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FINANCIAL MANAGEMENT FOR HIGH TECH COMPANIES

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SOFTWARE, INC

FINANCIAL PROJECTIONS 2002 -- 2007

BASIS OF PRESENTATION

The Company's principal operating objective is to dominate the object oriented programming market.

Revenues are projected to increase at a 64% rate annually, to $40 million in 2007, with earnings at 11%:

	2003	2004	2005	2006	2007
Revenues	5	9	14	25	40
Net income (loss)	.2	.3	1.1	1.9	4.4

To finance this growth the Company requires a $3 million financing in Q1 2003. This financing would enable the Company to develop a world-class Board of Directors, to strengthen the management team and to provide for:

- increases in sales staffing in North America;
- an expansion of the international distributor program;
- a strategic partner development program;
- increases in spending on marketing programs; and,
- the development staffing necessary to rewrite the product in C++ and to accelerate the introduction of additional product features.

After this financing the Company's cash balances in 2002 and 2003 will range between $3.4 and $4.0 million, which provides operating cushion. In addition, it may enable management to grow the business by acquiring companies with related technologies.

SUMMARY OF ASSUMPTIONS

The accompanying financial projections are based on a number of assumptions made by the management concerning future events and circumstances. The assumptions disclosed below are those which management considers to be significant to the preparation of its financial projections. Some assumptions, regardless of the amount of study or analysis, will not materialize, and unexpected events and circumstances may occur after the date of the financial projections. Thus, it should be expected that actual results will vary, to some degree, from the projected results and the variations could be material.

Operations 2002 -- 2007

1. The projections include actual results through July 2002, and are supported by monthly projections for the remainder of 2002, quarterly projections for 2003 and annual projections for 2004 - 2007.
2. Revenues will increase from $5.5 million in 2003 to $40 million in 2007, which represents a 64% annual growth rate.
3. The focus on service revenues (training, maintenance and consulting) will increase service revenues from 20% of total revenues in 2003 to 38% in 2007.
4. During the same period, spending on R&D will decrease from 20% of revenues to 16%, sales and marketing will remain at approximately 43%-49%, and G&A will reduce from 12% to 8%.

Operations 2003 Details

1. Sales rep productivity for 2003 is projected at 80% of quota ($1,000,000 of billings per rep per year), which compares to 85% for 2002.
2. Spending on controllable marketing programs increases from $.4 million in 2002 to $1.1 million in 2003.
3. The client services staff generates training and consulting revenues (at $1,000 per day) at 43% of available capacity.
4. The Company continues to charge maintenance at 15% of license fees.
5. Staffing increases from 48 in 2002 to 70 in 2003.
6. New hires are added at 6/quarter, with recruiting fees averaging $9,000 - $10,000 per new hire. Significant hires include: in Q1 2003 the business development manager; in Q2, a CFO; and, in Q4 the managing director for Pacific Rim sales. New hires are assumed to begin the first day of the quarter (overstates salary expense -- this provide for the cost of attrition, which is not accounted for separately).
7. Annual salaries (except sales staff) increase 4% in April 2003.
8. DSO increases to 50 days at December 2002. Management expects DSO to increase as international and service billings increase, and have increased DSO to 60 days in 2003.
9. Accounts payable are paid in 30 days, commissions in 60 days and profit sharing in the first month of the following quarter.
10. Interest expense for capital leases is provided at 20%, and interest income on deposits is earned at 2%.
11. Depreciation is calculated using the straight-line method over 3 years.
12. Federal income taxes are provided at 34% and state income taxes are provided at 9.5%. Management anticipates the $1.8 million of net operating loss carry-forwards at 2002 will be available to offset the Federal and state income tax provisions, and is reviewing this with its tax accountants. A change in ownership may limit the amount available for any year.
13. The Company is currently leasing 12,900 sq. ft. at $20/foot (gross), and expects to move in Q3 2003 to new offices (20,000 sq. ft. at $24/foot).

Investing 2003 -- 2007

1. Equipment purchases are projected at $.1 million in 2003, $.3 million in 2004, $.5 million in 2005, $.7 million in 2006 and $.9 million in 2007.

Financing 2003 -- 2007

1. In Q1 2003 the Company raises $3 million of equity financing; after $50,000 of legal expenses, $2.95 million is available to fund operating and financing cash flow requirements.
2. The Company anticipates financing approximately 30% of its equipment purchases with capital equipment lease financing in 2003 - 2007.
3. There are no provisions for bank loans, accounts receivable financing or additional loans from stockholders.

SIGNIFICANT RESULTS

Income Statement

1. Revenues increase from $5.5 million in 2003 to $40 million in 2007.
2. The Company is profitable every year.
3. The Company earns 18% pre tax in 2007 ($7.2 million on revenues of $40 million).

Cash Flow

1. Cash flows from operations are $(.1) million negative in 2003, $.3 million in 2004, and approximately $1 million, $1.7 million and $4 million in 2005, 2006 and 2007.
2. Equipment purchases total $.1 million in 2002, and increase $.2 million annually thereafter, to $.9 million in 2007.
3. During 2003 the Company's cash balances at the end of each quarter will average $3.3 million. This approximates 6 months of expenses in Q1 and 5 months of expenses in Q4.

Balance Sheet

1. At December 31, 2002,
    - accounts receivable, $1.4 million, represent 50 days billings;
    - working capital is $.4 million;
    - long term debt totals $.1 million; and,
    - equity totals $.6 million.
2. At December 31, 2003:
    - accounts receivable, $2.3 million, represent 60 days billings;
    - working capital is $3.6 million; and,
    - during 2003 equity has increased $3.2 million, to $3.8 million, reflecting the 2003 equity investment ($2.9, after legal costs) and profits of $.3 million.

SENSITIVITY

The projected December 31, 2002, cash balance of $.4 million is sensitive to a number of assumptions, such as the following:

1. a $.5 million shortfall in Q4 2002 revenues would reduce cash at December 31, 2002, $.2 million;
2. an increase in days sales outstanding from 50 days to 60 days would reduce cash $.3 million;
3. paying the profit sharing in December, rather than January, would further reduce cash $.1 million.

Under this set of assumptions cash at December 31, 2002, would be reduced $.6 million, and the Company would need additional equity or borrowings in order to have a positive cash balance.