



Software Developer

BUSINESS PLAN

DATA TECHNOLOGIES CORPORATION

1117 Huron St.
East Traverse, OH 31790

July 17, 1992

As one of the many new software developers in the United States, Data Technologies Corporation is trying to find and fill a niche immediately. DataTech has mapped out a strategy for creating a new product they hope will accomplish that goal. This plan is intended to persuade prospective investors and lenders that their financial support is deserved.

- REASONS FOR ADDITIONAL FUNDING
- BUSINESS OBJECTIVES
- ORGANIZATIONAL STRUCTURE
- PRODUCTS AND SERVICES
- EXECUTIVE SUMMARY OF PROJECT X
- WHAT IS THE PROJECT?
- IS THERE A MARKET FOR X?
- WHAT IS THE FUNDING REQUIREMENT?
- HOW WILL FUNDING BE OBTAINED?
- WHAT WILL PROJECT X DO FOR DATATECH?

REASONS FOR ADDITIONAL FUNDING

Data Technologies Corporation develops computer software and supplies related technical support to the business community. In order to market and expand its current product line, DataTech is seeking a capital infusion of \$200,000.

DataTech's orientation at the moment is toward marketing previously developed products. While interest has been high in DataTech's products locally, many of them are professionally specialized and aimed at a national market. To exploit these possibilities, trade shows and publications must be utilized at considerable expense to DataTech. Therefore, its management anticipates employing two-thirds of any funds received in marketing.

The second reason for requesting financial assistance is to adapt software specifically designed for one type of hardware to others. During the past several months, DataTech has been hired to custom design software for several companies for which it maintains the rights. Three of DataTech's key software programs could thus be re-oriented to run on a variety of computer systems. Insodoing, their accessibility as well as affordability will be considerably enhanced, particularly for small businesses owning name-brand micro-computer hardware. The cost of this form of product development is estimated to be \$75,000.

While DataTech is a new company, the management feels that \$200,000 is realistic not only in terms of need but also in view of managing debt obligations. Since its incorporation, DataTech has had reasonable sales of its



products as it released them to the marketplace. Product orders for the fourth quarter of 1986 are improving significantly. In the same quarter, the company will meet ninety percent of its operating expenses with income generated from its consulting activities.

DataTech's greatest attributes are a well-considered business plan, a strong desire to fully participate in advanced computer technology, and an experienced, enthusiastic staff. The management and employees are very encouraged by the amount of interest their products and services have generated in the respective business communities. The entire management team is confident that DataTech will be able not only to meet any debt obligations, but expand through its own resources within the next six months.

BUSINESS OBJECTIVES

DataTech's primary goal is to provide quality software products and related computer services to the business community. To achieve this goal, it offers the following services:

- Development of specialized application software for specific vertical markets or specific functions in a horizontal market.
- Software support for general business management, such as accounting, financial analysis, office administration, and decision support systems.
- Technical assistance to businesses as they apply advanced computer techniques to their operations.
- Development and support of custom-software on a contractual basis.

DataTech's major interest is in developing and marketing specialized application software. To this end, it has created two such products with strong market appeal. Utilizing these software packages as a foundation, DataTech intends to position itself as an industry leader in application software. The two products are as follows:

The Limousine Management System

As large sectors of the American society have become more affluent and leisure oriented, the limousine industry has grown tremendously throughout the country. DataTech has developed a comprehensive software to help such businesses become more efficient. In researching the industry, no similar product has been discovered. DataTech believes that it can become the leading software vendor nationally in this market.

Human Resource Planning System (HRPS)

Although there are many personnel software systems in use throughout the United States, few address the planning aspects of human resource management. DataTech recently developed a human resource software package for Burroughs Corporation that can assist the company in such areas as locating qualified employees to fill specialized positions, monitor the individual employee's work history and goals, and provide demographic data on the company's workforce in general. Burroughs and DataTech are now discussing the terms for adapting this for Sperry, Burrough's recent acquisition.

One of DataTech's major product development goals is to make this software compatible with a variety of hardware systems. Several major companies and health care providers have expressed interest in a "generic" version of the product when it becomes available. Most corporations with large hierarchies, very specialized personnel, or many employees are potential customers. The system is also ideal for university/college placement offices. It could be utilized to quickly connect students with employers based on education, special skills, pay requirements, etc. In addition, it could provide the educational institution with up-to-date information on student employment rates for academic planning purposes.

The solutions that this software tries to provide for human resource managers lend themselves very well to the techniques of a brand of artificial intelligence called expert system. Therefore, DataTech's major research and



development effort is to transform the software into an expert system. The funding requirement for this effort is about one million dollars. DataTech will attempt to secure most of the funding from venture capital sources. This effort has already begun and will be pursued aggressively through next year.

ORGANIZATIONAL STRUCTURE

DataTech was formed began operations on January 2, 1986. It started with three employees. By the fifth month, DataTech employed two part-time employees who contributed about 60 hours of work per week. Today, it has five full-time and two part-time employees. DataTech is in current need of a full-time marketing representative.

The five full-time employees are utilized in the following manner:

Marketing, client relations and consulting.....2 persons

Product development and support.....3 persons

Marketing, client relations and consulting 2 persons

Product development and support 3 persons

The part-time employees are utilized in the following manner:

Clerical duties and accounting.....1 person

Documentation for new products.....1 person

Clerical duties and accounting 1 person

Documentation for new products 1 person

Although DataTech is today a small company, it has developed a generic organization structure to set the foundation for a well organized team. As new employees are added over the next few years, the structure will become more apparent. This generic structure will be reviewed during the annual planning process. The current structure is as follows:

President and CEO

Vice President of Engineering

Vice President of Marketing

Controller

Executive Committee (President, VP - Engineering, VP - Marketing, Controller)

Strategic Planning

Financial Planning

Human Resource Planning

Product Management

Legal Affairs

Large Scale Contractual Jobs

Other committees will be formed as the need arises.

Personnel

Eventually, as personnel are added, DataTech will employ the following structure:

Vice President of Engineering (Executive)

Advanced Research

Product Development

Phase II Customer Support (Response to problems beyond Marketing ability)

Positions:



1. Research Scientist (Job level 23)
2. Senior Research Engineer (17,19)
3. Research Engineer (13,15)
4. Senior Software Engineer (11,13)
5. Software Engineer (7,9)
6. Assistant Software Engineer (5)
7. Co-Op (no level)

Managers will be appointed as the need arises.

Vice President of Marketing (Executive)

Advertising
Customer Support
Market Planning
Public Relations
Sales
Systems Consulting
Positions:

1. Project Manager (20,22)
2. Account Manager (18,20)
3. Systems Consultant (16,18)
4. Assistant Account Manager (16)
5. Senior Marketing Representative (14)
6. Senior Customer Support Rep (14)
7. Marketing Rep (10)
8. Customer Support Rep (10)
9. Assistant Marketing Rep (6)

Managers will be appointed as the need arises.

Controller (25)

Accounting
Budgeting
Corporate Policies
Financial Analysis
Personnel Administration
Office and General Administration
Positions:
Assistant Controller (20)
Accountant (12,14)
Administrative Assistant (5,7)
Secretary (1,3)

PRODUCTS AND SERVICES

DataTech sells business application systems and technical support to the business community. Systems presently available for sale as follows:



Lease Management System

DATALEASE is a software product designed for auto and equipment leasing companies. The software was developed exclusively by DataTech. It runs on MS-DOS systems (any computer compatible with the IBM-PC). It was completed in July, 1986. There is currently one company using the system, and five others have expressed interest in the product. DataTech plans to market it in Michigan and surrounding states.

Limousine Management System (Including Full Accounting)

DATALIMO is a software product designed for luxury limousine companies. The software was developed exclusively by DataTech. The software was completed in August, 1986. Currently, one company is using the system, and three others have expressed interest. DataTech plans to market it nationwide. Our research indicates that there is currently no such software being marketed in the U.S.

Job Cost System (Including Full Accounting)

The Job Cost System is a software product designed for the construction industry. Software was originally acquired from Information Analysis and Control, Inc. in Portland, Oregon. DataTech enhanced the product extensively. Our revisions were completed in August, 1986. One company is using the system, and four others have expressed interest in the product. DataTech plans to market it in Michigan and the midwest.

Commercial Lines Rating Software

The Commercial Lines Rating Software is a software product designed for insurance agencies. The software was developed by Capitol Computers Plus, Inc. DataTech and Capitol Plus entered into an agreement in August, 1986, allowing DataTech exclusive rights to sell and support the software in the United States. Capitol Plus will continue to develop other modules, including full accounting, commercial auto rating, client tracking, as well as personal, auto and homeowners lines, all to be fully integrated. When DataTech acquired the product, there were already five agencies using it. Three more were recently added. It runs on Unix operating systems (IBM-PC and clones). DataTech plans to market it in Michigan, the midwest and eastern seaboard area.

OTHER PRODUCTS AND SERVICES

DataTech provides contractual services to develop and support business application systems. One such contract is between DataTech and Burroughs Corporation. In July, DataTech completed the development of the Burroughs Human Resource Planning System, called HRPS. Currently there are seven sites within Burroughs, including a facility in Great Britain, that are using the system. By the summer of 1987, the system will be in use worldwide in most of Burroughs' facilities. DataTech and Burroughs are finalizing an agreement for DataTech to provide support directly to the end-users of HRPS.

DataTech owns the rights to the software. Currently, the software is being generalized to help medium- to large-sized companies in a variety of industries to utilize their personnel more efficiently. Two hospitals in San Francisco have already heard about the software and are interested in employing DataTech to customize it to their needs. DataTech is now trying to obtain contracts from these hospitals.

DataTech also serves as a dealer for several computer hardware and software companies, including the following:

- Burroughs Corporation (small business systems - hardware and software)
- Alpha Micro Corporation (full line of products)
- Parameter Driven Software (full line of software products)



- Sperry Computers (small business systems)
- MasterSoft (Sales Analysis Software)

DataTech provides consulting services to small- and medium-sized companies unfamiliar with or unsure about the application of computer technology to their business operations. DataTech staff will help firms review their needs and suggest DataTech technological companies that can offer compatible products.

OTHER PRODUCTS AND SERVICES

DataTech is currently researching and developing a prototype artificial intelligence software (EXPERT system) presently called X. X is an advanced progression of the employee resource planning system that was developed for Burroughs Corporation.

DataTech provides a computerized payroll service for companies that do not want to perform this function in-house.

HUMAN RESOURCE PLANNING SOFTWARE

The Human Resource Planning Software (HRPS) is designed to assist a corporation in locating qualified employees to fill specialized positions, monitor the individual employee's work history and goals, and provide demographic data on the company's workforce in general. HRPS is unique in its planning aspects for human resource management. It can be of use to human resource personnel in five broad areas.

Employee Development

The system stores, in abbreviated form, a development plan agreed upon by the manager and employee as a result of a career-related discussion. This record can be easily called up and reviewed at any time.

The development plan includes measurable action to be taken to correct weaknesses and reinforce strengths, and the dates by which these actions should be completed. The plan can be monitored throughout the year to assess employees' improved effectiveness on the job.

Career Management

HRPS provides space for the employee to express his or her career interests, for the manager to suggest the best next job(s) for the employee, and a rough date of position availability. These are stored in both text and coded form to allow for easy comparison of attributes between large numbers of personnel. When there is a job opening in another part of the company for which the employee is interested and qualified, the employee can be easily identified as a potential candidate. HRPS can help the manager prevent employee stagnation by allowing him or her to quickly locate a position that best serves the interest of the individual and the company.

For example, a standardized HRPS report could list such data as the names and titles of all employees who have had job changes in a given period, whether they have been inter- or intra-departmental, and whether they have been vertical or lateral moves.

As the years progress, one can determine at a glance whether career plans have been carried out by comparing previous years' job plans to the current year for a particular employee.

Succession Planning & Organizational Planning

HRPS can provide early identification and grooming of possible replacement candidates, which reduces the transition period associated with filling the positions of key managers and executives who leave or are reassigned.



HRPS can also help the human resource manager identify potential conflicts between the aggregate impact of individual career plans and overall corporate objectives. For example, while the individual career plans collectively call for 30 job moves in the next 12 months, the manager knows that there have traditionally been 16-18 job openings in that unit for any one year. Aware of his/her employees' expectations, the manager can more effectively deal with possible morale or attrition problems due to the shortage of promotions.

Broad organizational planning is also possible. One can determine whether a unit has the right mix of experience, training, and interests to meet the business needs of next year and beyond.

Candidate Selection for Specific Positions

HRPS has powerful search capabilities designed to allow a manager to find employees who meet virtually any criteria he/she determines. For example, the manager can ask for the names of employees who have the following characteristics:

... between level 9 and 11, presently performing either financial planning or analysis, have an interest in product pricing, whose managers suggest are ready for product pricing as a lateral broadening experience, and already live in the same geographical area where the opening exists.

... between 15 and 17, have a law degree, have been with the company for at least three years, have an interest in contract law, and are willing to relocate.

Once a candidate list is generated, a detailed print-out on each person can be produced. HRPS has fifteen standard reports providing a different subset of information on each candidate.

Management Reporting

The report function can be used for more than just candidate searches. It can provide general demographic information for a wide variety of management needs. For example, it can answer these questions and others:

- List of all employees who are in Field Support but work outside of Headquarters. Sort them according to geographic location.
- Of all supervisors above level 12 in Marketing, how many are minorities? How many are women?
- Among senior managers throughout the company, what are the three most often mentioned development needs?
- By level, show how many people have second level managerial responsibility. How many have first level managerial responsibility? Print their names and titles. Arrange them by Group.

This type of broad statistical data can be utilized in public relations material, hiring, interviews, and a host of other applications in addition to human resource planning.

HRPS is a flexible, easy-to-use tool for personnel planners. It provides current and specialized information for management as well as a simple method for employees to assess and plan their careers. Most importantly, however, HRPS allows both groups the opportunity to maximize efficiency and satisfaction.

EXECUTIVE SUMMARY OF PROJECT X

Introduction

The following material is a summary of DataTech's plans for a new expert system. As the current literature in computer technology suggests, an expert system is the newest and most exciting manifestation of the artificial intelligence phenomenon in computers. Basically, the system is structured to mimic the thought patterns and decisions of a human expert in a particular field. Because they depend on the user answering a set of questions,



such systems tend to be very user friendly. For management, the greater accessibility of rare, specialized knowledge could represent a tremendous boom to productivity. The market for these systems is thus growing tremendously.

In this summary, we will explain how DataTech can participate in this boom.

What is the Project?

DataTech's most promising and important task for now is to develop an expert system software called X. X is intended to serve as a human resource planning expert, providing advice to organizations with large human resource bases. X will be designed to run on microcomputer systems with the capabilities to share information within a network of mainframe and microcomputer systems. The specific brand of the microcomputer has not yet been selected. This decision will be made during the project planning phase.

How might X benefit a client organization? X's purpose is to provide the following services:

- maintenance of extensive employee profiles
- application of consistent career movement policies
- easy explanation of trends due to certain policies or occurrences
- instant identification of employees affected by particular circumstances
- keeping human resource managers alert to actions or practices that have caused problems in the past
- simulation of situations that could have profound implications for the long-term career plans of employees
- expansion of the knowledge base. X will be able to be updated on a continual basis, thus creating an expert that is abreast of the organization's ever-changing environment.

The following are two examples of questions that X will be able to answer:

Example 1

User's question:

What has been the general career path for employees who were hired over the past five years with M.S. degrees in computer science?

Response from X:

About half have stayed in Engineering taking on supervisory positions; the other half have been scattered in various positions with no specific pattern.

Alternate X:

I don't know; the question is too general for my response knowledge base. Since you seem to be interested in career paths, I will ask you questions to try and make your question specific.

X will then ask the user questions to which he may respond using answers such as YES, NO, PROBABLY, UNLIKELY, engage in a dialogue with the user just as a human expert would. By the end of the dialogue, X will have acquired sufficient information to be able to answer the user's original question.



Example 2

User's question:

How can I help an employee who has low productivity?

Response from X:

here are many ways depending on the specific circumstances; therefore, let us try to narrow the problem to specific performance situations. Please respond to the following questions:

Dialogue begins

X: I presume that there is a performance problem; would you agree?

User: Yes.

X: How long ago did you notice a performance problem?

User: About 6 months.

X: How was his/her performance before then?

User: Somewhat fair.

X: Was that satisfactory, in your judgement?

User: Not really.

X will continue to prompt the user, until the expert has acquired sufficient information to narrow the performance problem to a specific situation. It can then safely draw conclusions based on that definition.

In X, general or vague questions will normally trigger a dialogue. X will have a vocabulary of general words and phrases that will be used to initiate these exchanges. Each dialogue will have a synopsis to inform the user about the specific problem that X attempts to solve in that dialogue. There will be many help features available to guide the user from a seemingly vague situation to a specific one. For example, he/she will be able to review X's vocabulary of words, phrases, dialogues, or acceptable answers. One of the best features of X will be its ability to help the user solve a problem without overwhelming him/her in a technical manner.

IS THERE A MARKET FOR X?

Nearly every organization that has to concern itself with the careers of a large number of people is a potential user. Expert system technology is very new, and while its successful applications are well publicized, there are very few commercial ones. Most of these commercial systems involve financial ones. We currently know of no applications in human resource planning. Furthermore, it is safe to say that career management is one of the challenges intrinsic to nearly any organization with a substantial population base. The issue of fairness in an organization's procedures is a crucial aspect of the American work place. X can help an organization apply policies consistently and will quickly alert it to potential problems.

Most existing expert systems concentrate on offering advice that is essentially that of a human expert. X will do more. X will be able to monitor the career movement of people and track the effects of policies and practices on their careers. One of its most powerful features will be its ability to answer questions reasonably in



hypothetical scenarios. The typical organizational user will be able to use X for sophisticated "WHAT IF" situations against its human resource base. A tool of this power would, we believe, make human resource planners more efficient.

DataTech has already developed a microcomputer-based software system capable of monitoring the career movement of people. This software, called HRPS (Human Resource Planning System), is the starting point for X. All companies using HRPS and wanting to upgrade its system, would be potential users of X. By the time X is fully developed, HRPS will be employed by major companies, such as Burroughs, which will serve as first-wave users. This will help draw the second and third-wave users and allay any serious apprehension they may have about a new product of X's sophistication. During the next two years, the market will be ripe for expert systems such as X. In addition, our intention to run X on popular microcomputers will make it even more accessible, both literally and psychologically, to organizations and their leaders.

WHAT IS THE FUNDING REQUIREMENT?

It will cost from \$600,000 to \$900,000 to develop and market X. \$300,000 to \$450,000 will be earmarked for engineering and development. \$200,000 to \$350,000 is intended for marketing purposes. The remaining \$100,000 is to be set aside in a contingency fund. When DataTech is able to secure \$900,000, the first phase of X will be completed in eighteen months. The conceptual model has already been designed. The only features that would be missing from this phase would be those that pertain to the user's ability to access information in a sophisticated network environment. Those features would be part of the second phase. Given this funding level, both phases can be completed in two years.

If the required \$900,000 cannot be readily obtained, delays will be inevitable. A funds pool of \$600,000 would stretch the development period to a total of three years. Given the volatility of X's intended market and the economy as a whole, such a delay could significantly change X's profitability, albeit to an unknown degree.

How Will Funding Be Obtained?

As a small, very new company, DataTech has few available funding sources. There are essentially three financing alternatives that DataTech could utilize to fund the project. In the next few paragraphs, the benefits and problems associated with each concept are outlined.

Funding Alternative I:

DataTech could apply for a long term loan. The current shareholders would have to guarantee the loan. However, the internal shareholders, those who makeup the management of DataTech, do not have, individually or collectively, adequate financial strength to secure such a large sum. Only the outside shareholders could be considered for this amount of loan. In this case, these shareholders must be convinced that DataTech can insure the project's profitability. If the company did very well financially in its first year of operation, these shareholders might be persuaded to back the plan for X.

Funding Alternative II:

DataTech could seek venture capital. There are a number of venture capital sources that are interested in expert systems technology. The chances are good that DataTech could raise the needed capital for Project X. However, considering the revenue of the company in its first year of operation, its financial worth is far less than the capital needed for Project X. This means that a significant percentage of its ownership would have to be compromised to attract appropriate backers. Also, it is likely that the venture capitalists would want a strong voice in the management of the company. In all likelihood, DataTech would lose some of its independence. The advantage of this alternative over the first one is that the current shareholders would not have to underwrite a huge loan.



By approaching venture capitalists, the conceptual design of X would be divulged. There is always the risk of exposing a secret plan when one seeks venture capital. Capitalists usually insist that they be provided with a detailed plan of action. The risk here is that there are many software companies that could develop X if exposed to its development plans. Therefore, DataTech would have to be very selective if this alternative were pursued.

Funding Alternative III:

Using its special contacts, DataTech could solicit sponsorship from Burroughs Corporation for the development of X. If Burroughs were to back the project, it would want to get involved to the extent of understanding the engineering of X. That would put DataTech at a disadvantage in terms of it having exclusive technical knowledge of X. On the surface, it would seem that DataTech could protect its ideas by copyrighting the design of X. However, it would not, in practice, be easy to protect the system.

Burroughs-Sperry, the second largest computer manufacturer in the world, could easily redesign X by simply having cursory access to the concepts of X. Even if it were easy to copyright the design of X, it would not be adequate to protect the concepts of X from a company such as Burroughs. Therefore, approaching Burroughs could be a giveaway if it used its vast internal sources to develop an X-like system.

The success of this alternative weighs heavily on personal lobbying within Burroughs. Since Burroughs is the largest user of HRPS, it will likely view X as the logical, advanced progression from HRPS. Its competent personnel will quickly grasp the concepts of X and see its market value. Therefore, the probability of success for this alternative is high. The risk remains, however, that DataTech's ideas could become Burroughs'.

WHAT WILL X DO FOR DATATECH?

X could transform DataTech into a very successful advanced technology company. Many software houses are scrambling to grasp the new technological frontier of the expert system. Over the past few decades, computers have quickly permeated the American work place. Expert systems are the next phase of the computer revolution. They will raise the sophistication of computers to unbelievable heights. Some of these computers are available today. However, commercially they are not available at affordable rates to every company that wants one. Over the past few years, the technology has advanced dramatically. Within the next five years, most businesses are going to be shopping for expert systems with expertise in their lines of business. Today, the opportunity to become a powerhouse of commercial expert systems is excellent.

DataTech management has no doubt about its ability to develop an expert system. This statement should not suggest, however, that DataTech is in position to monopolize commercial expert systems development. In fact there are many, many software companies with the potential to develop expert systems. The crux of the matter is that searching for a practical application with strong market appeal is difficult. The fact that it has conceptualized a real application sets DataTech apart from other such firms. X is a very sound application that is saleable. It has a broad utility in business. It emanates from a product already developed. That product also runs on microcomputer systems as opposed to mainframe computers, which makes it broadly accessible. Therefore, X is not a pipe dream. It could be feasible within two years.

X could mean many good things for DataTech. Specifically, there are three that are salient. Foremost is, of course, financial success. Second is the national recognition, and third is the many byproducts and derivatives that could emerge from X.

Financial Success from X

The bottom line for pursuing X is that it be a financially profitable venture. The financial success of X will depend largely on the marketplace readiness for systems as sophisticated as X and the extent of competition. At this point in time, both conditions are very favorable to DataTech. It is not possible to associate precise dollar



figures with X at this point. By conservative estimates, however, DataTech could realize revenues on the order of tens of million dollars.

If this figure sounds unrealistic, one has only to go back in recent history and observe the software companies that were at the forefront of commercializing the new technology. Some specific examples are Ashton-Tate, MicroSoft Corp., and Lotus Development Corp.

Ashton-Tate was started in 1980 with \$7500 in capital to compete against the major software program houses in the country. The company offered discounts, fast delivery, strong customer support, and a toll-free number. Growth was marginal until the founder, George Tate, purchased what he perceived to be a revolutionary software package from NASA engineer who had developed it in his spare time. As a result, the engineer became a multi-millionaire and Ashton-Tate sold over 200,000 copies of the product called dBASE II within two years of its introduction. By 1985, annual sales reached \$121 million and the number of employees grew to 400. Only one year before, the company sold stock to the public and raised \$15 million. Tate himself sold 220,000 shares at that time, collecting \$3.1 million - and he still owned 34 percent of the company, worth about \$100 million.

MicroSoft Corporation was organized in 1975 because its founders saw a great opportunity in adapting the computer language BASIC for use in microcomputers. As the personal computer industry exploded, MicroSoft emerged from the pack as a pacesetter in the development of standardized software that makes hardware more accessible to users. The signal event for the company was its selection by IBM to develop the operating system for its new personal computer due in August 1981. The resulting product, MS-DOS (MicroSoft-Disk Operating System), has since been established as the dominant operating system in the microcomputer industry. Sales for 1984 hit \$100 million and the number of employees grew to 600 with offices in Europe and Asia.

Mitch Kapor, founder of Lotus Development Corp., correctly presumed that the 16-bit processor PC introduced by IBM in 1981 was the wave of the future and that software geared to the 16-bit processor would provide the company an incalculable lead over potential competition. The project required significant funding and he was able to raise \$4.7 million from a group of investors. Most of this capital was used in a major advertising blitz for this single product. The product, Lotus 1-2-3, was introduced in 1982 and within six months sold 60,000 copies. Eighteen months after Lotus was founded, Kapor received \$5.4 million in a public stock offering and the venture capitalists saw their \$4.7 million investment mushroom to \$226 million.

National Recognition from X

X could easily bring national recognition to DataTech. Considering the intense national interest in expert systems technology and the fact that its so new, any appreciable success in the field, particularly commercially, is bound to get national attention. For DataTech, national attention would mean three things: increased business activity, easy access to more investment capital, and substantial contractual work from major, reputable firms. This would be a unique opportunity.

X has been presented to have a database of employee profiles and a knowledge base of a human resource expert. It has the potential to be adapted to a multitude of uses, however. If, for example, X had police records and a criminal expert was substituted for the human resources expert, X could be used to help law enforcement agencies fight crime. Using the same kind of substitution, an X-like system could be built as a product specialist with an extensive knowledge base on a company's various products.

Once X is developed, it will be easy to generate byproducts or derivatives of it. The technical structures will be well in place. This will make DataTech prolific in the development of advanced software systems for business.



BALANCE SHEET

January-August 1986

Revenue	\$87,662
Cost of Goods	(\$35,278)
Gross Profits	\$52,384
Operating Costs	
Selling Expenses	(\$13,324)
Gen & Admin	(\$106,586)
Total Operating Costs	(\$119,910)
Net Profit	(\$67,526)

January-August 1986

Revenue	\$87,662
Cost of Goods	(\$35,278)
Gross Profits	\$52,384
Operating Costs	
Selling Expenses	(\$13,324)
Gen & Admin	(\$106,586)
Total Operating Costs	(\$119,910)
Net Profit	(\$67,526)

PROFIT/LOSS STATEMENT

ASSETS

Current Assets

Cash	\$9,378
Accounts Receivable	\$12,779

Total Current Assets \$22,168

Fixed Assets

Furniture & Fixtures	
Deprec-Furn & Fix	
Computer Equipment	
Deprec-Comp Equip	
Office Equipment	
Deprec-Office Equipment	\$00000

Total Assets \$22,168

LIABILITIES

Current Liabilities

Current Payable	\$19,629
Payroll Taxes	\$2,144
Fed Tax Payable	
State Tax Payable	\$271
Local Tax Payable	
Other Current Liabilities	\$2,000

Long Term Liabilities \$15,650

Total Liabilities \$39,694

ASSETS

Current Assets

Cash	\$9,378
Accounts Receivable	\$12,779
Total Current Assets	\$22,168

Fixed Assets

Furniture & Fixtures



Deprec-Furn & Fix	
Computer Equipment	
Deprec-Comp Equip	
Office Equipment	
Deprec-Office Equipment	\$00000
Total Assets	\$22,168
LIABILITIES	
Current Liabilities	
Current Payable	\$19,629
Payroll Taxes	\$2,144
Fed Tax Payable	
State Tax Payable	\$271
Local Tax Payable	
Other Current Liabilities	\$2,000
Long Term Liabilities	\$15,650
Total Liabilities	\$39,694