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**Business Plan Highlights:**

- ◆ Premier provider of remote video surveillance, utilizing digital technology
- ◆ Exploits heightened public sensitivity to existing security vulnerabilities
- ◆ Targets U.S. demand of \$13B, by 2010, and worldwide demand of \$28B
- ◆ Highly seasoned management team, supported by top advisors & staff

## Remote Systems, Inc.

*Premier Provider of Digital Security Surveillance  
For The U.S. Private and Public Sectors*

Seeks Investor Contributions  
In The Amount Of

**\$10,000,000**

January 1, 2006

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Remote Systems, Inc.

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# Executive Summary

*Tragic events in the U.S., and elsewhere, have heightened global awareness of the need for early-warning security systems to deal with foreign terrorism, domestic crime and natural disasters. This pandemic need has given rise to a global security industry, totaling \$185 billion, with one-third of this demand generated in the U.S. Contracted security guards account for 40% of all service expenditures, but this is prohibitively expensive for small businesses or individuals seeking round-the-clock security coverage. While most security monitoring services rely on analog-based, closed circuit TV, this solution has become a legacy system, in the face of new digital products and IP technology, capable of capturing, communicating and evaluating a wide array of sensory signals, emanating from anywhere in the world. Remote Systems intends to exploit the intersection of these exploding markets, by providing the private and public sectors state-of-the-art, remote surveillance that is interactive, economical, comprehensive and scalable. In 2006, the projected U.S. demand for digital video surveillance is \$2.2 billion, but by 2010, this figure will reach \$13.1 billion, reflecting annual growth of 55%. Keys to success include establishing commercial presence, optimizing operating processes, marketing company offerings and promoting research & development. The company is led by seasoned experts and will be supported by an array of top-caliber advisors.*

**Company.** Remote Systems, Inc., will be the premier provider of remote, digital video surveillance, for businesses, residences, and public agencies, in the U.S. It will be a North Carolina C corporation, with headquarters and principal operating facilities, located in Raleigh, NC, within the famed Research Triangle Park.

**Services and Products.** The company will provide remote surveillance of private and public premises, utilizing existing digital and IP technology, in conjunction with high-speed cable and phone connections. It offers video & GPS monitoring subscriptions, security consulting services and equipment sales & installation.

**Market.** Within the \$66 billion U.S. security industry, digital video surveillance represents the fastest growing sector, with an average annual growth rate of 55%. In 2006, the U.S. market for the types of surveillance services that Remote offers will be \$2.3 billion — by 2010, this figure is anticipated to reach \$13.1 billion.

**Industry.** Existing providers of remote surveillance cater to high-end corporate clients or focus on niche security products, but by offering a wide selection of affordable service plans and digital equipment to a broad base of businesses, homeowners and public agencies, Remote plans to quickly dominate competition.

**Strategy.** Strategies for success include: establishing commercial capacity, by July 1, 2006; optimizing key operating processes to assure net profitability and customer satisfaction; conducting effective marketing to maximize company revenues; and promoting robust research and development to assure long-term growth.

**Implementation.** The operating plan will utilize a six-month pre-operating period to finalize software development and establish a commercial capacity, capable of serving a broad range of clients, nationwide. The marketing plan will rely upon multi-channel advertising and major strategic alliances to generate revenues.

**Management.** The company will be led by its founder — a seasoned security industry executive and prior deputy sheriff for San Diego County. He will be supported by a high-caliber management team, well-chosen Board of Advisors, network of strategic supply partners, and a well-qualified staff of top security experts.

**Risk Assessment.** Remote is poised to exploit the tremendous private and public sector demand that exists, in the U.S. and worldwide, for affordable, remote surveillance that utilizes digital technology. Key success factors, along with critical risk factors, have been evaluated — business success is highly achievable.

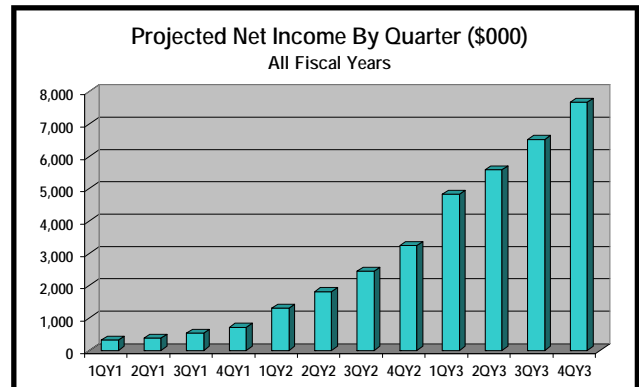
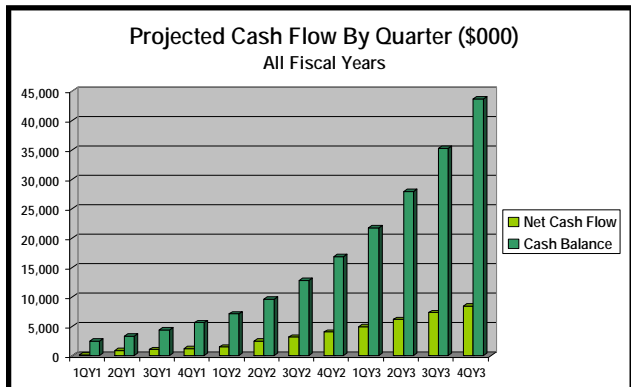
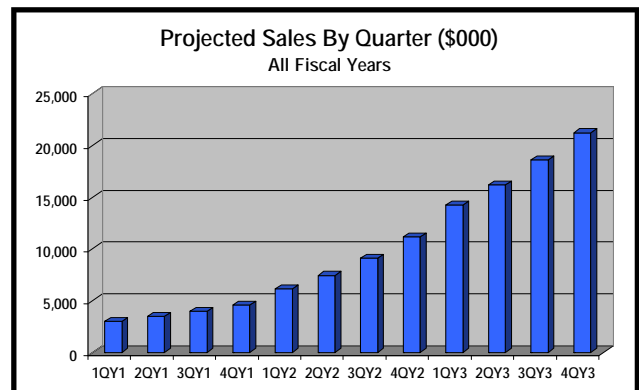
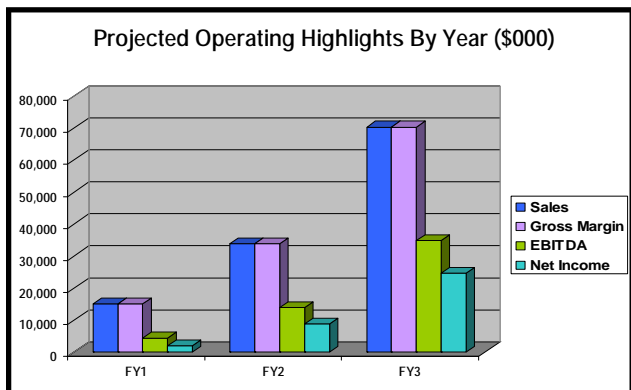
# Financial Summary

Remote Systems, Inc., is seeking investor contributions, totaling \$10,000,000 by January 1, 2006. This cash infusion will result in dramatic revenue and income growth over the 3-year planning period and position the company for global expansion, as an industry leader in remote surveillance.

**Capitalization Plan.** Remote proposes to pursue its strategic objectives, by obtaining investor contributions, totaling \$10,000,000, by January 1, 2006. These funds will be used to supplement working capital sources, totaling \$520K, including accounts payable additions of \$971K, less net operating losses of \$451K, and to cover capital expenditures requirements, totaling \$8,720K, relating to property, plant & equipment and pre-operating costs classified as deferred charges, and will also be used to create cash reserves of \$1,800K.

**Projected Operating Results.** Forecasted sales are projected to increase, from \$15 million in FY1, to \$70 million in FY3. Projected net income for FY1 is \$1.9 million, increasing to \$25 million, in FY3. The projected minimum cash balance is \$1.9 million, occurring in Month 1, and the FY3 ending cash balance is \$44 million.

Projected Operating Highlights (\$000)																
Start-Up: 7/1/06	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY1	FY2	FY3	
Sales	973	1,018	1,017	1,114	1,167	1,183	1,278	1,339	1,352	1,467	1,537	1,576	15,021	33,873	70,334	
Gross Margin	973	1,018	1,017	1,114	1,167	1,183	1,278	1,339	1,352	1,467	1,537	1,576	15,021	33,873	70,334	
Operating Expenses	687	703	754	821	843	847	919	948	952	1,034	1,067	1,084	10,659	19,997	35,472	
EBITDA	286	315	263	293	324	336	359	391	400	433	470	492	4,362	13,876	34,862	
Income Before Taxes	139	168	116	146	177	190	212	244	253	286	323	347	2,601	11,765	32,845	
Net Income	104	126	87	109	133	142	159	183	190	214	242	260	1,949	8,823	24,633	
Percentages:																
Gross Margin/Sales	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
EBITDA/Sales	29%	31%	26%	26%	28%	28%	28%	29%	30%	30%	31%	31%	29%	41%	50%	
Net Income/Sales	11%	12%	9%	10%	11%	12%	12%	14%	14%	15%	16%	16%	13%	26%	35%	
Net Cash Flow	(430)	289	262	297	299	291	344	355	335	406	418	416	3,282	11,225	26,863	
Cash Balance - Ending	1,921	2,210	2,472	2,769	3,068	3,359	3,703	4,058	4,393	4,799	5,217	5,633	5,633	16,858	43,721	



# Company

*Remote Systems, Inc., will be the premier provider of remote video surveillance, for businesses, residences, and public agencies, in the U.S. It will be a North Carolina C corporation, with headquarters and operating facilities, located in Raleigh, NC, within the famed Research Triangle Park.*

**Mission-Vision.** The company's three-year mission is to become the premier U.S. provider of digital-based, remote surveillance for the private and public sectors. By melding existing technology, with proprietary software, designed to detect local changes in video, audio and other sensory input, and then communicate these changes to remote, monitoring locations for security evaluation, Remote Systems will provide low-cost, round-the-clock protection against a wide range of human and other physical threats affecting businesses, residences and public premises. The long-term vision is to leverage inaugural success in the U.S., by offering remote monitoring services, security consulting and digital equipment to consumers, worldwide.

**Business Opportunity.** Tragic events in the U.S., and elsewhere, have sharpened global awareness of the need for early-warning security systems to deal with foreign terrorism, domestic crime and natural disasters. Pandemic need for greater scrutiny of our environments has given rise to a global security industry, totaling \$185 billion, with one-third of this demand generated in the U.S.<sup>1</sup> Contracted security guards account for 40% of all service expenditures,<sup>2</sup> but this is a prohibitively expensive solution for businesses or individuals seeking omni-present security coverage — moreover, the analog-based, closed circuit TV products that form the backbone of most onsite or remote monitoring services have become legacy systems, in the face of new digital products and IP technology, capable of capturing, communicating and evaluating a wide array of sensory signals, emanating from anywhere in the world.<sup>3</sup> Remote Systems intends to exploit the intersection of these exploding markets, by providing private and public sector consumers with state-of-the-art security monitoring that is economical, comprehensive and scalable. In 2006, the projected U.S. demand for digital video surveillance is \$2.2 billion — by 2010, this figure is expected to reach \$13.1 billion, reflecting annual growth of 55%.<sup>4</sup> Existing providers cater to high-end corporate clients or focus on niche security products, but by offering a wide selection of highly affordable service plans and digital equipment, to a broad base of businesses, homeowners and public agencies, Remote intends to quickly dominate competition. Keys to success include establishing commercial presence, optimizing key operating processes, effectively marketing company offerings, and promoting robust research & development of new services and markets. To achieve its goals, Remote Systems is seeking \$10,000,000 in investor contributions, by January 1, 2006.

**Legal Entity and Ownership.** The company intends to incorporate in North Carolina, as a C corporation, under the name, Remote Systems, Inc., doing business as Remote Systems. Its founder, Mr. Ralph Player, holds 100% ownership interest and will actively manage company operations.

**History.** Mr. Player possesses 15 years of security industry experience, involving executive-level responsibility in a security management firm and street-level experience, as a sworn police officer. His financial advisor, Mr. James Miller, is an experienced intermediary and will act as a business development consultant. Substantial preliminary activities that have already occurred, include feasibility studies, strategic planning, market research and key consultant retention.

**Location and Facilities.** Remote intends to locate its headquarters and principal Video Monitoring Center, in Raleigh, NC, within the Research Triangle Park. This unique research and development community is home to some of the most cutting-edge, technological companies in the world.

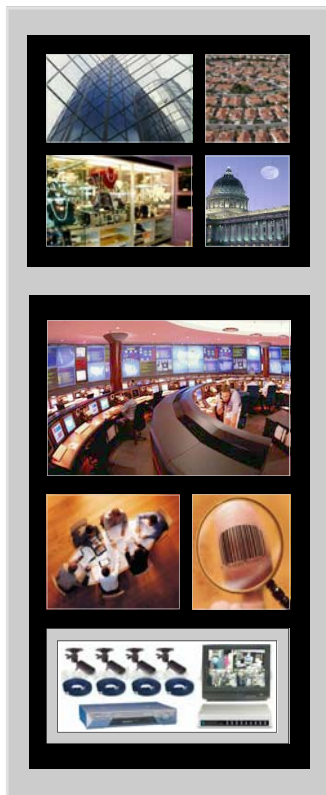
Financial History			
Inception To Business Plan Start-Up			
	Actual 2004	YTD Actual 08/31/05	Forecasted 12/31/05
<b>ASSETS:</b>			
Cash			100,000
Accounts Receivable			
Inventory			
Other Assets			
Property, Plant & Equipment	1,500	2,500	2,800
Deferred Charges	1,350	9,300	48,800
Less: Depreciation & Amort.			
<b>Total Assets</b>	<b>2,850</b>	<b>11,800</b>	<b>151,600</b>
<b>LIABILITIES:</b>			
Accounts Payable			
Other Current Liabilities			
Short-Term Notes Payable			
Long-Term Notes Payable			100,000
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>100,000</b>
<b>EQUITY:</b>			
Paid-In Capital	2,850	11,800	51,600
Retained Earnings		0	0
<b>Total Equity</b>	<b>2,850</b>	<b>11,800</b>	<b>51,600</b>
<b>Total Liabilities &amp; Equity</b>	<b>2,850</b>	<b>11,800</b>	<b>151,600</b>

# Services and Products

The company will provide remote surveillance of private and public premises, utilizing existing digital and IP technology, in conjunction with high-speed cable and phone connections. It offers video and GPS monitoring subscriptions, security consulting services and equipment sales & installation.



**Business Summary.** Remote Systems will be the premier provider of remote surveillance, in the U.S., and around the world. Utilizing digital technology and equipment, in conjunction with cable or telephone connections, the company will provide interactive, remote surveillance of business, residential and government premises. Round-the-clock security evaluations of video, audio, motion, temperature or other digital sensory input will be performed, which are then communicated to end clients or to emergency responders. In addition to protective services, involving remote monitoring & GPS tracking, Remote will offer security consulting services, and coordinate digital equipment sales and installation. Revenues will derive from monthly monitoring subscriptions, consulting fees, and vendor referral fees on digital equipment sales & installation.



## DIGITAL VIDEO SURVEILLANCE

July 1, 2006

Following 6 months of refinement, Remote will offer remote digital video surveillance, for private and public sector clients, nationwide, utilizing onsite digital equipment, IP technology, and high-speed cable or telephone connections:

- ◆ *Business:* Any size firm, retail or industrial, internal or external premises.
- ◆ *Residential:* Single detached or multi-unit, individual or gated complexes.
- ◆ *Government:* Homeland Security risks, public buildings, airports, schools.

## Monitoring Subscriptions

- ◆ *Remote Surveillance:* 3 levels of video surveillance & interactive audio communication.
- ◆ *GPS Tracking:* Satellite tracking of business assets, personal property, individuals or pets.

## Consulting Services

The company will also offer a wide range of security consulting services — clients can opt for an annual Flex Plan or for project-based support.

## Equipment Sales & Installation

Leveraging a network of strategic alliances, Nio-dex will earn referral fees on sales of digital cameras, DVRs, servers and any related installation.

### AVG. UNIT REVENUE

#### Monthly Subscriptions

Surveillance: \$59-249

GPS Tracking: \$19

#### Consulting Fees

Flex Plan: \$13K/Yr.

Projects: \$55K/Project

#### Vendor Referrals

Video Equip: \$400/Unit

GPS Equip: \$100/Unit

**Competitive Comparison.** Existing competitors cater to high-end corporate clients, rely on legacy systems, or focus on product sales — Remote will merge proprietary software with high-end technology, to provide a full range of protective service and security consultancy solutions to the entire spectrum of feasible clients.

**Sourcing and Fulfillment.** Remote will establish an industry benchmark for operating excellence, by relying on the finest security technology experts available and by forging a network of strategic supply alliances.

**Future Development.** The company will promote robust development of new services, products and markets, on an international scale. The same technological capabilities that allow Remote to provide digital remote surveillance of U.S. facilities or installations can be applied to a host of similar applications, worldwide.

# Market

Within the \$66 billion U.S. security industry, digital video surveillance represents the fastest growing sector, with average annual growth of 55%. In 2006, the U.S. market for the types of services that Remote offers will be \$2.3 billion — by 2010, this figure is anticipated to reach \$13.1 billion.

**General Analysis.** Global expenditures, to combat an expanding kaleidoscope of human and natural security threats, is projected to reach \$185 billion, in 2006, including \$120 billion on security services and \$65 billion on security products. U.S. private and public sectors will account for \$66 billion in expenditures, or approximately one-third of world demand.<sup>5</sup> Remote video surveillance is the fastest growing sector of the security industry,<sup>6</sup> but within this sector, a huge migration is underway, from legacy systems, which rely on analog-based, closed circuit TV monitoring, to digital-based systems that rely on IP networking technology.

## Market Segmentation and Target Market Needs.

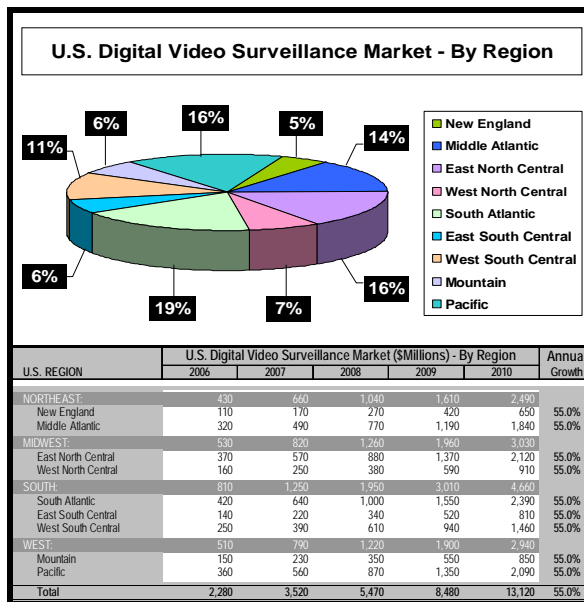
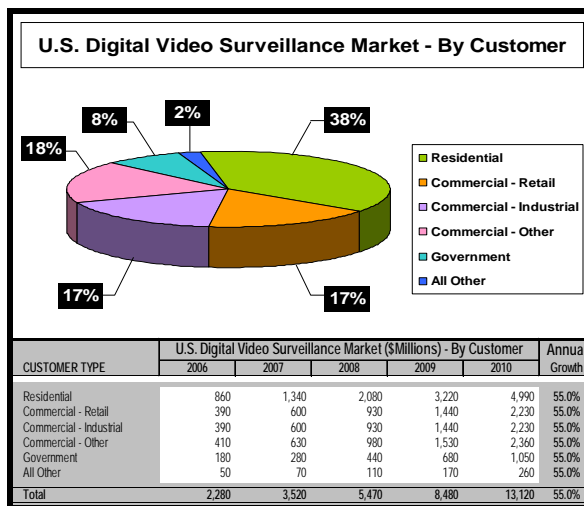
Remote will initially target U.S. private and public sector markets for remote digital video surveillance, but will then expand coverage to high-demand markets, worldwide.

*Digital Video Surveillance Market - By Customer:* By 2003, the global demand for digital video surveillance had expanded to \$1.3 billion, and was projected to reach \$7.4 billion, by 2007, reflecting an average annual growth rate of 55%.<sup>7</sup> Applying interpolation and extrapolation of these figures, and utilizing the fact that the U.S. represents 47% of global demand, suggests that U.S. demand for digital video surveillance will be \$2.3 billion, in 2006, reaching \$13.1 billion, by 2010. This broadly defined market is comprised of three major categories of customers: **Commercial** (52%), **Residential** (38%), and **Government & Other** (10%).<sup>8</sup>

*Digital Video Surveillance Market - By U.S. Region:* This broad national market can be segmented, across 9 distinct regions,<sup>9</sup> defined by the U.S. Census Bureau, as follows — **South Atlantic** (19%), **Pacific** (16%), **East North Central** (16%), **Middle Atlantic** (14%), **West South Central** (11%) & **4 Other Regions** (24%).

*Market Drivers.* Business sector demand will be fueled, by replacement of private, contracted security guards, which currently represent 40% of all U.S. security service expenditures, with remote, digital surveillance solutions.<sup>10</sup> Families and individuals, concerned with residential safety, will support a projected increase in market penetration of home IP networking, from 18% to 31%, by 2009.<sup>11</sup> Public sector demand will be driven by pervasive and well-publicized Homeland Security needs and by the fact that a growing number of U.S. municipalities, with rapidly dwindling resources, are now legislatively mandating third party confirmation of potential threats, prior to live emergency responses.<sup>12</sup>

**Market Growth and Trends.** The phenomenal growth of public and private sector reliance on remote, digital-based surveillance is not restricted to the U.S. — the projected global demand for these services is projected to be \$28 billion, by 2010.<sup>13</sup> Visionaries that can satisfy this pandemic demand are poised to succeed.



*Existing providers cater to high-end corporate clients or focus on niche security products, but by offering a wide selection of highly affordable service plans and digital equipment, to a broad base of businesses, homeowners and public agencies, Remote intends to quickly dominate competition.*

**General Characteristics.** In 2002, an estimated 23,000 investigative and security service firms were employed in the U.S., generating \$31.2 billion in revenues<sup>14</sup> — about 40% of these expenditures were related to the hiring or contracting of physical security guards, with remaining costs spread among a host of investigative and security services. By 2006, the U.S. security services industry is projected to expand to \$43 billion, with approximately \$15 billion related to security system services,<sup>15</sup> including firms that offer fire or other alarm systems, and a growing number of techno-centric providers that offer electronic remote monitoring.

**Emerging Trends.** Following the tragic events of 9/11, the U.S. security industry has enjoyed tremendous impetus, from the Homeland Security Act of 2002,<sup>16</sup> state and municipal legislative changes, and heightened public awareness of vulnerabilities that affect businesses, consumers and governments. Greater reliance on technology, particularly involving digital and networking solutions, has created a high-demand environment.

KEY COMPETITORS	CATEGORY STRENGTHS	CATEGORY WEAKNESSES
<p><u>REMOTE SURVEILLANCE</u></p> <p><i>Many dozens of providers, ranging from large to small:</i></p> <p><b>ADT Security Services</b> Boca Raton, FL</p> <p><b>Westec Interactive</b> Irvine, CA</p> <p><b>Protection One, Inc.</b> Lawrence, KS</p> <p><b>Monitronics International</b> Dallas, TX</p>	<ul style="list-style-type: none"> <li>• Offers economic alternative to use of on-site security guards.</li> <li>• 8 million customers, with 200 offices; wide range of services.</li> <li>• Pioneer in interactive security and video remote monitoring.</li> <li>• Specialist in firm alarm monitoring, with 1 million customers.</li> <li>• 4th largest security alarm company in U.S.; 500,00 customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Many firms limited to alarm monitoring or legacy CCTV.</li> <li>• Focus on alarms and access controls, not video monitoring.</li> <li>• Focus on high-end corporate clients, not smaller end users.</li> <li>• Little active presence, in field of remote video surveillance.</li> <li>• 2-way interactive audio, but little or no use of remote video.</li> </ul>
<p><u>GPS MONITORING</u></p> <p><i>Rapidly growing industry, with hundreds of product providers:</i></p> <p><b>Security Intelligence Tech.</b> <b>Advanced Tracking Tech.</b></p>	<ul style="list-style-type: none"> <li>• Allows tracking of key assets, individuals or pets, via satellite.</li> <li>• Offers turnkey home business.</li> <li>• Offers vehicle tracking products.</li> </ul>	<ul style="list-style-type: none"> <li>• Very few third party monitoring services; focus is on products.</li> <li>• Not a remote surveillance firm.</li> <li>• No monitoring services offered.</li> </ul>
<p><u>SECURITY CONSULTING</u></p> <p><i>Highly fragmented industry, with thousands of participants:</i></p> <p><b>ICF Consulting</b> <b>Maven Security Consulting</b></p>	<ul style="list-style-type: none"> <li>• Many niche providers, with specialized expertise and focus.</li> <li>• Specialty: Homeland Security.</li> <li>• Specialty: web applications.</li> </ul>	<ul style="list-style-type: none"> <li>• Usually limited to narrow field, not a full spectrum of services.</li> <li>• Advisors; no real surveillance.</li> <li>• Limited to web vulnerabilities.</li> </ul>

**Competitive Edge.** Existing providers of remote surveillance generally target high-end corporate or other deep-pocket clients — many continue to rely on analog-based, legacy systems or limit themselves to the sale of niche products. Remote will dominate competition, by offering a wide selection of highly affordable service plans and the latest equipment, to a broad base of businesses, homeowners and public agencies.

# Strategy

*Strategies for success include: establishing commercial capacity, by July 1, 2006; optimizing operating processes to assure net profitability and customer satisfaction; conducting effective marketing to maximize revenues; and promoting robust research & development to assure growth.*

**Strategic Objectives.** The company's three-year mission is to become the premier U.S. provider of digital-based, remote surveillance for the private and public sectors. Strategies for success include: (1) completing pre-operating tasks, necessary to establish full commercial capacity, by July 1, 2006; (2) optimizing key operating processes, to assure customer satisfaction and net profitability; (3) aggressively marketing company offerings, to exploit competitive edge and maximize company revenues; and (4) promoting robust research and development of new services and expanded markets, to position for long-term business growth.

- **Establish Commercial Capacity:** Commercial presence will be established, by completing six months of pre-operating tasks, designed to effectively implement the company's business model. Critical steps include: (a) finalizing early-stage preparatory efforts, involving feasibility studies, strategic planning, key management selection, consultant retention and entity formation; (b) hiring software engineers to develop proprietary software that can utilize digital and IP network technology, along with high-speed cable and telephone connections, to permit remote security evaluations of video, audio, motion, temperature or other digital sensory input; (c) licensing call center software, to create two-way, interactive voice communication with end clients; (d) negotiating and moving into suitable commercial space, located in Raleigh, NC, in or near the Research Triangle Park; (e) hiring and training personnel, acquiring necessary data servers, purchasing and installing furniture, fixtures and equipment, and completing all other infrastructure, necessary to establish a state-of-the-art Video Monitoring Center; (f) developing early marketing initiatives and forging critical strategic alliances across the supply chain; and (g) completing all other tasks, necessary to assure full commercial operations, by July 1, 2006.
- **Optimize Operating Processes:** Customer satisfaction and profitability will be assured, by optimizing key operating processes. This will involve: (a) minimizing labor costs, by maximizing the number of cameras that a technician can effectively monitor; (b) outsourcing equipment sales and installation to reputable vendors or contractors, utilizing drop shipments to eliminate warehousing, and conducting follow-on surveys to assure client satisfaction; (c) confirming that camera set-ups protect individual rights of privacy; and (d) performing periodic evaluations, to promote continual quality improvement.
- **Conduct Effective Marketing:** Revenues will be maximized, by effectively marketing the company's offerings and competitive advantages. Steps will include: (a) retaining a publicist, to conduct a nationwide, multi-channel marketing campaign, involving TV, radio, print and web-based advertising; and (b) forging strategic alliances with businesses, homeowners, police associations and local political groups.
- **Promote Research & Development:** Long-term success will depend upon robust research and development that is focused on: (a) enlarging monitoring services, to including in-transit freight surveillance and other high-value applications; (b) exploiting cross-marketing or other synergistic business opportunities; and (c) expanding remote surveillance services, from the U.S., to other key markets, worldwide.

MEASURES OF SUCCESS				
TIME HORIZON	Establish Commercial Capacity	Optimize Operating Processes	Conduct Effective Marketing	Research & Develop Services and Markets
Short-Term FY1	Implement Model Full Operations 7/1/06	Define Processes Net Income = \$2M	Multi-Channel Campaign Sales = \$15M	N. American Markets Enlarge Services
Long-Term FY3	Add Monitoring Centers Global Network	Quality Improvement Net Income = \$25M	Strategic Alliances Sales = \$70M	Business Opportunities Worldwide Expansion



# Management

The company will be led by its founder — a seasoned security industry executive and prior deputy sheriff for San Diego County. He will be supported by a top-caliber management team, well-chosen Board of Advisors, a network of strategic supply partners and a staff of security experts.

**Management Team.** Key positions include President & CEO, which is filled, and 5 other management positions, which remain unfilled — CTO; CFO; VP, Sales & Marketing; Director, Consulting; Director, Administration & HR. This team will be supported by a Board of Advisors, outsourcing partners and well qualified staff.

## Ralph Player

*Founder, President and Chief Executive Officer, Remote Systems, Inc.*

Over 15 years of executive management and public service experience, including 10 years in the security industry and 5 years as a deputy sheriff and police officer. Seasoned manager, with experience in central bank vault operations, corporate video monitoring, private security, and camera operations design. Holds B.A. degree, Criminology, UCLA.

**Board of Advisors.** The company will maintain a Board of Advisors, comprised of senior executives, drawn from a cross-section of relevant industries in the private and public sectors. Initial advisors will include:

- **Business Development Consultant — James Miller:** Over 20 years experience, in corporate finance, corporate development and investment banking, involving public and private companies, worldwide.
- **Technical Advisor — Barry Technical:** Formerly, CEO of Digital Surveillance, a pioneering firm in the fields of interactive security and remote video surveillance, catering to high-end corporate clients.

**Key Positions.** The position of President & CEO will be filled, by the founder of the company; five other management positions remain unfilled, but an active recruiting search for suitable candidates is underway:

- **President & CEO:** Provide mission, vision, strategic objectives and leadership toward company goals.
- **Chief Technology Officer:** Execute technology strategies & manage outsourced technology vendors.
- **Chief Financial Officer:** Ensure adequacy of financial management controls and reporting systems.
- **Vice President, Sales & Marketing:** Promote company offerings and manage sales & marketing team.
- **Director, Consulting:** Manage security consulting engagements & train qualified security consultants.
- **Director, Admin. & HR:** Coordinate office administration, employee hiring and regulatory compliance.

**Outsourcing Partners.** The company will cultivate and maintain a broad network of strategic alliances, involving equipment vendors, installation contractors and security consultants, to assure that Remote is positioned to offer the finest in digital cameras, DVRs, servers, equipment installation and security expertise.

**Personnel Plan.** The company will manage the pre-operating period with 27 full-time equivalent positions, including the 6-member Management Team, 17 other General & Administrative positions, and 4 Sales Representatives. During the three-year operating horizon, other positions will be added, as required. By the end of FY3, the company expects to support 140 FTE positions, including 98 G&A and 42 Sales Rep positions.

Personnel Plan															
Start-Up: 7/1/06	1QY1	2QY1	3QY1	4QY1	1QY2	2QY2	3QY2	4QY2	1QY3	2QY3	3QY3	4QY3	FY1	FY2	FY3
<b>Personnel Count</b>															
Sales & Marketing	7.0	8.0	9.0	10.0	14.0	16.0	19.0	22.0	28.0	34.0	40.0	42.0			
General & Administrative	33.0	37.0	42.0	48.0	52.0	55.0	60.0	65.0	72.0	83.0	95.0	98.0			
<b>Payroll Count</b>	<b>40.0</b>	<b>45.0</b>	<b>51.0</b>	<b>58.0</b>	<b>66.0</b>	<b>71.0</b>	<b>79.0</b>	<b>87.0</b>	<b>100.0</b>	<b>117.0</b>	<b>135.0</b>	<b>140.0</b>			
Contracted Labor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
<b>Total Personnel</b>	<b>40.0</b>	<b>45.0</b>	<b>51.0</b>	<b>58.0</b>	<b>66.0</b>	<b>71.0</b>	<b>79.0</b>	<b>87.0</b>	<b>100.0</b>	<b>117.0</b>	<b>135.0</b>	<b>140.0</b>			
<b>Labor Costs (\$000)</b>															
Sales & Marketing	143	164	187	212	307	363	438	524	703	823	956	1,051	706	1,632	3,533
General & Administrative	505	531	569	616	713	739	784	835	990	1,076	1,176	1,217	2,221	3,071	4,459
<b>Payroll</b>	<b>648</b>	<b>695</b>	<b>756</b>	<b>828</b>	<b>1,020</b>	<b>1,102</b>	<b>1,222</b>	<b>1,359</b>	<b>1,693</b>	<b>1,899</b>	<b>2,132</b>	<b>2,268</b>	<b>2,927</b>	<b>4,703</b>	<b>7,992</b>
Payroll Burden	194	209	227	248	306	331	366	408	508	570	640	680	878	1,411	2,398
Contracted Labor	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Labor Costs</b>	<b>842</b>	<b>904</b>	<b>983</b>	<b>1,076</b>	<b>1,326</b>	<b>1,433</b>	<b>1,588</b>	<b>1,767</b>	<b>2,201</b>	<b>2,469</b>	<b>2,772</b>	<b>2,948</b>	<b>3,805</b>	<b>6,114</b>	<b>10,390</b>

# Risk Assessment

*Remote is poised to exploit the huge private and public sector demand that exists, in the U.S. and worldwide, for remote surveillance that leverages state-of-the-art technology. Key success factors, along with critical risk factors, have been fully evaluated — business success is highly achievable.*

**General Economic Outlook.** Despite perceived slowdown in the U.S. economy, the country appears headed toward some form of long-term, sustainable growth. Recent spurts in corporate earnings and measurable relief in financial markets are positive signs, but larger-than-anticipated federal deficits, uncertainty of a post-war Iraq, and energy disruptions are still weighing on the economy. One bright spot in the economy continues to be the security industry, which is anticipated to reach \$66 billion, by 2006. Video surveillance is now the fastest growing sector of the security industry, with digital-based solutions leading the way — from 2003 through 2007, digital video surveillance is expected to grow, at an average annual rate of 55%. Driven by Homeland Security needs and heightened public awareness of security vulnerabilities, relating to foreign terrorism, domestic crime and natural disasters, this niche industry is set to explode. Visionaries that can offer state-of-the-art, remote surveillance services, on a grand scale, are likely to be lucrative beneficiaries.

**Key Success Factors.** The company assumes that the existence of the following factors or assumptions would positively influence success, and that these factors **will occur**:

- *Establishment of commercial capacity is achievable.* Proven technology exists and proprietary software development is feasible; funding can be attainable, based on reasonable planning projections.
- *Targeted markets support high, sustainable demand for company offerings.* U.S. private and public sector markets for digital video surveillance are documented, and will reach \$13 billion, by 2010.
- *Contemplated marketing channels and strategies will unleash market demand.* A comprehensive multi-channel marketing campaign, in conjunction with broad, strategic alliances, will generate sales.
- *Company offerings demonstrate long-term, competitive advantages.* First-to-market advantage, rapid company expansion, intensive marketing & seasoned management will dominate competition.

**Critical Risk Factors.** The company assumes that the existence of the following factors or assumptions would threaten success, but that these factors **will not occur**:

- *Qualified, investor-based financing commitments are not forthcoming in the amounts sought.*
- *A dominant, deep-pocket competitor enters the market, greatly reducing available market share.*
- *Unanticipated legislative changes in privacy laws adversely impact remote digital surveillance.*

CONTINGENCY PLAN		
Contingent Event	Likely Consequence	Management Response
Sources of financing cannot be obtained, in the amounts sought.	Deferral of cash-intensive initiatives; slower income growth.	Reduce scale of venture; pursue business plan, in modified form.
Deep-pocket market entrant seeks market share dominance.	Loss of market share; lower revenue, net income and cash flow.	Focus on marketable distinctions & alliances; R&D new offerings.
Development of commercial capacity involves unexpected delay.	Project hiatus; deferral of sales, cash and income projections.	Create core capacity; push high-margin activities; R&D solution.
Ineffective marketing channels fail to create consumer demand.	Reduced revenue, net income and cash flow expectations.	Re-evaluate market needs & adjust message; cultivate alliances.
Legislative changes severely limit market for pervasive surveillance.	Reduced revenue & income expectation; loss of market share.	Focus on applications that do not encroach on privacy expectation.

# Capitalization Plan

Remote Systems is seeking investor contributions, totaling \$10,000,000, by January 1, 2006, to cover identifiable working capital and capital expenditure requirements of \$9,200,000, and to create cash reserves, totaling \$1,800,000. Exit strategies exist and later-round funding may occur.

**Start-Up Condition.** Start-up requirements for Remote Systems, Inc., are anticipated to total \$10,152K, including initial cash of \$10,100K, property, plant & equipment of \$3K, and various organization costs, classified as deferred charges, totaling \$49K. Initial resources total \$152K, including long-term shareholder loans, totaling \$100K, and initial owner investments, totaling \$52K, resulting in a net resource shortfall of \$10,000K.

**Capitalization Plan.** Remote proposes to cover its initial net shortfall, by obtaining investor contributions, totaling \$10,000,000, by January 1, 2006. These funds will be used to supplement working capital sources, totaling \$520K, including accounts payable additions of \$971K, less net operating losses of \$451K, and to cover capital expenditures requirements, totaling \$8,720K, relating to property, plant & equipment and pre-operating costs classified as deferred charges, and will also be used to create cash reserves of \$1,800K.

CAPITALIZATION PLAN (\$000)			
REQUIREMENTS		RESOURCES	
YTD Expenses Thru 12/31/05:		Loans:	
Cost of Sales	0.0	Accounts Payable	0.0
Operating Expenses	0.0	Other Current Liabilities	0.0
Less: Sales	0.0	Short-Term Loans	0.0
		Long-Term Loans	100.0
<b>YTD Loss (Gain)</b>	<b>0.0</b>	<b>Total Loans</b>	<b>100.0</b>
Start-Up Assets:		Investments (% Ownership):	
Cash	10,100.0	R. Player (100%)	51.6
Accounts Receivable	0.0		
Inventory	0.0		
Other Assets	0.0		
Property, Plant & Equipment	2.8		
Deferred Charges	48.8		
Accum. Deprec. & Amort.	0.0		
<b>Total Start-Up Assets</b>	<b>10,151.6</b>	<b>Investor</b>	<b>10,000.0</b>
<b>TOTAL REQUIREMENTS</b>	<b>10,151.6</b>	<b>Total Investments</b>	<b>10,051.6</b>
		<b>TOTAL RESOURCES</b>	<b>10,151.6</b>
ESTIMATED FINANCIAL CONDITION AT START-UP			
Total Resources Available	10,151.6	Start-Up ASSETS	10,151.6
Less: Assets Purchased	10,151.6	Start-Up LIABILITIES	100.0
Start-Up Loss (Gain)	0.0	Start-Up EQUITY	10,051.6

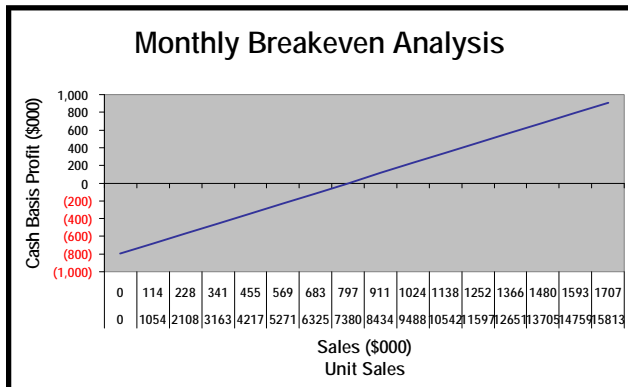
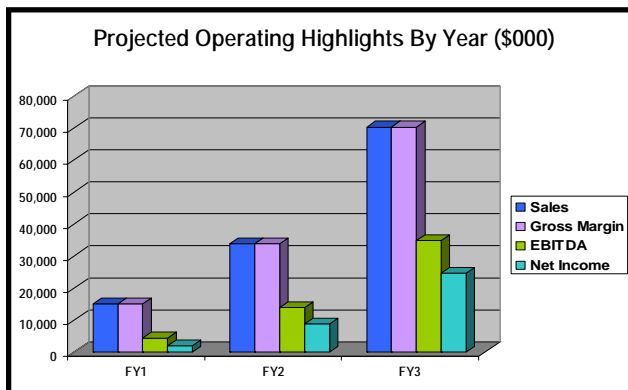
USE OF PROCEEDS	
Working Capital:	
Net Operating Loss	451
Accounts Payable	(971)
Contingency Fund	1,300
<b>Total Working Capital</b>	<b>780.0</b>
Capital Expenditures:	
Property, Plant & Equip.	2,096.0
Pre-Op Expenditures	6,624.0
Contingency Fund	500.0
<b>Total Capital Expenditures</b>	<b>9,220.0</b>
<b>TOTAL USES</b>	<b>10,000.0</b>

**Exit Strategy and Possible Later-Round Financing.** The company's competitive advantages are expected to result in broad, target market acceptance. The most probable investor exit strategies include strategic acquisition of the company, management buyout or initial public offering. If business expansion occurs or synergistic business opportunities arise, then Remote may seek later-round funding of \$15 - \$25 million.

# Business Projections

Forecasted sales for FY1 are \$15.0 million, increasing to \$70.3 million, in FY3. Projected FY1 net income is \$1.9 million, increasing to \$24.6 million, in FY3. Gross margin, as a percent of sales, remains constant at 100%, and net income, as a percentage of sales, ranges from 13% to 35%.

Projected Operating Highlights (\$000)															
Start-Up: 7/1/06	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY1	FY2	FY3
Sales	973	1,018	1,017	1,114	1,167	1,183	1,278	1,339	1,352	1,467	1,537	1,576	15,021	33,873	70,334
Gross Margin	973	1,018	1,017	1,114	1,167	1,183	1,278	1,339	1,352	1,467	1,537	1,576	15,021	33,873	70,334
Operating Expenses	687	703	754	821	843	847	919	948	952	1,034	1,067	1,084	10,659	19,997	35,472
EBITDA	286	315	263	293	324	336	359	391	400	433	470	492	4,362	13,876	34,862
Income Before Taxes	139	168	116	146	177	190	212	244	253	286	323	347	2,601	11,765	32,845
Net Income	104	126	87	109	133	142	159	183	190	214	242	260	1,949	8,823	24,633
Percentages:															
Gross Margin/Sales	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EBITDA/Sales	29%	31%	26%	26%	28%	28%	28%	29%	30%	30%	31%	31%	29%	41%	50%
Net Income/Sales	11%	12%	9%	10%	11%	12%	12%	14%	14%	15%	16%	16%	13%	26%	35%
Net Cash Flow	(430)	289	262	297	299	291	344	355	335	406	418	416	3,282	11,225	26,863
Cash Balance - Ending	1,921	2,210	2,472	2,769	3,068	3,359	3,703	4,058	4,393	4,799	5,217	5,633	5,633	16,858	43,721



Sensitivity Analysis For FY1		
	% Effect On:	
	Net Income	Cash Balance
<b>If Sales Are:</b>		
1% Higher Than Projected	5.8%	2.0%
1% Lower Than Projected	-5.8%	-2.0%
<b>If Operating Expenses Are:</b>		
1% Higher Than Projected	-4.1%	-1.4%
1% Lower Than Projected	4.1%	1.4%

Financial Indicators			
	FY1	FY2	FY3
<b>Profitability %'s:</b>			
Gross Margin	100%	100%	100%
Net Profit Margin	13%	26%	35%
Return on Assets	15%	39%	51%
Return on Equity	16%	42%	54%
<b>Activity Ratios:</b>			
Accounts Receivable Turnover	0.08	0.08	0.08
Collection Days	30.00	30.00	30.00
Inventory Turnover	N/A	N/A	N/A
Accounts Payable Turnover	12.00	12.00	12.00
Asset Turnover	1.17	1.49	1.45
<b>Debt Ratios:</b>			
Debt To Equity	0.07	0.09	0.07
Short-Term Liabilities To Liabilities	0.88	0.95	1.00
<b>Liquidity Indicators:</b>			
Current Ratio	8.03	9.55	14.14
Quick Ratio	8.03	9.55	14.14
Net Working Capital (\$000)	5080	15464	41469
Interest Coverage Ratio	261.40	1177.50	6570.00
<b>Additional Indicators:</b>			
Assets to Sales Ratio	0.85	0.67	0.69
Debt To Assets Ratio	6%	8%	6%
Current Debt To Total Assets Ratio	6%	8%	6%
Acid Test	7.79	9.32	13.85
Sales To Equity Ratio	1.25	1.63	1.55
Dividend Payout %	0%	0%	0%

Benchmark Analysis (FY1 = 1.00)			
	FY1	FY2	FY3
Sales	1.0	2.3	4.7
Cost of Sales	N/A	N/A	N/A
Gross Margin	1.0	2.3	4.7
Operating Expenses:	1.0	1.9	3.3
Sales & Marketing	1.0	2.0	3.7
Gen. & Administrative	1.0	1.6	2.7
EBITDA	1.0	3.2	8.0
Net Income	1.0	4.5	12.6

# Sales

Forecasted sales for FY1 through FY3 are \$15.0 million, \$33.9 million and \$70.3 million, respectively. Revenues derive from monthly subscription fees earned on video and GPS monitoring services, security consultancy fees, and referral fees earned on sales and installation of equipment.

Forecasted Sales and Cost of Sales (\$000)																
Start-1/7/06	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY1	FY2	FY3	
<b>Unit Volume (1):</b>																
Subscriptions:																
Video Plan I	750	788	828	870	914	961	1,010	1,062	1,116	1,173	1,233	1,295	12,000	28,800	54,000	
Video Plan II	1,275	1,340	1,408	1,480	1,555	1,634	1,717	1,804	1,896	1,993	2,094	2,205	20,400	43,200	90,000	
Video Plan III	1,875	1,971	2,072	2,178	2,289	2,406	2,529	2,658	2,794	2,936	3,086	3,248	30,000	63,600	126,000	
GPS Monitoring	3,750	3,941	4,142	4,353	4,575	4,808	5,053	5,311	5,582	5,867	6,166	6,499	60,000	108,000	168,000	
Consulting:																
Flex Plan	4	4	4	4	4	5	4	4	4	4	4	5	50	90	150	
Project-Based	1	1		1	1		1	1		1	1		8	13	19	
Equipment:																
Video Monitoring	244	256	269	283	297	312	328	345	362	380	399	425	3,900	8,475	16,875	
GPS Monitoring	313	329	346	364	382	401	421	442	464	488	513	537	5,000	9,000	14,000	
<b>Total Unit Sales</b>	<b>8,212</b>	<b>8,630</b>	<b>9,069</b>	<b>9,533</b>	<b>10,017</b>	<b>10,527</b>	<b>11,063</b>	<b>11,627</b>	<b>12,218</b>	<b>12,842</b>	<b>13,496</b>	<b>14,214</b>	<b>131,358</b>	<b>261,178</b>	<b>469,044</b>	
<b>Unit Price (\$/Unit) (2):</b>																
Subscriptions:																
Video Plan I	59	59	59	59	59	59	59	59	59	59	59	59				
Video Plan II	129	129	129	129	129	129	129	129	129	129	129	129				
Video Plan III	249	249	249	249	249	249	249	249	249	249	249	249				
GPS Monitoring	19	19	19	19	19	19	19	19	19	19	19	19				
Consulting:																
Flex Plan	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000				
Project-Based	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000				
Equipment:																
Video Monitoring	400	400	400	400	400	400	400	400	400	400	400	400				
GPS Monitoring	100	100	100	100	100	100	100	100	100	100	100	100				
<b>Forecasted Sales (\$000) (3):</b>																
Subscriptions:																
Video Plan I	44	46	49	51	54	57	60	63	66	69	73	76	708	1,989	4,265	
Video Plan II	164	173	182	191	201	211	221	233	245	257	270	284	2,632	6,441	14,309	
Video Plan III	467	491	516	542	570	599	630	662	696	731	768	809	7,481	17,108	35,154	
GPS Monitoring	71	75	79	83	87	91	96	101	106	111	117	123	1,140	2,159	3,527	
Consulting:																
Flex Plan	48	48	48	48	48	60	48	48	48	48	48	60	600	1,170	2,100	
Project-Based	50	50	0	50	50	0	50	50	0	50	50	0	400	715	1,140	
Equipment:																
Video Monitoring	98	102	108	113	119	125	131	138	145	152	160	170	1,561	3,392	8,439	
GPS Monitoring	31	33	35	36	38	40	42	44	46	49	51	54	499	899	1,400	
<b>Total Sales</b>	<b>973</b>	<b>1,018</b>	<b>1,017</b>	<b>1,114</b>	<b>1,167</b>	<b>1,183</b>	<b>1,278</b>	<b>1,339</b>	<b>1,352</b>	<b>1,467</b>	<b>1,537</b>	<b>1,576</b>	<b>15,021</b>	<b>33,873</b>	<b>70,334</b>	
<b>Forecasted COS (\$000):</b>																
Subscriptions:																
Video Plan I	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Video Plan II	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Video Plan III	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GPS Monitoring	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Consulting:																
Flex Plan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Project-Based	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equipment:																
Video Monitoring	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GPS Monitoring	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Cost of Sales</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

NOTES: (1) UNIT VOLUME: Remote Systems, Inc., benefits from eight revenue streams, which are all projected to become recognizable, on July 1, 2006, following a six-month pre-operating period, beginning January 1, 2006.

Four revenue streams arise from sales of monthly subscriptions, relating to varying levels of remote, video monitoring services; two revenue streams arise from consulting fees earned on security consulting, provided under a Flex Plan or on a project basis; and two revenue streams arise from referral fees earned on equipment sales or installation, arising from remote monitoring or consulting activities.

SUBSCRIPTIONS: Metric = monthly subscribers, and reflects the following services --

VIDEO PLAN I: Defined number of video tours of the facility, during closed hours.

VIDEO PLAN II: Full-time video monitoring of the facility, during closed hours.

VIDEO PLAN III: 24/7 video monitoring coverage of the facility.

GPS Monitoring: Global position satellite tracking of assets, people or pets.

CONSULTING: Metric = number of new consulting clients, and reflects the following services --

FLEX PLAN: Seasoned security manager is seconded to client organization, as needed.

PROJECT-BASED: Traditional consulting engagement, on a project-by-project basis.

EQUIPMENT - ALL TYPES: Metric = units of equipment sold or installed.

(2) UNIT PRICE - ALL STREAMS: Reflects weighted average price, based on Remote Systems feasibility study.

(3) FORECASTED SALES - ALL STREAMS: Unit Volume x Unit Price.

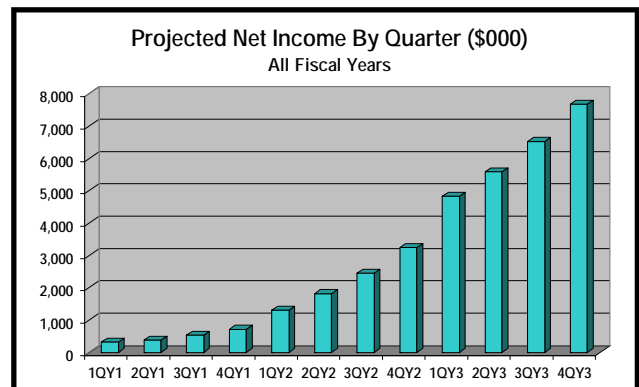
# Net Income

Following a 6-month pre-operating period, projected net income is positive, beginning in Month 1, and increases from \$1.9 million in FY1, to \$24.6 million, in FY3. Gross margin, as a percentage of sales, remains constant at 100%; net income, as a percent of sales, ranges from 13% to 35%.

Projected Income Statement (\$000)															
Start-Up: 7/1/06	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY1	FY2	FY3
<b>Sales</b>	973	1,018	1,017	1,114	1,167	1,183	1,278	1,339	1,352	1,467	1,537	1,576	15,021	33,873	70,334
Direct Cost of Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Production Labor	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cost of Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Gross Margin</b>	973	1,018	1,017	1,114	1,167	1,183	1,278	1,339	1,352	1,467	1,537	1,576	15,021	33,873	70,334
Gross Margin/Sales %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Operating Expenses:</b>															
Sales & Marketing Labor (1)	48	48	47	55	55	54	62	62	63	71	71	70	706	1,632	3,533
Advertising & Promotion (2)	341	356	407	446	467	473	511	536	541	587	615	630	5,910	11,856	21,101
<b>Sales &amp; Marketing</b>	389	404	454	501	522	527	573	598	604	658	686	700	6,616	13,488	24,634
Sales & Marketing/Sales %	40%	40%	45%	45%	45%	45%	45%	45%	45%	45%	45%	44%	44%	40%	35%
General & Admin. Labor	168	168	169	177	177	177	190	190	189	205	205	206	2,221	3,071	4,459
Payroll Burden (3)	65	65	64	70	70	69	76	76	75	83	83	82	878	1,411	2,398
Rent & Utilities (4)	10	10	10	10	10	10	10	10	10	10	10	10	120	240	360
Insurance				1			1			1			3	5	7
Office Expense	2	1	2	1	2	1	2	1	2	1	2	1	18	24	30
Communications	3	3	3	3	3	3	3	3	3	3	3	3	36	48	60
Professional Services	1	1	1	2	1	1	1	2	1	1	1	2	15	17	8
Travel & Entertainment (5)	49	51	51	56	58	59	64	67	68	73	77	79	752	1,693	3,516
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Gen. &amp; Administrative</b>	298	299	300	320	321	320	346	350	348	376	381	384	4,043	6,509	10,838
Gen. & Admin./Sales %	31%	29%	29%	29%	28%	27%	27%	26%	26%	26%	25%	24%	27%	19%	15%
<b>Total Operating Expenses</b>	687	703	754	821	843	847	919	948	952	1,034	1,067	1,084	10,659	19,997	35,472
<b>EBITDA</b>	286	315	263	293	324	336	359	391	400	433	470	492	4,362	13,876	34,862
EBITDA/Sales %	29%	31%	26%	26%	28%	28%	28%	29%	30%	30%	31%	31%	29%	41%	50%
Depreciation & Amortization (6)	146	146	146	146	146	146	146	146	146	146	146	145	1,751	2,101	2,012
Interest Expense (7)	1	1	1	1	1	0	1	1	1	1	1	0	10	10	5
<b>Income Before Taxes</b>	139	168	116	146	177	190	212	244	253	286	323	347	2,601	11,765	32,845
Tax Expense (8)	35	42	29	37	44	48	53	61	63	72	81	87	652	2,942	8,212
<b>NET INCOME</b>	104	126	87	109	133	142	159	183	190	214	242	260	1,949	8,823	24,633
Net Income/Sales %	11%	12%	9%	10%	11%	12%	12%	14%	14%	15%	16%	16%	13%	26%	35%

- NOTES: (1) Includes base salary, plus a weighted average commission structure, estimated to be 2.7% of gross sales.  
 (2) Reflects national marketing campaign, including TV, radio, print & web-based advertising, plus extensive customer networking.  
 (3) Assumes 30% payroll burden rate, covering federal and state statutory burdens, plus employee vacation and medical benefits.  
 (4) Reflects rent & utilities, associated with administrative headquarters and Video Monitoring Center, located in Raleigh, NC.  
 (5) Reflects travel & entertainment costs, associated with nationwide rollout to business, residential and public sector clients.  
 (6) Reflects depreciation and amortization of 5-year (\$1,000K) and 7-year (\$80K) class assets acquired after June 30, 2006, plus D&A of 5-year (\$2,000K) and 7-year class assets (\$40K), acquired from January 1 thru June 30, 2006; plus 5-year straightline D&A of expenditures, classified as Deferred Charges (\$6,674K), from January 1 thru June 30, 2006; plus D&A of 5-year class assets (\$3K), existing at December 31, 2005; plus 5-year straightline D&A of start-up costs, classified as Deferred Charges (\$49K), as of December 31, 2005.  
 (7) Represents interest on convertible debt, relating to 3-year promissory notes, in the aggregate amount of \$100,000, bearing 10% interest, reflecting shareholder loans from R. Player (50%) and J. Miller (50%).  
 (8) Assumes cumulative, effective federal and state income tax rate of 25%.

Pre-Operating Expenditures, Net of Sales (\$000)							
Start-Up: 1/1/06	Jan	Feb	Mar	Apr	May	Jun	6 Mo
<b>Pre-Op Gross Margin</b>	0	0	0	0	0	0	0
Gross Margin/Sales %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Pre-Op Expenditures:</b>							
Sales & Marketing Labor	9	9	8	12	12	11	61
General & Admin. Labor	115	115	116	142	142	141	771
Payroll Burden	37	37	38	46	46	46	250
Advertising & Promotion	333	333	334	1,000	1,000	1,000	4,000
Rent & Utilities	10	10	10	10	10	10	60
Insurance	1			1			2
Office Expense	2	2	1	2	2	1	10
Communications	2	2	2	2	2	2	12
Professional Services	1,050	51	50	51	50	51	1,303
Travel & Entertainment	25	25	25	25	25	25	150
Other	1	1	1	1	1	1	5
<b>Subtotal</b>	1,585	585	585	1,292	1,290	1,287	6,624
Capital Expenditures	91	1	1,001	1	1	1,001	2,096
<b>Total Pre-Op Expenditures</b>	1,676	586	1,586	1,293	1,291	2,288	8,720
<b>Net Pre-Op Expenditures</b>	1,676	586	1,586	1,293	1,291	2,288	8,720



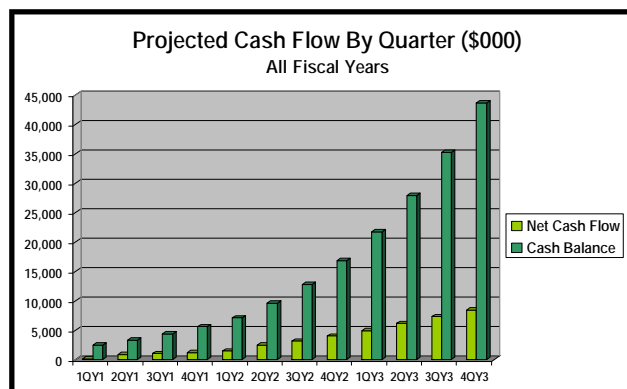
# Cash Flow

Early net cash flow deficits occur, due to monthly variations in Accounts Payable and significant pre-operating expenditures. However, ending cash balance for FY1 is \$5.6 million, rising to \$43.7 million, by the end of FY3. The minimum cash balance is \$1.9 million, occurring in Month 1, FY1.

Projected Cash Flow Statement (\$000)															
Start-Up: 7/1/06	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY1	FY2	FY3
Net Income	104	126	87	109	133	142	159	183	190	214	242	260	1,949	8,823	24,633
Plus:															
Depreciation & Amort.	146	146	146	146	146	146	146	146	146	146	146	145	1,751	2,101	2,012
Increase (Decrease) In:															
Accounts Payable (1)	(582)	21	35	47	26	9	45	33	6	53	38	21	(248)	1,086	1,347
Other Current Liabilities													0	0	0
Short-Term Notes													0	0	0
Long-Term Notes													0	0	(100)
Paid-In Capital													0	0	0
Sources of Cash	(436)	167	181	193	172	155	191	179	152	199	184	166	1,503	3,187	3,259
Less:															
Increase (Decrease) In:															
Accounts Receivable (2)	98	4	6	5	6	6	6	7	7	7	8	10	170	245	489
Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets													0	0	0
Prop., Plant & Equip. (3)	0	0	0	0	0	0	0	0	0	0	0	0	0	540	540
Deferred Charges													0	0	0
Dividends													0	0	0
Uses of Cash	98	4	6	5	6	6	6	7	7	7	8	10	170	785	1,029
Net Cash Flow	(430)	289	262	297	299	291	344	355	335	406	418	416	3,282	11,225	26,863
Cash Balance - Beginning	2,351	1,921	2,210	2,472	2,769	3,068	3,359	3,703	4,058	4,393	4,799	5,217	2,351	5,633	16,858
Cash Balance - Ending	1,921	2,210	2,472	2,769	3,068	3,359	3,703	4,058	4,393	4,799	5,217	5,633	5,633	16,858	43,721

NOTES: (1) Reflects monthly changes in account balances, as presented in the Financial History and Projected Balance Sheet.  
 (2) Reflects monthly changes in account balances, as presented in the Financial History and Projected Balance Sheet.  
 (3) Reflects acquisition of data & monitoring center equipment (\$1,000K) and furniture, fixtures & equipment (\$80K).

Projected Cash Flow: Pre-Operating Period (\$000)							
Start-Up: 1/1/06	Jan	Feb	Mar	Apr	May	Jun	6 Mo
After-Tax Pre-Op Gross Margin	0	0	0	0	0	0	0
Plus:							
Depreciation & Amort.	0	0	0	0	0	0	0
Increase (Decrease) In:							
Accounts Payable	1,273	(900)	(1)	602	(2)	(1)	971
Sources of Cash	1,273	(900)	(1)	602	(2)	(1)	971
Less:							
Increase (Decrease) In:							
Prop., Plant & Equip.	91	1	1,001	1	1	1,001	2,096
Deferred Charges	1,585	585	585	1,292	1,290	1,287	6,624
Dividends							0
Uses of Cash	1,676	586	1,586	1,293	1,291	2,288	8,720
Net Cash Flow	(403)	(1,486)	(1,587)	(691)	(1,293)	(2,289)	(7,749)
Cash Balance - Beginning	10,100	9,697	8,211	6,624	5,933	4,640	10,100
Cash Balance - Ending	9,697	8,211	6,624	5,933	4,640	2,351	2,351



# Balance Sheet

Total assets for FY1 through FY3 are projected to be \$12.8 million, \$22.7 million and \$48.6 million, respectively. Working capital does not fall below \$1.4 million, in Month 6 of the pre-operating period. Debt-to-equity ratio ranges, from 0.09 to 0.07, primarily reflecting accounts payable activity.

Projected Balance Sheet (\$000)															
Start-Up: 7/1/06	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY1	FY2	FY3
<b>ASSETS</b>															
Cash	1,921	2,210	2,472	2,769	3,068	3,359	3,703	4,058	4,393	4,799	5,217	5,633	5,633	16,858	43,721
Accounts Receivables (1)	98	102	108	113	119	125	131	138	145	152	160	170	170	415	904
Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Current Assets</b>	<b>2,019</b>	<b>2,312</b>	<b>2,580</b>	<b>2,882</b>	<b>3,187</b>	<b>3,484</b>	<b>3,834</b>	<b>4,196</b>	<b>4,538</b>	<b>4,951</b>	<b>5,377</b>	<b>5,803</b>	<b>5,803</b>	<b>17,273</b>	<b>44,625</b>
Property, Plant & Equipment	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,639	3,179
Deferred Charges	6,673	6,673	6,673	6,673	6,673	6,673	6,673	6,673	6,673	6,673	6,673	6,673	6,673	6,673	6,673
Less: Depreciation & Amort.	146	292	438	584	730	876	1,022	1,168	1,314	1,460	1,606	1,751	1,751	3,852	5,864
<b>Long-Term Assets</b>	<b>8,626</b>	<b>8,480</b>	<b>8,334</b>	<b>8,188</b>	<b>8,042</b>	<b>7,896</b>	<b>7,750</b>	<b>7,604</b>	<b>7,458</b>	<b>7,312</b>	<b>7,166</b>	<b>7,021</b>	<b>7,021</b>	<b>5,460</b>	<b>3,988</b>
<b>Total Assets</b>	<b>10,645</b>	<b>10,792</b>	<b>10,914</b>	<b>11,070</b>	<b>11,229</b>	<b>11,380</b>	<b>11,584</b>	<b>11,800</b>	<b>11,996</b>	<b>12,263</b>	<b>12,543</b>	<b>12,824</b>	<b>12,824</b>	<b>22,733</b>	<b>48,613</b>
<b>LIABILITIES</b>															
Accounts Payable (2)	389	410	445	492	518	527	572	605	611	664	702	723	723	1,809	3,156
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Short-Term Notes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Current Liabilities</b>	<b>389</b>	<b>410</b>	<b>445</b>	<b>492</b>	<b>518</b>	<b>527</b>	<b>572</b>	<b>605</b>	<b>611</b>	<b>664</b>	<b>702</b>	<b>723</b>	<b>723</b>	<b>1,809</b>	<b>3,156</b>
Long-Term Notes Payable	100	100	100	100	100	100	100	100	100	100	100	100	100	100	0
<b>Long-Term Liabilities</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
<b>Total Liabilities</b>	<b>489</b>	<b>510</b>	<b>545</b>	<b>592</b>	<b>618</b>	<b>627</b>	<b>672</b>	<b>705</b>	<b>711</b>	<b>764</b>	<b>802</b>	<b>823</b>	<b>823</b>	<b>1,909</b>	<b>3,156</b>
<b>EQUITY</b>															
Paid-In Capital (3)	10,052	10,052	10,052	10,052	10,052	10,052	10,052	10,052	10,052	10,052	10,052	10,052	10,052	10,052	10,052
Retained Earnings	104	230	317	426	559	701	860	1,043	1,233	1,447	1,689	1,949	1,949	10,772	35,405
<b>Total Equity</b>	<b>10,156</b>	<b>10,282</b>	<b>10,369</b>	<b>10,478</b>	<b>10,611</b>	<b>10,753</b>	<b>10,912</b>	<b>11,095</b>	<b>11,285</b>	<b>11,499</b>	<b>11,741</b>	<b>12,001</b>	<b>12,001</b>	<b>20,824</b>	<b>45,457</b>
<b>Total Liabilities &amp; Equity</b>	<b>10,645</b>	<b>10,792</b>	<b>10,914</b>	<b>11,070</b>	<b>11,229</b>	<b>11,380</b>	<b>11,584</b>	<b>11,800</b>	<b>11,996</b>	<b>12,263</b>	<b>12,543</b>	<b>12,824</b>	<b>12,824</b>	<b>22,733</b>	<b>48,613</b>
NOTES: (1) Percentage of sales on credit assumed to be 100%, subject to 30-day collection period. (2) Estimated balances, assuming 10% of expenses paid in cash and an average 30-day payment period. (3) Reflects original owner investments of \$52,000, plus paid-in capital of new investors, totaling \$10,000,000, on January 1, 2006.															

**Key Financial Indicators.** Working capital is not expected to fall below \$1.4 million, once investor contributions are obtained, and is expected to increase to \$13 million, by the end of FY1, and to \$49 million, by the end of FY3. Debt-to-equity ratio ranges, from 0.09 to 0.07, primarily reflecting accounts payables activity.

**Management Representation.** The financial projections included in this business plan represent, to the best of management's knowledge and belief, the results of operations, cash flow and account balances, which would likely occur, assuming Remote Systems, Inc., were to obtain investor contributions, totaling \$10,000,000, by January 1, 2006, in support of operations commencing July 1, 2006. Management further represents that the assumptions underlying these financial projections are reasonable and that these projections were prepared in conformity with generally accepted accounting principles, but that they were not compiled, nor examined, by an independent public accountant and should not be viewed, in that context.

# References

## ENDNOTES:

- 1 *Company, Business Opportunity, Page 4:* Security Industry Association (SIA) Research Update, 3rd Quarter 2003, entitled "World Security Services Expanding Post Sept. 11", found at <http://www.siaonline.org/data/irn03q3.pdf>, providing forecast of 2006 world security services expenditures (\$119.6 billion), and SIA Research Update, 2nd Quarter 2003, at <http://www.siaonline.org/data/irn03q2.pdf>, providing comparable figures for security products (\$64.9 billion).
- 2 *Company, Business Opportunity, Page 4:* Ibid., SIA Research Update, 3Q03, citing percentage of guard services.
- 3 *Company, Business Opportunity, Page 4:* TechOnline article, entitled "Digital Video Integrates Many Technologies", at [http://www.techonline.com/community/tech\\_group/37613](http://www.techonline.com/community/tech_group/37613), chronicling ascendancy of digital over analog solutions.
- 4 *Company, Business Opportunity, Page 4:* See Business Confidant market analyses, discussed in Endnotes 7-10.
- 5 *Market, General Analysis, Page 6:* Ibid., SIA Research Updates, 3Q03 and 2Q03, detailing U.S. security markets.
- 6 *Market, General Analysis, Page 6:* J.P. Freeman market reports, available at <http://www.jpfreeman.com/mktreport.htm#report3>, citing skyrocketing growth of intelligent video, smart camera and network IP video markets.
- 7 *Market, Market Segmentation and Target Market Needs, Page 6:* Datamonitor market research report, entitled "Global Digital Video Surveillance Markets: Finding Future Opportunities As Analog Makes Way For Digital", at <http://www.market-research-report.com/datamonitor/DMTC1014.htm>, citing 2003 actual & 2007 forecasted markets.
- 8 *Market, Market Segmentation and Target Market Needs, Page 6:* Ibid., SIA Research Update, 2Q02, p. 2, chart entitled, "Percentage of 2001 Security Installations By Customer Type", found at <http://www.siaonline.org/data/irn02q2.pdf>, citing percent allocation, by key customer group; plus, Ibid., Datamonitor market research report, utilizing global market projections for 2003 and 2007, estimated 47% U.S. share of global market, and 55% CAGR (2003 thru 2007), to interpolate (2004 through 2006) and extrapolate (2008 through 2010) other-year market projections.
- 9 *Market, Market Segmentation and Target Market Needs, Page 6:* U.S. Department of Commerce, Population Projections: States, 1995 - 2025, Table 1, Total Population and Net Change for States: 1995-2025, found at <http://www.census.gov/prod/2/pop/p25/p25-1131.pdf>, citing relative allocations of population among nine distinct regions.
- 10 *Market, Market Segmentation and Target Market Needs, Page 6:* Ibid., SIA Research Update, 3rd Quarter 2003.
- 11 *Market, Market Segmentation and Target Market Needs, Page 6:* SIA Research Update, 4th Quarter 2001, p. 4, article entitled "New Study: Home Security Penetration at 31% in 2009", <http://www.siaonline.org/data/irn01q4.pdf>.
- 12 *Market, Market Segmentation and Target Market Needs, Page 6:* Refer to Remote Systems independent research.
- 13 *Market, Market Growth and Trends, Page 6:* Utilizing 2010 forecast of relevant U.S. market for digital-based surveillance (\$13.1 billion), in conjunction with 47% U.S. share of world market, to rationally estimate 2010 global market.
- 14 *Industry, General Characteristics, Page 7:* U.S. Census Bureau, 2002 Economic Census report, "Investigation and Security Services: 2002", issued June 2004, Table 1 statistics, at <http://www.census.gov/prod/ec02/ec0256i06.pdf>.
- 15 *Industry, General Characteristics, Page 7:* Utilizing Endnote 14, in conjunction with Ibid., SIA Research Update, 3Q03, forecasting growth of North American security services from 2001 (\$36.4 billion) through 2006 (\$50.1 billion).
- 16 *Industry, Emerging Trends, Page 7:* Mindbranch, citing Sullivan & Frost research study, July 2003, entitled "Country Industry Forecast: The U.S. Security Industry", and available at <http://www.mindbranch.com/products/R1-2440.html>.

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