4. COMPETITION

4.1 Competitor #1: Sunbelt Software Distribution

One of our direct competitors is the Sunbelt Software Distribution, Inc. (SSD). This company has specialized in distributing professional system management solutions for Windows NT. One of their products, Trusted Enterprise Manager (TEM), has similar features to ours. TEM allows administrators to set expiration dates and account types (global or local); to enable or disable remote access; to modify logon hours and machine restrictions; to modify the user profile paths; and so on. To sell their product, SSD uses the traditional distribution channels: advertisements in Windows NT magazines; direct mails; cards in Windows NT related card decks and web sites. The price for TEM is $300 for a site license, and $15 per license for under 25 end users, and $6.75 per license for more than 5,000 end users.

4.2 Competitor #2: Microsoft Corp.

Another direct competitor we have to consider is the Microsoft Corp. Although Windows NT's weakness on management utilities has allowed third party companies to fill up the hole, Microsoft Corp. has catched up and produced a package named Internet Information server (IIS) to fill in the gap. IIS allows administrators to manage all servers from a local or remote location. It creates a view of the servers from a specific user; allocates network bandwidth for site bases on demand; and analyze server log files and site contents. However, this product is part of a family of other Microsoft's products, and it is not sold separately.

Besides, later in this year, Microsoft Corp. will buttress its own management capabilities when it ships the Microsoft Management Console (MMC), an add-on package that will provide users with a unified mechanism to manage the Windows NT Servers and services. MMC will ship with Microsoft's Internet Information Server 4.0 in the third quarter and eventually will ship with every Windows NT-based product. Microsoft has embedded the following management facilities into the base Windows NT operating system: lets administrators create and delete users and control user rights, controls what processes are running and who accesses the server, and monitor local and remote system and network events and statistics.

4.3   Competitive Analysis: Disadvantages

The common strength for SSD and Microsoft Corp. is that they both have well establish good reputation in the industry for over 10 years. This will definitely create a high barrier for us to entry the current market. They have long-term customers, so we have to put more effort on promoting. Their revenues are stable and sufficient for them to have large investments in both development of new products and in promotion. We can see it from the number of the products of each firm has produced so far. Also their products both cover the remote access area that will be not be addressed by our first product.

4.4   Competitive Analysis: Advantages

Although we are facing great challenges from the large firms, we still can make our product stand out in the group. The price for our products will be 60% less than that of TEM and IIS. The price that we will offer is $75 per end user, and 95% discount will be given for every 1,000 additional end users. This makes our product becomes more attractive than the existing products on the market, especially for large networks.   In addition, since those in the educational field have distinct requirements, concerns and budgets, we focusing the educational institutions and offer the lower prices than the other firms also make our product becomes an obvious choice for them.

Even though our first product lacks the remote access feature, this will not significantly affect our competence in the market. We will have one unique feature that both TEM and IIS are missing: we provide a full picture for the network environment with details of each computer's location and connections. We think this is very useful for organizations. Knowing more about the local network environment in respect to the hardware connection of each computer can be crucial when it comes to troubleshooting and upgrading. Especially large firm, when there are several hundred end users, a couple dozens printers and other many other external devices. This feature will reduce the cost of maintenance and allow the administrator to gain more insight into their network environment.

5.   SELLING

5.1   Overview

At the beginning, we cannot afford to have TV or magazine ads to promote out product. We will contact the potential users directly and through Internet instead. This can draw attention from the public and capture the portion of the market that never uses the net or reads computing magazine. Once our finance becomes stable, we will expand our promotion into different media, like ads on TV, magazines, and different Internet search engines. We will start to explore USA and European markets as well. In addition, we will invest in Research and Development and produce more products that meet the market need.

5.2   Near term Selling Method

The Internet:

This is a low cost and fat channel for distributing; we will depend on it all way through. To distribute our products as shareware ("try before you buy"), we need to acquire a business web page and a ftp channel for downloading. We will allow 30 to 60 days for free trial, depending on the maturity of the product. The user can register either by filling out the registration form from our web site or from the text file within the zipped archive. The user can send either check or money order along with their registration form. Another fast and secure way to pay is online through CompuServe. Once payment is received, we will send the user the code to kill the nag screen, the membership certificate, and an agreement to allow free downloads of upgraded versions for the next two years.

It is not enough the set up our own web site and ftp site to promote our product as shareware. Since there are a lot of shareware shops online now, we will promote our software through these giant distributors too. It's free to have our link or graphical banner added to the web shop, provided we do the same thing on our web page for that shop too.

Direct Mailing:

We realize that only having the promotion on the Internet is not enough to cover those potential subscribers who never use the net. So, we will promote our product through direct mailing. We will publish flyers to introduce our product. We will distribute them to the educational field first, like computer science department and all computer network administrators in the school. Later in the year, we will distribute to the organizations.

Along with the flyer, we will offer a small demonstration of our product in the interested person's office or place that he picked. Once we success to sell our product to a university, we will offer a small seminar or a lesson to introduce the details about our products and show how to cope with our produce quickly.

Direct Sales:

We will approach suitable organizations, suggesting they evaluate our software after giving free demos. Their feedback and recognition can be very important as we approach other customers.

At the beginning of the business, despite on supervising the management team, we all three co-founders will approach the educational field as sale representatives to promote our product. Since we will start to promote within the Ontario area, we can reach almost all institutions. Beside, we think it is very important for us to get the first good impression on our product from the public. Since we are more committed to sale our product than those who we hire from outside as sale representatives, so we prefer to promote our product on our own first.

5.3   Long term Selling Method

Internet:

Once revenues start to generate, we will expand our promotion on Internet. We will request a Shareware Shop advertisement. The rate is as low as $4 per 1000 impressions which is offered by Shareware Giveaway (there are about another dozen similar shops offering similar service).   We also will spread out our promotion online by having advertisements in other shareware-promoting services, like CNet, Shareware.com. And we will join the shareware associations to gain our reputation.

Direct Mailing:

Once we produce more than one product, we will publish a catalog to introduce our all products and upgrade versions. We also will announce our new products in the catalog, and forecast our future product lines. We will include the evaluation from the public regarding to our new products. We will consider issue this catalog free to the subscriber in order to keep them as our long-term customers.

Direct Sales:

When our business keeps expanding and financial resources become stable, we will form a permanent sales force to promote our products to focus more on direct sales and getting products into organizations where they might not have known with the Internet distribution channel. Discounts will be given out for loyal users and organizations. More products will be produced as well.

Direct Sales includes shareware too, with new versions, or at the time competition is severe.

We will consider other distributions: ads on TV and magazine, when we have sufficient revenues and have good responses of our products from the public.

5.4   Support

We will offer free catalog, technical support and upgrade services once the people subscribe our product after they used our trial version from the net. We will also introduce a new technical support method -- "Annuity" -- to the public.   Annuity is a new term, which means that the users pay subscription fee and are guaranteed free upgrades and technical support for several years. We are already doing this with Internet Sales, and we are hoping to do this with every product and every business sector we enter. Large associations that include huge customer sources are our targeted 'annuity' customers, for example, WANTUG (Worldwide Association of NT User Groups).

5.5   Pricing

At the beginning, we will set our product price around $75 for the school targeted market and $100 for the organization targeted market (more add on features will be available in the organization

package), which is less expensive than our competitors. The price that we offer is used to attract more users to our software. Several years afterwards, we will increase our price but still keep it 40% less than our competitors. Because of the increasing number of PCs being hooked onto networks, we believe that we will generate more earnings by offering lower prices as well. We will set the annuity subscription at $100 for two years.

6. OPERATING

6.1 Manufacturing

Manufacturing includes producing the CDs that carry our software, and printing manuals and packaging. This part will be elaborated.

6.2 Human Resources Management

Recognizing that people are the most valuable assets of our business, we have set some benefits and requirements on this aspect. Basically, we need to hire programmers, sales representatives, and market consultant to enhance our business productivity, and efficiency.

6.2.1 Programmers:

Programmers are the cores for creating our product. We will increase investment to get higher quality people to ensure the competitiveness of our product. At the beginning of the business, we will hire a programmer under contract basis. He will sign contracts waiving the copyright and patents of the work done for the company. While we expanding our business, we will hire some permanent workers and contract workers. Contract workers can be hired through contract agencies; regular employee can be recruited through advertisements. The purpose that we hire the contract workers because we will constantly be in search of innovative minds that will produce new ideas and important patents in the development of the software (the copyright and the patent are the intellectual property of the company).

6.2.2 Sales Forces

Their performance is directly related to the revenue of the business, so the cost for an effective sales force is expected to be high. In order to reduce the cost, in the first year, we (all three founders of the business) can perform as sales representative persons in approaching educational institutions. We have been students and understand how the school system works. As the business expands into unfamiliar domains, for example, U.S. and

Europe, we expect to use sales representatives to approach those markets. They are essential for us to open up the US market.

6.2.3   Marketing Department

As all the founders are unfamiliar with marketing practice, we would like to hire a part time consultant at the start of the business. His responsible for providing suggestion on our company growth with respect to the existing development and technology. As guide us how to finance our firm efficiently. As for the later years, marketing will become more and more important for two reasons: one, the rapid expansion of the Internet and other communication method will change the traditional product distribution channel even more; two, the software industry is in constant change, misjudging the trend will lead to business failure. So we see marketing as our important aspect to have our company grow. We intend to invest and establish a market department as fundamental parts of the business.

6.2.4   Employee's Benefits

As the incentive for employee to stay and grow together with the company, we will selectively (base on the number of the years that employee has stayed in the company, usually, for those who have stayed for 3 to 4 years) offer the shares of the company to programmers. This is essential for the business, and particularly important for people with innovative minds.   (More benefits will be address in our final version.)

7. FINANCIAL DATA

7.1   Financial Projections

We assume we can get about $100,000 funds from the investors. We will treat the funds as debt. At the beginning of the business, we all three founders own the equal amount of shares. When the company becomes stable, for example, 2 years after, we will set aside some portions of shares to our employees, like 10% of total shares.

Once our company starts growing and earns enough money to repay this debt, we will pay back to investors or they will have choice to keep these moneys in our company and we will issue the share to them. In other words, they will become one of our shareholders in our company. We will describe the details of the share distributions in our final version.

7.1.1   Sales Forecast

Since we assume our business is a start up business, we estimate we will spend approximately 2 months to finish building up our product. Therefore, there will be no sale in the first quarter in our first year business.

According to a new release from Microsoft Corp: sales figures for Windows NT in 1996 are 732,000 units which is 86% more than 1995's. We estimate there are around 1,700,00 units of Windows NT Server is sold up to date. We guess around 70% of ~1,700,00 units of it is sold to USA, and 10% of it is sold to Canada. As we addressed in our market projection, we will focus to Canada's education institutions first. First, we will cover our area -- Ontario. We estimate there are around 100 institutions in Ontario and average 50 network computers in each school. So, in Ontario's education, the market size is around 5000.

The following is the estimation on number of sales of Windows NT in USA and Canada:
The estimate number of Windows NT is sold: ~1,700,000
The estimate number of Windows NT is sold in USA: ~1,200,000 (~1,700,000 x 70%)
The estimate number of Windows NT is sold in Canada: ~120,000 (~1,200,000 x 10%)

The estimate number of Windows NT is sold in Ontario: ~95,000 (~120,000 x 80%)
The estimate number of Windows NT is used in Ontario's education institutions: ~5000
The estimate number of Windows NT is used in Ontario's organization: ~90,000

We predict we will get 10% of sales from school response and 0.5% from organization response in Canada in our second quarter sales. We estimate that there will be some response from our Internet sale, and it is around 0.5% from the organizations. So, we will get approximately $82,000 sales in our second quarter in 1998.

Description	Ended First Quarter in 1998	Ended Second Quarter in 1998	Ended Third Quarter in 1998	Ended Fourth Quarter in 1998	Ended in 1999	Ended in 2000	Ended in 2001
Revenue							
Sales [*]	$0	$82,000	$164,000	$246,000	$2,550,000	$30,600,000	$32,158,760

In the third quarter in 1998, we estimate we will cover 20% of education institutions and 1% of organizations. In the fourth quarter, we think we will cover 20% more of education field and 1.5% of organizations.

In 1999, we estimate we will cover 30% market in Canada, within the 30%, 60% is from Canada's education field and 40% is from Canada's organizations.

Starting in 2000, we will start expanding our business in USA. We estimate we can get around 30% responses from USA. , and additional 10% from Canada's market for our year 2000 sales. In 2001, we expect to cover another 20% of USA market and 10% more from Canada's market. Besides, we will issue our upgrade version of our product in this year. We estimate we will have around 400,000 customers by 2001 and we expect 70% of our customer will purchase our upgrade version. Our upgrade version will cost $40 each.
We estimate the upgrade version will bring us around $11,000,000 profit in 2001 year's profit.

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[*] See appendix A for detail calculation for each year's sales.

For every sale that we make in each year, we expect 80% of sales in cash and 20% of sales in credits.

Description	Ended First Quarter in 1998	Ended Second Quarter in 1998	Ended Third Quarter in 1998	Ended Fourth Quarter in 1998	Ended in 1999	Ended in 2000	Ended in 2001
Receipts							
Cash on Sales	$0	$65,600	$131,200	$196,800	$2,040,000	$24,480,000	$25,727,008
Cash on Credit	$0	$0	$16,400	$32,800	$49,200	$510,000	$6,120,000

7.1.2 Human Resources Forecast

At the beginning of business, we will employ one programmer and one consultant in first quarter. The programmer and the consultant are both working under a 3 months contract. The salary for one programmer is $3,500/mth and for consultant is $4,000/mth. Each of founders will get $2,000/mth as our salaries. Therefore, in the first quarter of 1998, there will be $40,500 for salary expense. In the second quarter of 1998, we will reduce a programmer salary, so that the total salary expense is $30,000.   The third quarter and the fourth quarter in 1998 will have the same salary expense as in second quarter.

Starting in 1999, we plan to develop our product to the USA market in next year -- 2000, so we will employ a full time programmer and a full time consultant to enhance our productivity. So, the salary expense will rise up to $162,000. In 2000, due to the expansion in USA markets, we will hire eight more programmers in year 2000 to help on our development. Besides, we will issue our upgrade version in 2001, so more programmers are needed. And our salary will increase $500 per each person. The total salary in 2000 will be $558,000. We will keep the number of employees in 2001 as well. So, the salary expense in 2001 will be the same as 2000.

Description	Ended First Quarter in 1998	Ended Second Quarter in 1998	Ended Third Quarter in 1998	Ended Fourth Quarter in 1998	Ended in 1999	Ended in 2000	Ended in 2001
Operating Expense							
Salaries Expense*	$40,500	$30,000	$30,000	$30,000	$162,000	$558,000	$558,000

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* **See appendix B for detail calculation for each year's salary figures.**

7.1.3   Marketing (Advertising and Research and Development) Forecast

In the first year 1998, we estimate we will spend $11,000 each quarter, total is 44,000 a year on advertising and selling expense. This includes fees for setting up Internet accounts and flyer publishing. We will publish about 1000 flyers to the school.

Since we plan to expand our product to USA market in year 2000, we will increase investment in promotion and marketing research in 1999. We will set aside 5% of the revenue and reinvest into the Research and Development program. (Notice that the expense for the Research and Development includes the money that we spend on hiring professional sales representatives. We will work out the estimate number and put this figure into a separate entry in our final version.) So, in 1999, the R&D expense will be $78000. Also, we will reinvest 15% of the revenue in our selling and advertising expense. Thus, the advertising and selling expense in 1999 is $230,000. We increase this expense to expand our Internet promotion and different media promotion.

In 2000, we will upgrade our product and sale it in 2001 and we continue to develop USA market. Thus, we will increase the R&D expense in year 2000. The R&D expense in year 2000 will be 10% of the revenue and around $1,881,000. We also increase our expense on advertising and selling which will be 15% of the total revenue and is around $ 2,281,500.

In 2001, we will reduce our R&D expense since we will not produce new version product. So our R&D in 2001 will be 5% of revenue which is $911,020. However, we have not decided our future trend after 2001. So, we will alter our investment on R&D in our final version. We think we will build up a well reputation in Canada by 2001 and have certain amount of loyal customers. So we can reduce the costs on advertising and selling a little on Canada market. We will spend approximately about 5% of revenue, which is $911,020 on advertising and selling expense.

Description	Ended First Quarter in 1998	Ended Second Quarter in 1998	Ended Third Quarter in 1998	Ended Fourth Quarter in 1998	Ended in 1999	Ended in 2000	Ended in 2001
Selling & Advertising Expense[*]	$11,000	$11,000	$11,000	$11,000	$235,125	$2,821,500	$911,021
Research & Development[*]	$0	$0	$0	$0	$78,375	$1,881,000	$911,021

7.1.4   Earning Forecast

As required from most investors, they expect to have 35% of earnings return from our business. We can see in our financial reports predict that in the end of year 2000, our cash balance will reach at $405,627 which is more than 35% of return at that point. Since USA is a huge market. We have a great increase in our earning once we open up USA market. By that time, we can pay off the debt to the investors, or the investors can acquire our company share and we will I issue the dividends to them. We estimate to issue the dividends at a price $20 per share in year 2000. And we estimate that investors will acquire about 2000 shares from our company. So, the dividend expense that we pay in year 2000 is $40,000.

We predict in year 2001, 1000 more of the share will be acquired by the public or investors. So the dividend expense in year 2001 will be $60,000. (Again, we will clarify our dividends, number of share to issue, and price of each share in our final version).

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[*] See appendix C for detail calculation for each year's selling and advertising expenses.
[*] See appendix C for detail calculation for each year's research and development.

Appendix A:

Sales Figures :

Years	Calculations
2nd Quarter in 1998	From School: (~5000 x 10%) = ~500 From Organizations: (~90,000 x 0.5%) = ~ 450 Total Sales = (500 x $75 + 450 X $100) = ~ $82,000
3rd Quarter in 1998	From School: (~5000 x 20%) = ~1000 From Organizations: (~90,000 x 1%) = ~ 900 Total Sales = (1000 x $75 + 900 X $100) = ~ $164,000
4th Quarter in 1998	From School: (~5000 x 20%) = ~1000 From Organizations: (~90,000 x 1.5%) = ~ 1,350 Total Sales = (1000 x $75 + 1350 X $100) = ~ $246,000
In 1999	From Canada: (~120,000 x 30%) = ~36000 Total Sales = ~ $2,550,000
In 2000	From Canada: (~120,000 x 10%) = ~12000 From USA: (~1,200,000 x 30%) = ~ 360,000 Total Sales = ~ $30,600,000
In 2001	From Canada: (~120,000 x 10%) = ~12000 From USA: (~1,200,000 x 20%) = ~ 240,000 From upgrade version : (400,000 x 70%) = ~280,000 Total Sales = ~ $32,128,000

Appendix B:

Human Resource Figure:

1st Quarter in 1998	Our Salary = $2,000/mth x 3 persons = $6,000 x 3 months = $18,000/quarter. Programmer Salary = $3,500/mth x 3 months = $10,500 /quarter. Consultant Salary = $4000/mth * 3 = $ 12,000 /quarter. Total Salary = $40,500
2nd Quarter in 1998	Our Salary = $2,000/mth x 3 persons = $6,000 x 3 months = $18,000/quarter. Consultant Salary = $4000/mth * 3 = $ 12,000 /quarter. Total Salary = $30,000
3rd Quarter in 1998	Our Salary = $2,000/mth x 3 persons = $6,000 x 3 months = $18,000/quarter. Consultant Salary = $4000/mth * 3 = $ 12,000 /quarter. Total Salary = $30,000
4th Quarter in 1998	Our Salary = $2,000/mth x 3 persons = $6,000 x 3 months =$18,000/quarter. Consultant Salary = $4000/mth * 3 = $ 12,000 /quarter. Total Salary = $30,000
In 1999	Our Salary = $2,000/mth x 3 persons = $6,000 x 12 months =$18,000/quarter. Programmer Salary = $3,500/mth x 12 months = $42,000 /quarter. Consultant Salary = $4000/mth * 12 = $ 48,000 /quarter. Total Salary = $162,000
In 2000	Our Salary = $2,500/mth x 3 persons = $7,500 x 12 months =$90,000/quarter. Programmer Salary = $3,500/mth x 10 persons x 12 months=$42,000/quarter. Consultant Salary = $4000/mth * 12 = $ 48,000 /quarter. Total Salary = $558,000
In 2001	Our Salary = $2,500/mth x 3 persons = $7,500 x 12 months =$90,000/quarter. Programmer Salary = $3,500/mth x 10 persons x 12 months=$42,000/quarter. Consultant Salary = $4000/mth * 12 = $ 48,000 /quarter. Total Salary = $558,000

Appendix C:

Advertising and Selling Expense:

1st Quarter in 1998	Cost of flyers = 1000 flyer x 10 / 100 pieces = $10,000 Internet advertising fees and other selling expense = $1,000 Total = $11,000
2nd Quarter in 1998	Cost of flyers = 1000 flyer x 10 / 100 pieces = $10,000 Internet advertising fees and other selling expense = $1,000 Total = $11,000
3rd Quarter in 1998	Cost of flyers = 1000 flyer x 10 / 100 pieces = $10,000 Internet advertising fees and other selling expense = $1,000 Total = $11,000
4th Quarter in 1998	Cost of flyers = 1000 flyer x 10 / 100 pieces = $10,000 Internet advertising fees and other selling expense = $1,000 Total = $11,000
In 1999	Advertising and Selling expense = The total revenue in 1999 x 15% = $1,600,000 x 15% = ~ 240,000
In 2000	Advertising and Selling expense = The total revenue in 2000 x 15% = $18,800,000 x 15% = ~ 2,820,000
In 2001	Advertising and Selling expense = The total revenue in 2001 x 5% = $18,200,000 x 5% = ~ 900,000

Research and Development:

In 2000	Research and Development = The total revenue in 2000 x 10% = $18,800,000 x 10% = ~ 1,880,000

In 2001	Research and Development = The total revenue in 2001 x 5% = $18,200,000 x 5% = ~ 900,000