



DataMed Corp.



The Leading Provider of Medical Database

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EXECUTIVE SUMMARY

DataMed is founded with the purpose to improve the quality of the healthcare system by increasing the efficiency in hospitals and educating patients about health and drug knowledge. It is our vision to become the leader and the standard in the Electronic Medical Record (EMR) Industry. We aim to create a universal central medical record database that contains the medical records for the world population, and our software will serve as the only gateway to the database.

DataMed seeks to raise five million dollars for the seed round. We will use this capital to research and develop our first products, mainly the enterprise wide information technology and the desktop solution to manage patients' records. Moreover, this funding will help us implement beta versions in the Pittsburgh Medical Center and the Johns Hopkins University Medical Center.

Business Opportunities and Customer Need

In a report released by the Institute of Medicine of the National Academies in 1999, over 44,000 people died due to medical errors every year in the United States; this number exceeds the fatalities from highway accidents, breast cancers, or AIDS. Also, major clinical workflow still depends on manual, paper-based medical record systems augmented by spotty automation. This causes hospital operations to be economically inefficient and produces significant amount of medical errors. The effective use of an EMR/IT system can dramatically reduce the medical errors, and hospitals' operational costs. According to the January issue of Family Practice Management Magazine this year, each hospital on average can save up to \$3 million dollars and 36 lives annually with an upgraded EMR/IT system.

Apart from hospitals, pharmaceutical companies also benefit from the EMR/IT systems. These companies spend a large amount of time and money on collecting accurate medical data. By creating a centralized EMR/IT system, drug companies can easily retrieve the necessary data from the system.

A comprehensive EMR/IT system will also benefit patients by allowing them to retrieve their medical records anywhere at anytime. In addition, this system can be used to educate patients about health and drug information. In this way, patients can participate more fully in the decision-making and treatment planning processes.



Products

DataMed will create the DataMed Medical Network Architecture, an enterprise-wide IT solution, to satisfy the needs for hospitals, doctors, nurses, patients, as well as pharmaceutical companies.

DataMed Medical Network Architecture:

- stores medical data in local hospital database, with easy input and retrieval;
- automates workflow and clinical process within hospitals;
- links hospital local databases into a central database;
- allows patients to retrieve their own medical records online;
- educates patients with health information and drug knowledge;
- provides aggregate patient data for drug research in pharmaceutical companies.

DataMed aims to set the standard for EMR market. DataMed Medical Network Architecture is a complete solution that will fulfill the needs of hospitals.

Business and Revenue Model

DataMed provides services to hospitals, medical professionals, pharmaceutical companies, and individual patients. In the first stage, DataMed targets medium size hospitals; and in the second stage, DataMed expand its services to larger hospitals and smaller clinics. After its service becomes ubiquitous, DataMed will include pharmaceutical companies and individual patients in its targeted customer pool.

In order to generate revenue, DataMed will charge hospitals installation and maintenance fees. DataMed will also charge annual usage fees from pharmaceutical and research institutions. As for patients, they need to pay a nominal annual fee for online access to their personal health information.

Market

Currently, there are 6114 hospitals in the United States with a combined budget of 12 billion dollars in IT expenditure. Our goal is to achieve 7 percent of the total US hospital EMR/IT market by the end of year five, resulting in revenue over \$140 million.

There are at least 4000 pharmaceutical companies in the United States with an estimated 600 million dollar market. In terms of patients, the market is boundless. The United States alone has a population of 250 million people, capturing 1 percent of the market alone will generate 25 million dollars of revenue per year.



Management

Initially, the company will be run by the founders in the positions of CEO, CFO, VP of Engineering, VP of R&D, and VP of Customer & Consultant Relations. We will hire VP of Marketing in month nine, and VP of sales in month eleven. After year one, we will move from concentrating in Research and Development to focusing on sales and expansion. During the second quarter of our second year, it will be necessary to find an experienced CEO to execute our sales and expansion strategies. We do not have an initial candidate yet, but we will strongly look into hiring an experienced CEO with strong sales background to lead our company in our expansion phase. At that time, the current CEO will then move and head the Research team. Both a managerial and a medical board, comprised of top names in the healthcare EMR industry, will guide DataMed.

Summary of five-year income statement, profit, headcount, and capital requirements

DataMed will break even in the third quarter of the third year with a net profit of 8 million dollars. We plan to go IPO at the end of our fifth year when we have a total revenue of 144 million dollars and a net profit of 22 millions at that time. In the first five years, most of our revenues will come from user installation fees and annual maintenance fees. However, we predict our revenues from pharmaceutical companies and individuals to increase dramatically starting from the fourth year.

	<i>Year 1</i>	Year 2	Year 3	Year 4	Year 5
Revenue (\$000)	500	9,000	44,750	98,750	143,500
Operating Profit (\$000)	3,997	6,440	8,140	28,459	37,231
Operating Profit as a % of Revenue	-799.4	-71.6	18.2	28.8	25.9
Capital Requirement (\$000)	5,000	10,000	0	0	0
Headcount	27	68	139	252	363



2. Customer Need and Business Opportunity

Based on a report from the Institute of Medicine of the National Academies (1999), medical errors kill some 44,000 people in U.S. hospitals each year. Another study has a much higher estimate of 98,000. Even using the lower estimate, more people die from medical mistakes each year than from highway accidents, breast cancer, or AIDS. This stunningly high rate of medical errors is alarming and unacceptable. Creating an electronic database is an effective way to minimize medical errors because it eliminates a large proportion of human involvement in the handling of patients' data.

Current IT systems in many hospitals are remarkably inefficient. Findings from EpicCare Corporation show that while science and medical technology continue to make significant breakthrough progress in dealing with human disease and injury, the management and clinical processes have made little progress in the past twenty years. Major clinical workflow still depends on manual, paper-based medical record systems augmented by spotty automation. This causes hospital operations to be economically inefficient and produces significant amount of medical errors. In the January 2001 issue of the Family Practice Management Magazine, it is estimated that each hospitals can save up to \$3 million U.S. dollars and 36 lives annually with an upgraded IT system.

According to the Health Insurance Portability and Accountability Act (1996), hospitals must provide access for patients to their records. Right now, the procedure for patients to retrieve their records is inconvenient and time consuming. Therefore, there is an urgent need for hospitals to computerize the patients' records for easy retrieval.

Apart from these, there is a need for a centralized medical database that links the patients' data from all hospitals. The current procedure for patient referrals involve complicated faxes and phone calls which by its very nature is very error prone. Also, as people become more mobile in the future years, there is a need for hospitals in different regions to have access to patients' records created elsewhere. An inter-linked medical database will allow faster retrieval of patients' medical records when they are referred or when they have moved or traveled to another area.

Also, a collaborated database can improve the efficiency of data collection in medical research. Pharmaceutical companies take years to research on a new drug because it takes a very long time to collect all the data needed for the drug development. A lot of the data needed is scattered and inaccurate; thus taking a long time to develop a clean set of research data. Hence, pharmaceutical companies need easy access to accurate medical data.



3. Product Descriptions

3.1. Product –DataMed Medical Network Architecture (DMNA)

DataMed will create a DataMed Medical Network Architecture to satisfy the needs for hospitals, doctors, nurses, patients, as well as pharmaceutical companies. Our product will be released in stages and thus, we will tackle this diverse group of customers at different times.

DataMed Medical Network Architecture:

- stores medical data in local hospital database, with easy input and retrieval
- automates workflow and clinical process within hospitals
- links hospital local databases into a central database
- allows patients to retrieve their own medical records online
- educates patients with health information and drug knowledge
- provides aggregate patient data for drug research in pharmaceutical companies
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DataMed Medical Network Architecture

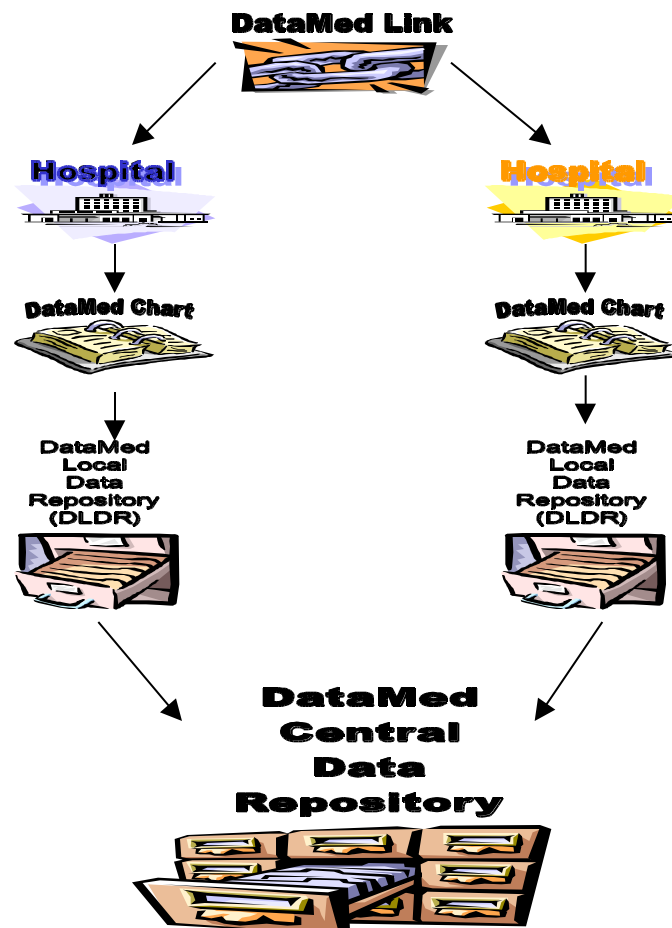


Figure 1. DataMed Medical Network Architecture



Initially, we will set up the DataMed Local Data Repository (DLDR) together with the DataMed Chart (DC) in our client hospital. DLDR and DataMed Chart are the core features of our Architecture. All of our clients must have these systems installed. In addition, there will be a mobile version of the DataMed Chart for mobile input of patients' data.

DataMed Local Data Repository is a local database within hospital that stores patient records which constitute: diagnosis by doctors, observations by nurses, medication taken, laboratory reports, radiology reports, detailed patients' medical history, billing, insurance information.

DataMed Chart is the main feature of DataMed's products. It streamlines the workflow process into one desktop application that provides access to the functions that support the electronic medical record. DataMed Chart is a clinician's desktop solution for viewing, ordering and documenting the electronic medical record, which is maintained in the DataMed Local data repository. With the electronic version, doctors and nurses use the Personal Data Assistant (PDA) to input patients' data at the site of care.

In order to achieve the goal of providing a complete IT solution for hospitals, DataMed also offers the *DataMed Hospital Automation Plan*. This plan is an optional feature within DataMed's Architecture. It excels in its flexibility and compatibility. Hospital can install only the feature they want or install the entire integrated EMR system. Our system is readily compatible with most of the existing EMR systems; therefore, hospitals do not need to worry about having to change their entire system when installing our product.

DataMed Hospital Automation Plan is an internal hospital IT system. It automates the clinical processes within hospitals and the physicians practice – it collects, refines, organizes, and evaluates detailed clinical and management data. The system also enables the entire care team to plan and manage individual activities and plans, as well as measure outcomes and goals. Our plan is divided into division specific sub-packages that can be installed separately. The division specific sub-packages include the Laboratory Pack, the Radiology Pack, the Emergency Room Pack, the Pharmacy Pack, the Registration Pack, Financial and Operational Management Systems, the Materials Management System, and the Surgery Unit Pack

Apart from this, DataMed also offers the option for our customers to link with other regional hospitals for the purpose of referrals and sharing medical records. This is done through DataMed Link that connects community-based physicians to health systems for referrals, authorizations, claims, eligibility, and reporting.

After setting up two or more local data repository, DataMed will proceed to establish a central database called the *DataMed Central Data Repository (DCDR)*. This centralized database links the patients' record from all affiliated hospitals within DataMed Medical Network. This system makes the patients record retrievable anywhere, anytime.

DataMed Central Data Repository is a database that periodically synchronizes itself with all the DataMed Local Data Repositories. The DLDRs contain hospital's own database. Normally, when a doctor or a nurse retrieves information from DLDR, it will only retrieve



information that is currently in the DLDR. The DLDR will not automatically synchronize with the centralized database. The centralized database will be accessed only upon doctors' request and patients' agreement in order to protect the patients' privacy. Once the doctor has requested data from the central database through DataMed Chart. The DLDR will synchronize that particular patient's data with DCDR. This is set up to make sure that all patients' records are most updated, even when the patient has gone to other hospitals. Doctors and hospitals do not directly access this central database; they use DataMed Chart to access patient records from DLDR.

After setting up the DataMed Central Data Repository, DataMed will launch the E-DataMed Chart. It is an electronic version of DataMed Chart. Through E-DataMed Chart, patients can securely retrieve their medical information online. They can also enter and track health information through a record keeper that helps organize and build a complete family health record. Besides, the system allows user to complete health assessment surveys and receive follow-up through preventive care programs and results monitoring, as well as to access a medications guide to promote safe use of prescribed and over-the-counter medications. On top of all these, patients can utilize a health calendar with reminders to track and manage health-related appointments and activities

Finally, DataMed will develop a Statistical Analysis package that sorts the data in the DataMed Central Data Repository. Only the data, which is specific to patients' reactions to different drugs, will be analyzed.

DataMed's solutions emphasize flexibility. Our products can be acquired individually or as a fully integrated health information system.

3.2 Value Proposition

DataMed creates value for health care professionals, health institutions, patients and pharmaceutical companies.

Health Care Professionals

Health care professionals, at the forefront of the most sacred profession, have the responsibility to ensure patients receive the best possible care in the most efficient manner. Specifically, our product provides them with the following value:

Reduced error rate – doctors' reputation is protected

DataMed Chart, with its user-friendly interface, drop down lists using predefined menu items, and spell check using a comprehensive medical dictionary, significantly reduces the error rate in data input. According to a study, hospitals usually lose 3% to 8% of information during the transfer of information by human. Installing a fully automated medical record system will greatly reduce the amount of information error and loss; this can translate into savings of several million dollars in large hospitals. This will protect doctor's reputation against faults in data.



Convenient information retrieval – no more waiting time

There are customized views that allow related data to be displayed as a summary format. Our DataMed Local Database Servers at each hospital ensures speedy connection.

Secure information storage – no information is tampered

Our DataMed Central Database Server acts as a backup storage device that ensures medical records are never lost. Together with the SSL technology that we employ, our system is tampering safe. Therefore, once the doctor has made a diagnosis and prescription, that information will not be altered or viewed by unauthorized personnel.

Convenient patient referral – utilization of local medical resources

With DataMed Link, hospitals can refer patients to one another and synchronize patient data using DataMed Central Database Server.

Medical advice – reminders of consequences that doctors missed

We also have intelligent agents that provide treatment suggestions and warnings on drug conflicts and side effects by using a drug information database and our proprietary statistical analysis package.

Hospital Administration

Hospital Administrators want to increase efficiency, decrease operations costs, and eliminate all errors involved in human transfer of information. DataMed can help achieve this goal by automating workflow and integrating the various departments such as billing, inventory control, laboratory, etc. As processes become automated, hospital staffs can save time in transferring information, and human errors are minimized. Using PDA technology, doctors and nurses can become more efficient in recording patient data. In this way, DataMed can reduce the number of inpatient deaths each year due to inefficient medical care and the transfer of inaccurate medical record to the doctors. As mentioned previously, a report shows that an upgraded IT system can save approximately 36 lives each year in each hospital. For the patient and his family, this is an incalculable saving. For the hospitals and doctors, this can reduce their malpractice rate and the insurance premium.

Pharmaceutical Companies and Research Institutions

Each year, drug companies spend a large amount of money to collect medical data for research on new drugs. Much of the expense is in data correction. Currently, no company is specialized in collecting data concerning patients' reaction to drugs. Since DataMed automates the input and the storage of medical data, we guarantee that we can provide accurate information for the drug companies. Our statistical analysis package allows them to see trends and relationships between drug, treatment, symptoms, and outcomes. In this way, they will save million of dollars in terms of research. Also, since they need less time to research the data, they can release their new drug into the market much sooner, this increase in efficiency will bring significant increase in profit for them.

Individual Patients

We can provide patients with the ability to see their own records anytime and anywhere. We can also assure them by stressing our security that their confidentiality is protected.



4. Business Strategy and Key Milestones

4.1 Present State of the Industry

While health care budget has decreased in the last five years, the demand for healthcare services has continued unabated. A more health conscious and better-informed health consumer group, combined with the aging of the population in general, has accelerated the demand for healthcare service. The healthcare delivery industry in the United States is highly fragmented, very complex and remarkably inefficient. It is apparent that the industry must address these issues by identifying ways to enhance efficiencies and improve the quality of care.

The emerging field of electronic medical record (EMR) provider aims to change the traditional medical database into a more sophisticated yet organized data warehouse. A number of companies were created during this past decade attempting to find the solution to improve healthcare delivery system. The current market of EMR providers is composed of twenty little companies, with each of them occupied no more than 1 percent of the total market. The difficulties involved with experience, resources and reputation limit these companies from vastly capturing the market. This chaotic market has no sole standard for the network system. Because of this, it is a great obstacle when trying to connect the network into a centralized database. The current leaders in the fields are Epic Care, ChartWare and Health Probe.

4.2 Potential Competitors

The high percentage of un-captured market allows DataMed to position itself nicely in the market without direct competition with other EMR providers. Also, while most EMR providers focus on large hospitals, DataMed is targeting mid-size hospitals (<200 beds). It allows DataMed to expand dramatically as soon as we have our first product launched. Unfortunately, as the need for a complete EMR solution becomes more urgent, there exists the possibility of future competitors.

On March 29, '01, Pfizer Corp. announced plans to collaborate with Microsoft and IBM to form an independent company that will develop software and services for physician practices. Fortunately, the forming of this company will take up some years until they can launch their first product fully. By that time the stickiness feature of EMR field should give us our advantageous lead in market entrance time.

Other possibility of future competitors may be from the merger of current EMR providers. It's heard that several of the providers, ComChart, A*A Data, and HealthProbe are discussing the advantages of business alliance. As one of the current market leader, HealthProbe has the hardware and software capability to unify the other two companies. Their goal is to make their system compatible to each other in exchange to easier accessibility of a combining centralized database.



About Pfizer

Founded in 1849, Pfizer Inc discovers, develops, manufactures and markets leading prescription medicines and healthcare solutions, for humans and animals, and many of the world's best-known consumer products. Pfizer had global revenues of \$29.6 billion in 2000. Pfizer plans to invest approximately \$5 billion in research and development in 2001.

4.3 Strategic Partners

DataMed's main focus is to become the leading provider for electronic medical record. In order to build up a well thought out system, we also need to include solutions in two other fields--data storage and information transferring. Unfortunately, with limited manpower, time and money, we are at a big disadvantage if we divert our resources. Thus, we can strategically work around the first two and have alliances with similar companies so we can focus on competing in the EMR industry.

Amadeus Tech., a company researching in using palm pilot to replace the data inputting method, agreed to provide our clients with their state of art technology. Their technology can strengthen the user-friendliness of our database. Also, by partnering with Amadeus, DataMed can gain access to its strategic alliance partner's database (Johns Hopkins) in order to ensure the full compatibility of the whole systems. The alliance with Amadeus is based on the contract that we will be using their palm product in addition to our entire database. This ensures a significant amount of sales for them.

Teradata, a division of NCR (National Cash Register Corp), together with MicroStrategy, will use Oracle system to provide customized data warehouse for us. They are well known for their data warehouse concept, which allows convenient online retrieval of the customer data, easy procedures on necessary data mining as well as self-organized data structure. Teradata agreed to come up with the customized system in exchange for having the right to install the system for us in the whole nation. In the worst case of having conflicts of interest with Teradata, DataMed will seek its own solution in building the database using Oracle database software and Nortel's network equipment.

Beside these two strategic alliances, Pittsburgh Medical Center and Johns Hopkins Medical Research Center showed strong interest in doing beta test run in their hospitals. Pittsburgh Medical Center allows us to test out our database system; Johns Hopkins which is already working with Amadeus Tech to test out their palm pilot system will also provides us with the database so we can test out the compatibility of our overall system.

4.4 Unfair Advantages

DataMed stresses the unfair advantages of our product, namely its flexibility, comprehensiveness, affordability, reliability, security, and the DataMed Architecture Standard.

Flexibility/Comprehensiveness

As mentioned before, our products can be acquired individually or as a fully integrated health information system. Whereas, most products in the market right now are geared towards



large and sophisticated hospitals, thus, those available products are mostly complicated and require installation of the fully integrated system. Also, we provide a full range of product package that fits the need for both large and small hospitals.

Affordability

The flexibility of our product package allows hospitals of various sizes to budget their spending in hospital IT and create measurable financial improvement. Our easy upgrade plan allows hospitals with existing IT system to integrate their system with ours at a low cost.

Also, with DataMed's advanced technologies and experienced professionals, we can effectively implement our application tools, thus saving time and money for hospitals.

Reliability/Security

DataMed Medical Network Architectures based on Oracle and Nortel Systems, gives complete stability of the database and network. Our system has a 99.9% uptime by using multiple advanced servers. Our system is highly secured. Our medical database will be stored in the local repositories, so if any information is lost, it can be fetched back in the central database. Also, the server for our central database will be using the RAID technology that further ensures the patient data will never be lost. We will use a secured socket layer for all of our communications to make sure that no one will be able to tamper with our system. Besides, access for patients' information will be on a need-to-know basis.

DataMed Medical Network Architecture Standard

Although our system can be easily incorporated into other companies' system, anyone who is not in the network will not be able to access the medical data in the DataMed Central Data Repository. In this way, all the hospitals that wish to gain access to our main database will have to comply with our system. We will be the set model for EMR just like Intel for CPU and IBM for personal computer.

4.5 Overall Business Strategy

In order to be competitive in this dynamic marketplace, DataMed will need to deploy information technology solutions that internally automate the paper-based medical record system and externally create smart connection between the major participants in the health care: the consumers, the physicians, the hospitals and the managed care organization. The emergence of near ubiquitous internet connectivity has enabled us to allow the consumer to participate fully in the care and health management process by providing information solutions from a remote location. DataMed provides electronic medical record in an organized and centralized system. "Designed by physicians for physicians" ensures our system to be fully equipped yet user friendly. DataMed's goal is to become the standard format of EMR database—DataMed Medical Network Architecture Standard (DMNA).

Step by Step Market Penetration Process

Start Small and Think Big

DataMed plans to have its first product launched after first year. Using the seed round money, we will work closely with Teradata's engineers to come up with our idealized database system. Then we are going to incorporate Amadeus system into our features. In this



first year we continue to have our beta test in partnered hospitals. Also, we will start marketing our product and build up good customer relations with other hospitals. Although the product is still in beta test, if they are willing to sign the contract with us ahead of time, we will lower their setup cost. This way by the time we launch our first product, we already have a list of hospitals waiting to install our product.

Come Out Big and Strike Hard

Once we launch our first product, we plan to capture the market as fast as possible and become the standard system. With the help of Teradata and Amadeus, we are able to setup and operate a hospital in a short span of time. As soon as we have enough hospitals running in DataMed system, we will interconnect all the databases, and a centralized DataMed medical data warehouse will be online and fully functioned.

Expanding Market

DataMed intends to market aggressively DataMed Medical Network Architecture (DMNA) to its existing client market base, especially our user interface, DataMedChart. We aim to take over the unoccupied region of the market, especially mid-size hospitals (<200 beds). With this new computerized technology and the convincing cost-saving fact, we should be able to capture the hospitals that are still using traditional paper base database. However, we also provide open doors to the users of our competitor. We allow easy upgrade from major competitors' databases. This way they don't have to discard all the past investments. Instead, their systems can be assimilated into DataMed system with a cheaper upgrade fee.

Barriers to Entry

The culture of database business is that once a hospital has spent significant amount of time and effort into one system, the hospital is reluctant to change their operation system, unless there is a significant need for it. This creates a nature barrier to entry for our competitors. We will provide easy upgrade from other people's systems. However, the configuration of our infrastructure will make it difficult for other companies to incorporate our system. Also the idea of DMNA restricts users of other systems from accessing our database. Thus, hospitals wanting to join our network must comply with our system

Service Expansion Pack

We will continue to provide our clients with easy upgrade from the current system. We will continue to look for new partners in order to provide our clients with the latest technology. Current possible alliances in mind include major cell phone companies and health instrument companies (Vascular Innovative). These possible alliances can enhance our system with wireless and diagnostic features. The true application is still under research. We are looking at five years of lead-time to our major competitors.



4.6 Key Milestones

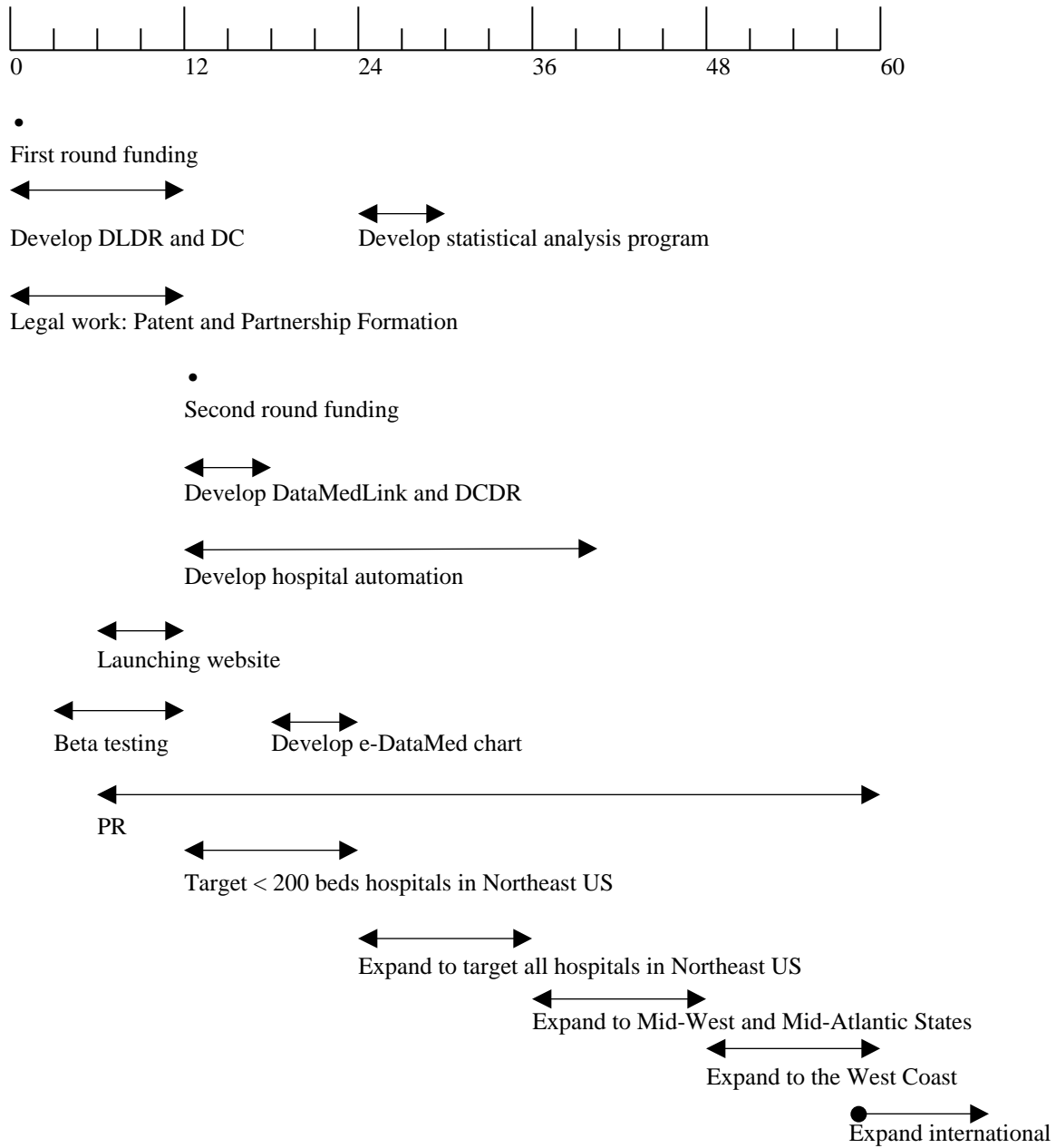


Figure 2. Key milestones



4.7 Exit Strategy

Since the hospital IT and EMR industries have some uncertainty issues such as privacy and the Balanced Budget Act, an exit strategy is needed in case we do not go IPO at the end of our fifth year. One exit strategy is to be bought out by a large EMR company, such as EpicCare or HealthProbe. These large EMR companies will be interested in buying out our company because we initially penetrated into a market that is different from theirs. Most large companies target large hospitals and we target middle size hospitals in the beginning. Therefore, by taking over our company, they will be able to gain market share in the middle-size hospital market segment. Another strategy is to merge with Pfizer. Their corporate culture seems very similar to DataMed's, and they are very eager to capture the healthcare market in the shortest span of time.



5. Marketing Plan

5.1 Business and Revenue Model

DataMed provides services to hospitals, medical professionals, pharmaceutical companies, and individual patients. In the first stage, DataMed target medium size hospitals, and in the second stage, DataMed expand its service to larger hospitals and smaller clinics. After its service becomes ubiquitous, DataMed includes pharmaceutical companies and individual patients in the targeted customer pool. The revenue model will be broken down into the following parts:

Hospitals

- For our core feature: *DataMed Chart* and *DLDR*, we will charge a one-time installation fee of \$150,000 per hospital. After that, we will charge an annual service charge of \$50,000 for consulting, upgrading, customer support, and maintenance fee.
- For our extra feature: *Hospital Automation*, we will charge a one-time installation fee of \$250,000 per hospital. After that, we will charge an annual service charge of \$50,000 for consulting, upgrading, customer support, and maintenance fee

Pharmaceutical research

- Annual usage fee of \$150,000 on average per institution for querying aggregated patient information.

Patients

- Flat annual fee of \$10 per patient with unlimited access.

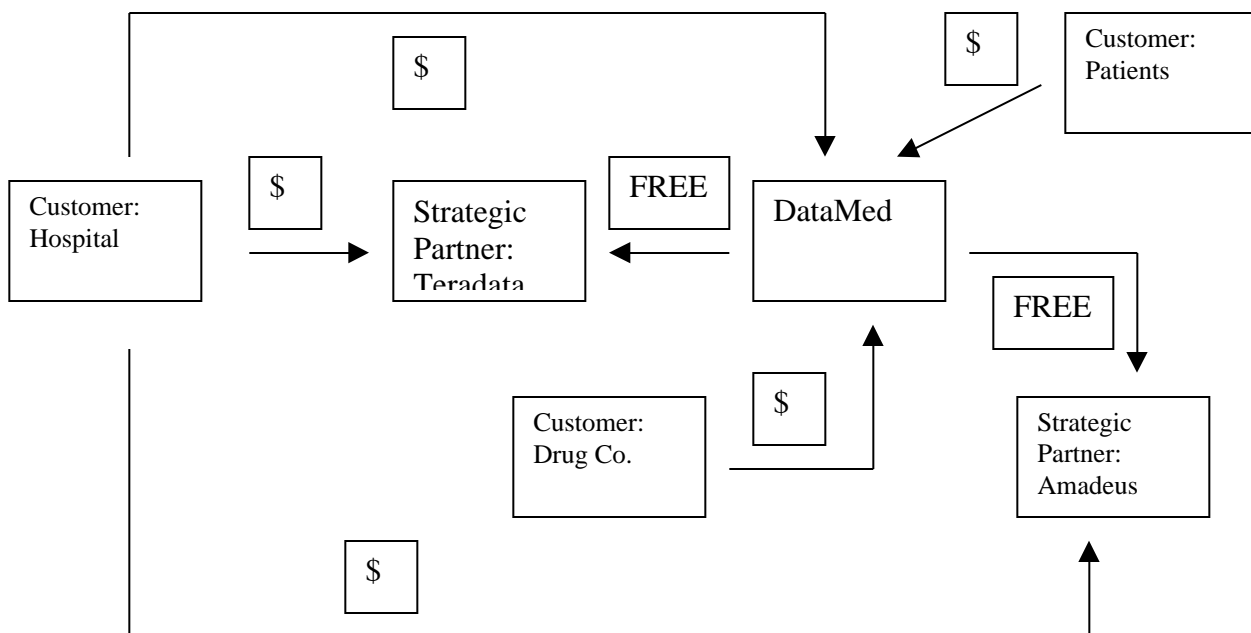


Fig 3: DataMed's business model graph



5.2 Market Segment and Market Size

When DataMed initially launch *DataMed Chart*, *Data Repositories* and *Hospital Automation Plan*, our target customers are hospitals. DataMed segments the hospital market by both size and region.

In terms of hospital sizes, there are two market segments: large hospitals (with 200 beds or more) and midsize hospitals (with less than 200 beds). The reason we divide hospitals into large and midsize segments because larger hospitals usually have a more complex system and therefore require a more comprehensive IT solution. According to American Hospital Directory, there are 6114 hospitals in the United States. Out of the 6114 hospitals, approximately 40%, or 2500 hospitals, have less than 200 beds.

In terms of regional locations, DataMed divide the U.S. market into the following segments: Northeast US, Midwest US, Mid-Atlantic US, Southern US, and the West Coast. These segments are further divided into smaller regions, namely the different states. The market is divided regionally because the upward and downward supply chain in hospitals usually work regionally. For examples: hospitals usually refer patients to nearby hospitals; patients usually go to clinics that are close to their residences; and patients go to nearby pharmacies for prescription. These are the size of the major market segments that we target: Northeast US (982 hospitals) and the West Coast (632 hospitals).

5.3 Market Strategy and Ideal Customers

For the hospital market, DataMed will employ the guerrilla strategy. Currently, most of DataMed's competitors such as Epic System Corporation, Chartware, and Health Probe have focused on large hospitals. The unguarded medium sized hospitals will be DataMed's Ideal customers. DataMed's ideal customers should also lack an existing EMR system so that they can have a significant marginal benefit from installing our system. According to Gannett Cornell University Health Center, once a healthcare organization invests significantly in an EMR system, they are unlikely to invest significantly in another EMR system. After DataMed has captured a large portion of this market segment and gained a good reputation, then DataMed will employ an offensive strategy to expand its service to large hospitals and local clinics. In other words, we will start with hospitals that other EMR and hospital IT companies have not paid much attention to, and then we will leverage our network externality to compete with them.

DataMed will begin our business in Pittsburgh because we will perform beta testing with the Pittsburgh Medical Center. There are 24 hospitals in Pittsburgh, and 12 of them have less than 200 beds. There are 263 hospitals in Pennsylvania and around 900 hospitals in Northeast US. And, the number of hospitals with less than 200 beds in the Northeast region is approximately 40% of 900 that is equal to 350 hospitals. One of the reasons why we begin our bowling pins in the Northeast US is because this region has a high density of hospitals.



5.4 Bowling Pin Strategy

Since we have divided the market from two perspectives. We will have two bowling pin strategies: Industry Bowling Pin and Regional Bowling Pin.

Industry Bowling Pin

In this strategy, our first bowling pin is our ideal customer – the mid-sized hospitals. The second bowling pins are the large hospitals and clinics. After we have captured the large hospitals and clinics, we will go downward along the hospitals' and clinics' supply chain and target the patients. We will also go upwards along the chain and target the pharmaceutical companies.

DataMed will target the pharmaceutical companies with heavy budget on drug discovery research for our statistical analysis package. For online personal medical data retrieval, DataMed will target the middle aged but computer literate population that uses the service of our affiliated hospitals. These people are more interested in their health situation and are willing to pay online for medical record lookups.

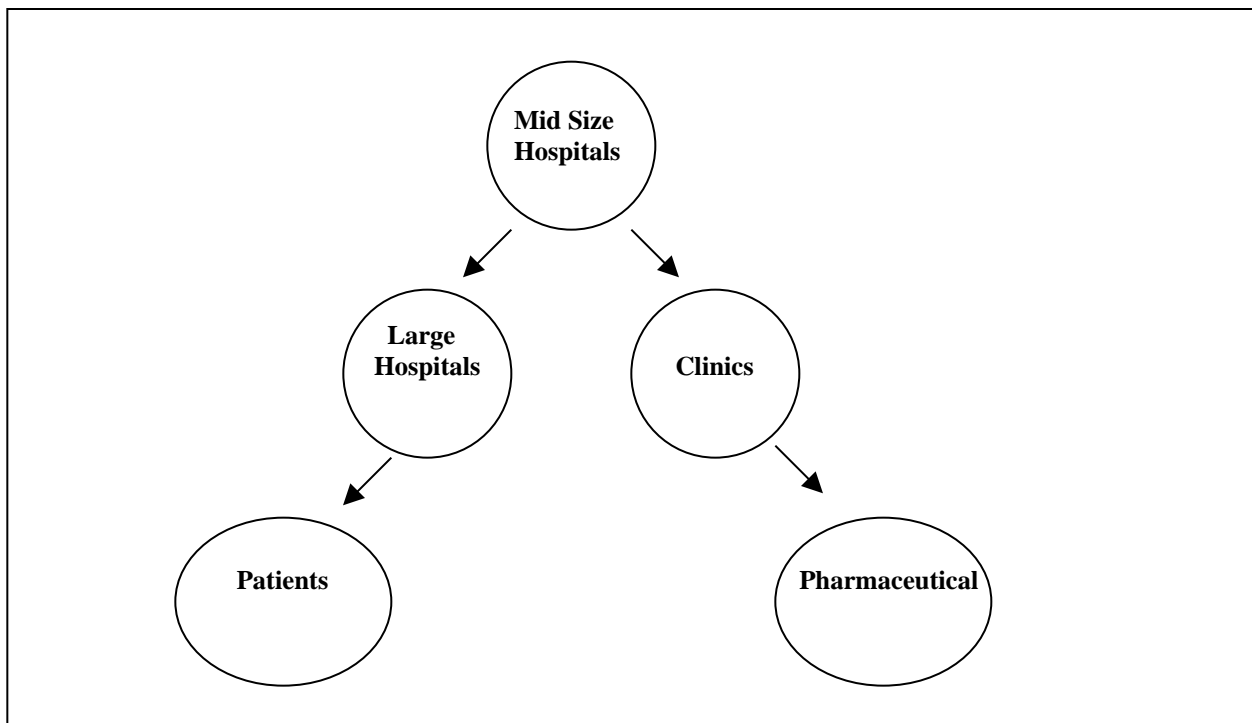


Fig 4: industry bowling pin strategy

Regional Bowling Pin

Our first bowling pin in this strategy is Pittsburgh, Pennsylvania. We will perform beta testing in Pittsburgh in the first year, and we will expand from Pittsburgh to nearby states. In the second year of our startup, we will hit the second bowling pin. We will expand to states in the Northeast region of US, such as New York, New Jersey, Massachusetts, etc. In the third year of our startup, we will begin to target hospitals in the Mid-Atlantic and the



Midwest. In the fourth year, we will expand to the West Coast. And, we plan to bring our business global in the fifth year.

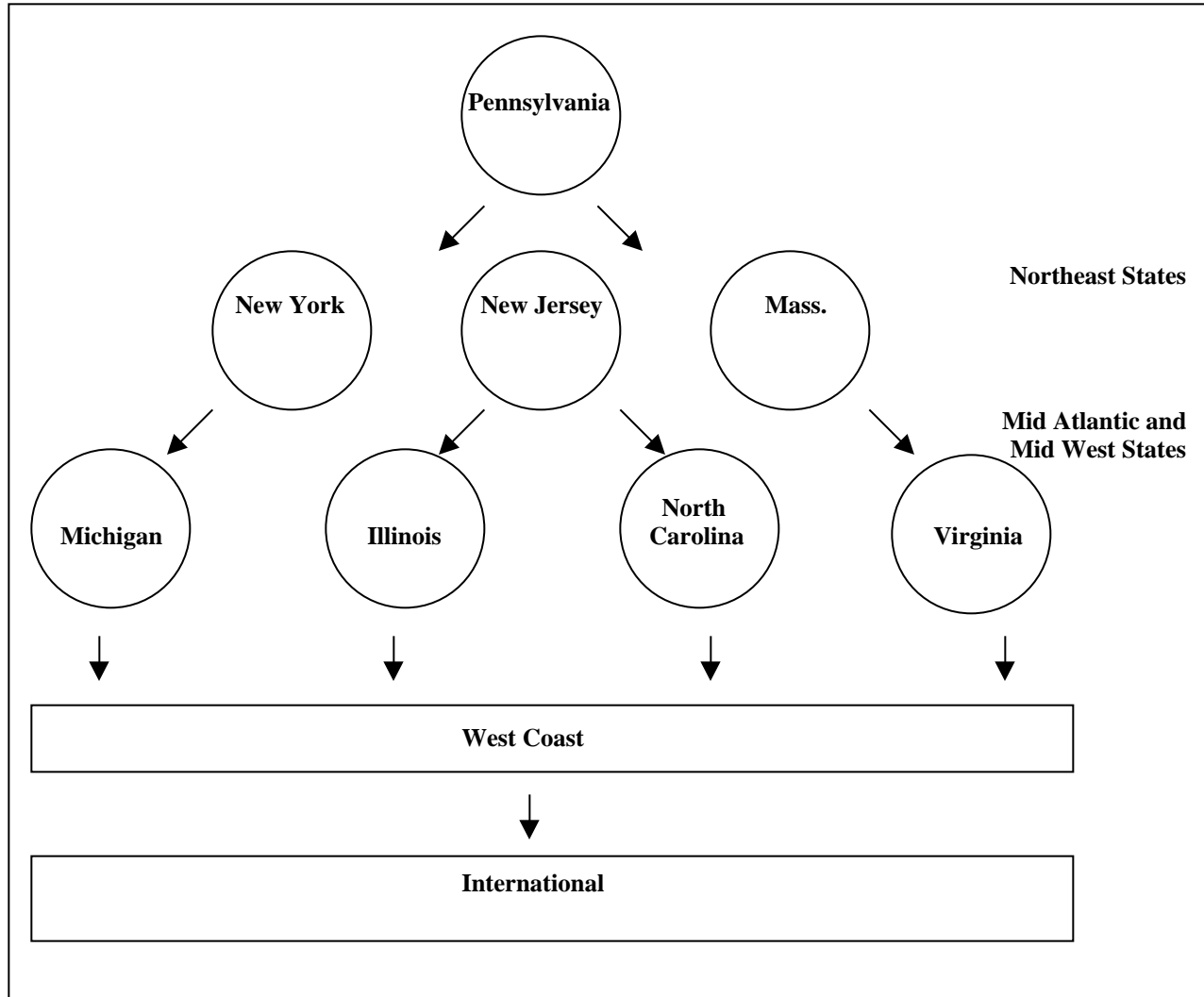


Fig 5: Regional bowling pin strategy

5.5 Positioning and Differentiation

DataMed aims to position itself as the leader and the standard for the Medical Record Industry. We will achieve this by abiding by the Health Insurance Portability and Accountability Act (1996), an act that protects the confidentiality of patients' medical record. In addition, the Bush Administration is active in designing another privacy act to protect patients' information. They are now widely consulting public information. DataMed hopes to take this opportunity to get the government to recognize that our system has achieved the standard required by the law. We further hope to convince the government to recognize our product as the standard that the industry has to meet up to. We will provide industry information for the government research and, possible help the government to develop a sample Electronic Medical Record System for



the industry. In return, we hope to patent the EMR system so that every EMR provider must use our software.

Apart from this, we will also differentiate ourselves from our competitors by stressing our capability to network our client hospitals' internal as well as external systems.

5.6 Channels of Distribution

To reach the hospitals, we first obtain the list of all hospitals from the American Hospital Directory. We will use direct sales to reach these hospitals. After we have a working prototype of DataMed Chart, our sales people would be traveling to perform on-site demonstrations of our system to medium sized hospitals.

As we gain foothold on our first customers, we will convince other hospitals that work closely with our customer to become our customers as well. Such hospitals may already have an EMR system employed, but we will stress our ability to integrate data as an added value to them.

In order to reach our patients, we will ask our affiliated hospitals to allow us to advertise in the hospitals so patients know how to access their medical records online. This would be the most targeted and cost-efficient way to advertise to the patients.

To reach pharmaceutical companies, we will use the IMSworld Pharmaceutical Company Directory profiles. The directory contains the most significant pharmaceutical companies, including subsidiaries of multinationals, operating within the world's main health care markets. As of January 1999, the database covers more than 5,300 pharmaceutical organizations in more than 60 countries with detailed contact information. We will use the contact information in this directory to contact each pharmaceutical company and convince them to give our system a try. After the trial period, if the research institutions can benefit from our system, we will convince them to subscribe to our service.

5.7 Sales Strategy

We will give doctors and nurses proper incentive to want to use our system. Since the use of a PDA is central to our product, we will give each doctor a free PDA and to nurses a discounted PDA for personal use so they can become familiar with the use of a PDA. We will also give them free unlimited use of the E-DataMed Chart so they can view their own health records. With these incentives, we will turn doctors and nurses into advocates for our system, and this will translate into sales for us.

Also, we will boost our reputation by first working closely with well-known hospitals such as Pittsburgh Medical Center and Johns Hopkins Hospital. We will appeal to our customers by stressing the unfair advantage of our product, namely its affordability, reliability, security, flexibility, comprehensiveness, and the path it paves for the ultimate goal of health care – curing patients and saving lives. We also will convince our customer to use our product by stressing our strong customer support.



Lastly, we will give incentives for pharmaceutical companies and patients by offering trail versions for them.

5.8 Five-Year Sales Forecast

	Year 1	Year 2	Year 3	Year 4	Year 5	
TAM: Total Available Market						
Assumptions:						
A: Hospitals(<200 beds)	2,500	2,550	2,601	2,653	2,706	Assume 2% growth
B: Hospitals(>200 beds)	3,600	3,672	3,745	3,820	3,897	
TAM= A+B+C	6,100	6,222	6,346	6,473	6,603	
D: Patients	60,000,000	63,000,000	66,150,000	69,457,500	72,930,375	Assume 1/5 of population
E: Pharmaceutical Companies	5,000	5,000	5,000	5,000	5,000	Assume 5% growth
SAM: Served Available Market						
A: Hospitals	6,100	6,222	6,346	6,473	6,603	
Ac1: Setup Fee	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	Assume setup is
Ac2: Annual Fee	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	spread out in 5 yrs
SAM: A	\$610,000,000	\$622,200,000	\$634,644,000	\$647,336,880	\$660,283,618	
B Patients	60,000,000	63,000,000	66,150,000	69,457,500	72,930,375	
Bc1: Look up Fee	10	10	10	10	10	
SAM: B	600,000,000	630,000,000	661,500,000	694,575,000	729,303,750	
C Pharmaceutical Companies	1,000	1,000	1,000	1,000	1,000	
Cc1: Statistical Analysis	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	
SAM: C	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	
Total SAM	1,360,000,000	1,402,200,000	1,446,144,000	1,491,911,880	1,539,587,368	
SOM: Share of Market						
A: % of Hospitals SAM	0.00	0.01	0.07	0.12	0.15	
A: SOM	0.00	9,000,000.00	44,750,000.00	75,750,000.00	96,000,000.00	
B: % of Patients SAM	0.00%	0.00%	0.00%	2.88%	5.48%	
B: SOM	\$0	\$0	\$0	\$20,000,000	\$40,000,000	
C: % of Pharmaceutical SAM	0.00%	0.00%	0.00%	2.00%	5.00%	
C: SOM	\$0	\$0	\$0	\$3,000,000	\$7,500,000	
	0.00%	0.64%	3.09%	6.62%	9.32%	

Table 1: TAM, SAM, SOM



Year	Projected Sales Forecast Description
1	No Sales- focus on research and development of the products as well as beta testing.
2	Capture middle-size hospitals in the North East region.
3	Capture larger hospitals and start to offer patient look up for free for the first year.
4	Start charging patient lookup and also statistical analysis for pharmaceutical companies.
5	Continue expansion to global market

Table 2: Projected Sales Forecast

5.9 PR Strategy

As a service provider to the health care industry, it is important for us to have a good image. This is most cost effectively achieved through Public Relations in the early stage of our formation. We want hospitals to be interested in our products well before their conception. Thus, in the first year, we will use PR to extend advertising's reach to hospital management and the general public. After the second year, PR will have the added responsibility to increase sales credibility and generate leads. We will be building media relations, giving press tours, participate in trade shows, contribute articles, and providing superb customer relations. We have a constant need for PR because we cannot afford to be viewed as a negative entity. To this end, we will need a suitable agency whose client mix includes the health care industry. Since we will be working with this PR firm closely, it is important that they have the right attitude towards us, and that a positive chemistry exists in this relationship. They also must have a large bandwidth of connections and a large brain width of personnel with experience and expertise across a wide spectrum. The budget that we allocate to public relations is as follows:

Year	1	2	3	4	5
Budget	\$0 Million	\$1 Million	\$2 Million	\$4 Million	\$6 Million

Table 3: Money Spent in PR in first five years

5.10 International/Global Plan

DataMed will become a global business in the future. The founders of DataMed come from Taiwan, China, Hong Kong as well as Brazil. This gives us a competitive advantage to expand globally because we have connections and extensive knowledge about countries in Asia and South America.

DataMed will first expand to Asia after it has gained around 10% market share in the United States. This will approximately be 5 years from now. Eventually, we would like to enter the Chinese market. It is because the Chinese cities are growing rapidly, but the medical system in the country is still relatively primitive. We expect China will continue to grow rapidly over the next few years. More and more people will move to the main cities to work and, by the time we



expand to China, there will be a crying need for reforms in the medical system. Our hospital automation plan will help improve the efficiency in Chinese hospitals. They will also need to create an Electronic Medical Record system in order to save cost and ultimately improve their medical system.

To enter the Chinese market, we will first establish ourselves in Hong Kong by providing discounted service to Hong Kong hospitals. Two of our founders are from Hong Kong and they have connections with The Hong Kong Hospital Authority. Also, the reputation that our technology is developed in the United States will also help our penetration in Hong Kong. Once we have established ourselves in Hong Kong, it will be much easier for us to penetrate into the Chinese market. We will open a regional office first in Guangzhou, and then we will begin our business in China from there.



6 Operation Plan

6.1 Engineering Plan

Initially, DataMed's research center will be located in Pittsburgh, Pennsylvania. We will work closely with the Pittsburgh Medical Center to come up with our user interface. Teradata has agreed to supply ten engineers to design the skeleton of our database. Amadeus will also send two engineers to try out their system with our database.

The engineering plan of the DataMed Medical Network Architecture can be divided into three phases. The first phase will be done in the first year, involving the completion of DataMedChart and DataMed Local Network Repository. Teradata will assist us to develop this part. Also, Amadeus will compile their system with our programs to ensure full computability before we launch them into the market. With the success of the initial product development, we will be able to start targeting other hospitals. By that time, various offices will be setup in major cities to ensure quality in local hospitals. Teradata will take our system and pass it among its national network so that its engineering department in the entire US will be capable of fast installation of our system.

The second phase involves connecting all the local databases (DLDR) together to create the DataMed Central Network Repository. Our system engineers will be in charge of the network configurations. DataMed is considering in using Nortel system to build the entire network architecture. Also, we will finish our Hospital Automation plan after the third year. The Automation plan will be developed with the help of TeraData and some other software companies. By the end of this stage, all of our customer hospitals will be linked together not only through DCDR, but also with DataMed Link which takes care of all the referral cases.

The third phase is the launching E-DataMedChart that allows patients to retrieve their own medical record online. Also we are going to start analyzing our database to come up with aggregated data that could be useful to pharmaceutical companies. The completed DataMed Medical Network Architecture should be done after three years. At that time we will become the standard in the EMR field.

6.2 Outsourcing Plan

In the data storage field, we have a strong existing data storage companion. Teradata, a division of NCR (National Cash Register Corp.) together with MicroStrategy, provides high performance, scalable data warehouse to over one thousands companies in the US. Thus, we are going to contact hospital first, and come up with customize database features. Then we are going to outsource the building of the database to Teradata. Their capability to build and customize database for individual medical unit with interactive data transfer and data optimization can really speed up our expansion.

Our second field of interest is with Amadeus. Amadeus technology has been working on allowing doctors to input patient information through a simple PDA. We are going to outsource the hardware input method to them. This way, we can concentrate on building the national



infrastructure. We are looking for strategic alliance with them since their technology can be added as part of our service to facilitate doctors inputting patient data.

6.3 Website Plan

DataMed.com will be launched on the 6th month after the company is established, and new features will be constantly added. DataMed will develop its own website with our technical workforce.

DataMed's website has several purposes: first is to advertise our product among our customers; it serve as the main source of information about details of our product offerings. The second purpose is to support E-DataMed Chart and the Personal Health System. Patients can register through our Webpage to retrieve their own medical records. They will also receive medical updates from our site. Finally, our website is also used for customer support. DataMed Chart and other products will be linked to our website and our clients can contact us conveniently at anytime.

6.4 Customers Support

In terms of services, DataMed provides comprehensive customer support that complements our architecture. Our consultants help hospitals set up and customize their systems, tailored to individual hospitals needs. They also help hospitals reach their goals in substantially reducing the cost of healthcare delivery, eliminating the majority of avoidable medical errors and dramatically improving the quality of healthcare by reducing variance. DataMed focuses on optimizing the effectiveness of direct care providers: physicians, surgeons, nurses, therapists and others on the team responsible for managing care.

6.5 Facilities and Administration Plan

DataMed's main research center will be located in Pittsburgh, Pennsylvania. This is because we will perform initial beta testing with the Pittsburgh Medical Center.

Since DataMed aims to target hospitals in the Northeast region of the United States during the first two years after its set up, its hub will remain in Pittsburgh for the first two years. After the second year, DataMed will expand to the West Coast. At that time, DataMed will open another main office in San Francisco.

In the beginning, we will lease a 6,000 square feet office in Pittsburgh to accommodate the 27 employees. After the first year, we will move to a 37,000 square feet main office, which will accommodate around 140 employees. This office will be our Northeast headquarter. After three years, we will open our SF office.



6.6 Legal Plan: intellectual Property and Privacy

Accounting

To handle the finances of our startup, a top accounting firm with substantial high-tech experience will be chosen. DataMed is considering in hiring Deloitte Consulting as our accountant, but this will be finalized only after consultation with our venture capitalists.

Legal

Confidentiality and privacy is at the heart of the Electronic Medical Record Industry. DataMed will abide by the government's privacy law to protect patients' medical information.

All medical records and other individually identifiable health information communicated electronically are covered by the final regulation of the Health Insurance Portability and Accountability Act (1996). According to the law:

- 1) Patients must be able to see and get copies of their records, and request amendments. In addition, a history of most disclosures must be made accessible to patients
- 2) Hospital must receive patient consent before releasing any information.
- 3) Patients' consents must not be coerced

DataMed will comply with all these laws. In addition, the Bush Administration is active in designing another privacy act to protect patients' information. They are now widely consulting public information. DataMed will take this opportunity to work with the government to set a standard for the EMR industry in terms of privacy. In order to achieve this, we will need an extensive legal team familiar with medical privacy issues.

On top of this, DataMed will strongly attain and enforce all possible intellectual property protection for our research and development. We will register all of the names of our products as trademarks. We will also obtain patent for the software and databases we develop and require all of our employees to sign an "Employee Proprietary and Confidential Information Agreement". DataMed will hire Aresty International Law Offices, PC to represent us in matters of intellectual property because this law firm is one of the leaders in the this field.



7 Management and Key Personnel

7.1 Management Philosophy

DataMed will strive to provide the optimal environment for our employees to maximize productivity. Our management strategy is to put employees in challenging tasks in which they excel and enjoy, and will give them a balance between pressure and relaxation. We will reward our employees for accomplishments, efforts, and contributions in both public and financial ways. DataMed's employees will know that each and everyone in our big family is indispensable.

7.2 Core Team and Leadership Plan

At DataMed, we know our success depends on hiring the most talented individuals in all fields to be part of our family. The acquisition of the brightest minds, enthusiastic employees at every level is a must. When the responsibilities of the position surpass the abilities of the founders, we will hire experienced CEO and CFO to replace the founders. A CEO with strong sales background will be a big plus, as DataMed's success is highly correlated with the ability to sell our solutions to hospitals and medical institutions.

7.2.1 Founders

David Wang, CEO

Mr. Wang will graduate from Cornell University with a Masters of Engineering in Computer Science in May 2001. He received a B.A. degree from Cornell University in Computer Science in May 2000, while concentrated his undergraduate studies in CS and Pre-Med. Mr. Wang has received Dean's List for all 8 semesters of his undergraduate education. He has experiences in computer software engineering in Quiq Inc., and intranet design in Edimax Corp. He has been a consultant for Cornell Computer Science Department in computer architecture, and he is currently a teaching assistant for software programming courses in Cornell University. He has extensive knowledge in network, security, and software engineering. He is also experience in the medical and biological sciences field with corresponding research and extensive coursework. He is proficient in Mandarin, Taiwanese, English, and Spanish. At Cornell, Mr. Wang has held a variety of leadership positions including the President of Cornell Taiwanese Student Association, an organization of over 150 members.

Jorge TsengLee, CFO

Mr. TsengLee will graduate from Cornell University with a B.S. in Operation Research and Industrial Engineering in January 2002. He has experience in financial analysis with JP Morgan Chase Co., performing project-based assignments in Private Banking Financial. With JP Morgan Chase Co., he designed a new and more efficient database for Morgan Online trading. He was also involved in building economic model and multi-year plans for the department. Having lived and studied in four different countries, Mr. TsengLee is proficient in 5 languages: Mandarin, Spanish, Portuguese, English, and Taiwanese. At Cornell, he has held a variety of leadership positions including Vice President of Cornell



Taiwanese American Society and Peer Advisor for Cornell International Students Organization. Mr. TsengLee is also a member of the National Society of Collegiate Scholars.

Samson Yao, VP of Engineering

Mr. Yao will graduate from Cornell University with a B.S. in Electrical and Computer Engineering in January 2002 concentrating in Network Management. He is knowledgeable in network administration from the past working experiences in TASIL Semiconductor Corp. and AAEON Technology. He was in charge of the information transferring internally and externally involving building the network architecture for the cooperation. He is also familiar with different network protocols. Mr. Yao is fluent in 4 languages: Mandarin, English, French and Taiwanese, which gives us the important asset when we want to expand globally. At Cornell, he is involved with several leadership positions including, President of Cornell Taiwanese American Society, Chairman of Intercollegiate Taiwanese American Student Association—Cornell Chapter and executive member of Tzu Chin Foundation in Cornell. Mr. Yao is also an honorable member of the National Society of Collegiate Scholars.

Wilfred Lam, VP of R&D

Mr. Lam will graduate from Cornell University with a B.S. in Operations Research and Industrial Engineering in June 2002. He has extensive experience in research and development through involvement in various research projects in operation researches. Mr. Lam's experience includes a major industrial engineering project sponsored by Proctor and Gamble, helping them designing a toy wagon with an operation research team. Mr. Lam is proficient in 3 languages: English, Cantonese and French.

Alison Lau, VP of Client and Consultant Relations

Ms. Lau will graduate from Cornell University with a B.S. in Operations Research and Industrial Engineering in June 2001. She will pursue a Master degree in Financial Engineering following her graduation. Ms. Lau has extensive experience working with people. Her past experiences include data structure management at the ABN AMRO Bank, Hong Kong division. At Cornell, Ms. Lau has hold several leadership positions including: Vice President of the Hong Kong Student Association and Vice President of the Institute of Industrial Engineers – Cornell Chapter.

**See Appendix A for detailed resumes of the founders*

7.2.2 New Hires

The two VPs we plan to hire will bring with them experience and knowledge of the inner working of business. They will be critical to the development and success of DataMed's future. Besides the challenge and personal enjoyment DataMed will provide, we plan to attract the best people to our management team by giving them the same share of the company's ownership as the founding team.

VP of Marketing

The VP of Marketing is the most important position to fill in our early stage of hiring. This person will be a part of the creation of our first product. He /She will be head the advertising and public relation groups, with the goal of making DataMed's services and products a must-have for all medical institutions. An initial candidate for this position is Mr. Alan D. Ditrich,



currently the senior Vice President and Chief Marketing Officer of Health Probe Corporations. Mr. Ditrich is an expert in marketing related to healthcare area, and has strong technical skills as he holds bachelor degrees of business and computer science, and master degree of finance. Prior to joining Health Probe, Mr. Ditrich served in sales and marketing leadership roles with IBM for six years.

VP of Sales

The VP of Sales will be crucial to DataMed's success. He/She is the person responsible for the growth of the company. The VP of Sales should be the most exciting person about DataMed and its services and products, eager to sell them to the world. An initial candidate for this position would be Mr. Terry Fenhoff. Mr. Fenhoff currently heads the marketing and sales for e-MDs Corp., another EMR software company. Mr. Fenhoff has over eighteen years of experiences in sales, sales management, and marketing for healthcare industries.

7.3 Organizational Structure

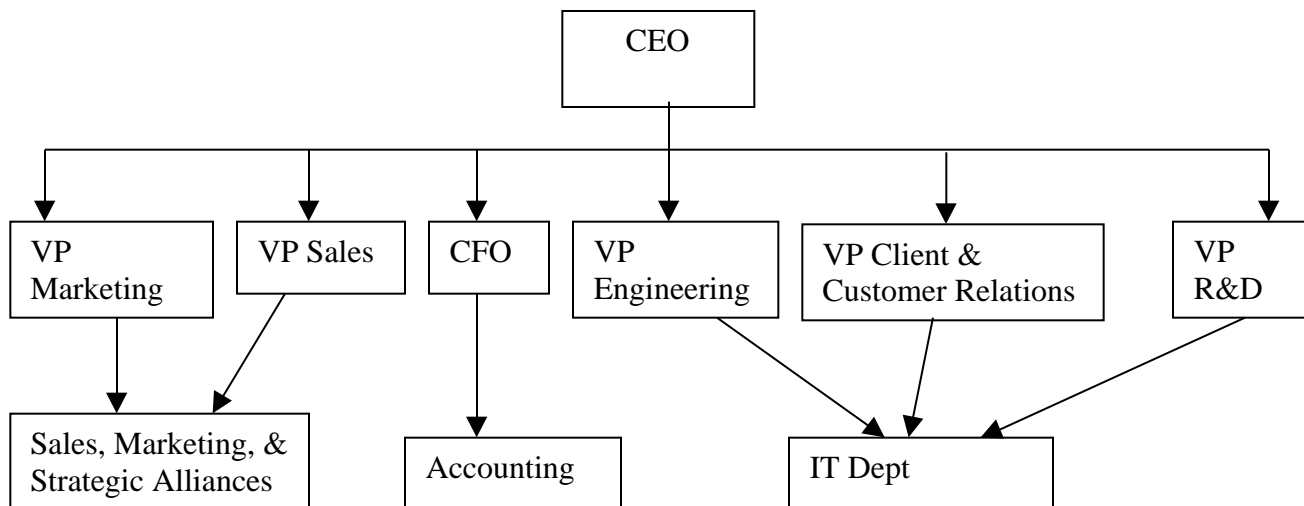


Fig 6: Organizational Structure

7.4 Headcount Projection

	2002	2003	2004	2005	2006
Management	2	3	5	10	15
IT	3	5	10	15	15
R&D	15	25	35	50	50
Marketing/Sales	3	15	40	80	130
Customer Support	1	15	40	80	130
Finance	1	2	3	5	8
G&A	2	3	6	12	15
Total Headcount	27	68	139	252	363

Table 4: Headcount Projection



7.5 Company's culture

The atmosphere in the working place is one of the most important factors in employee's day-to-day well being. A comfortable and happy environment will lead people to their ultimate potential. Employees will be able to dress in casual business dress code, working in a smoke-free, informal working environment. The offices will have high levels of lighting, and communication between all of our employees will be highly promoted. Everyone will have the feeling of being part of our big family. Employees will be divided into teams, and unlike other companies, which have teams competing with each other, DataMed will promote the cooperation among the teams. Each and every team will help and compliment each other. DataMed is an equal opportunity company, and having diversity in our workplace is an ultimate goal among the management teams. We will have refreshment centers throughout our offices, and have happy hours on Fridays to promote fun and friendly culture.

7.6 Benefits and Incentive Compensation Program

DataMed recognizes that the most successful companies are those capable of giving their employees incentive to succeed. Our goal is to make DataMed one of the top 100 companies to work for according to Forbes Magazine. Our benefits move well beyond traditional health and benefit programs, focusing on the individual needs of DataMed's associates in all stages of their careers. Benefits span from comprehensive health coverage for associates and their families, superb salaries, and individual educational planning. DataMed's employees will be entitled to the following benefits:

- Superb salaries.
- Pre-IPO stock options.
- Life, Medical, Dental, and Vision insurance for all associates and families
- A 401-K retirement program where we will match 25% of the first 6% of any employee's salary saved in the 401K.
- 100% tuition reimbursement for any employee going to school for a higher education while working full time.
- 50% matching funds of children's care and education for any employees with 10 or more year experience with DataMed or whose position is a senior VP or higher.
- \$500 stipend toward healthy-related expenses, such as gym membership, massages, or purchase of sporting goods.
- 2 weeks a year of paid vacation time, increasing with experience and position.



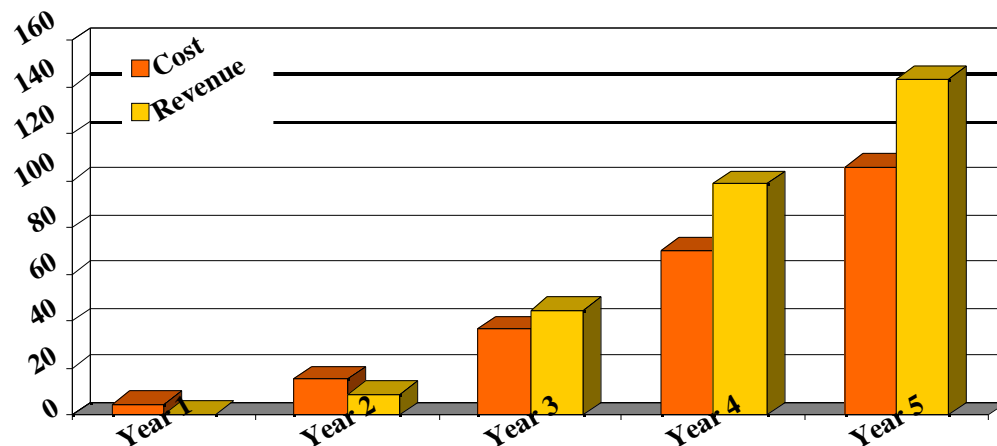
8 Financial Projections

8.1 Funding Timeline

We are looking to raise five million dollars for the seed round funding, which will occur in the first month of DataMed's operating year. The initial fund will get us through the end of the first year, at which point we will do our second round of funding. At this stage, we will look to raise ten million dollars, and it will be enough for us to operate until our planning horizon of five years, at which we will go to the initial public offering.

8.2 Financial Highlights

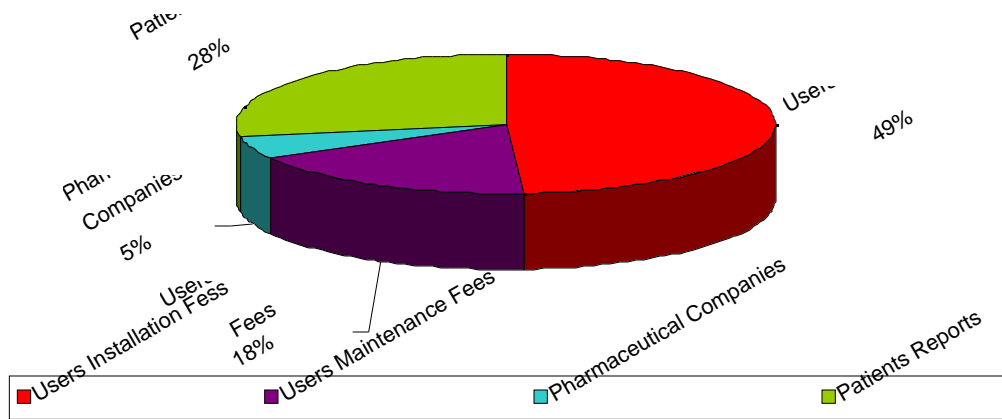
The graph below highlights the five-year outlook of DataMed's revenue growth against expenses. We will break even in the third quarter of year three, and by the end of year five, DataMed's total net profit is about US\$22.4 millions, with US\$143.5 millions in revenue.



Graph 1: Five Year Outlook

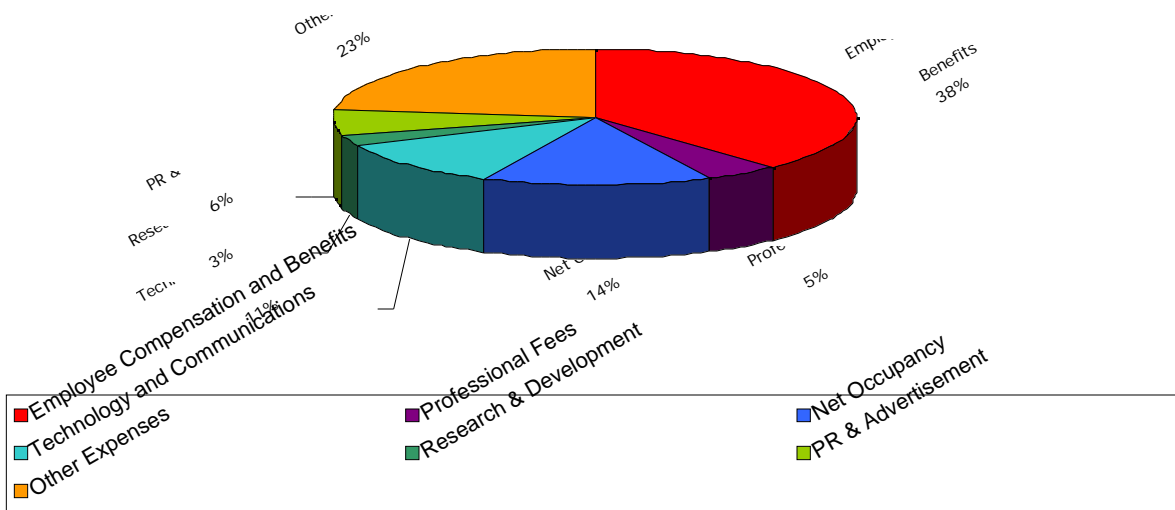
Figures 7.2.2 and 7.2.3 show the revenues and expenses breakdown in year five. In the first five years, DataMed's main revenue will come from users installation fee, which will be responsible for 49% of our total revenue. However, as mentioned earlier in the revenue model, we will expect to see rapid growth in revenue from individual patients record look-up and pharmaceutical companies after five years. In fact, by the end of year five, patients reports already compose 28% of DataMed's total revenue. Our expenses will be mainly on the work force. 38% of our total expense in year five will go toward employees salaries and compensations. This expense already includes the on-site consultants we send to the hospitals for installations and training.

Year 2006 Revenue Breakdown



Graph 2: Revenues breakdown

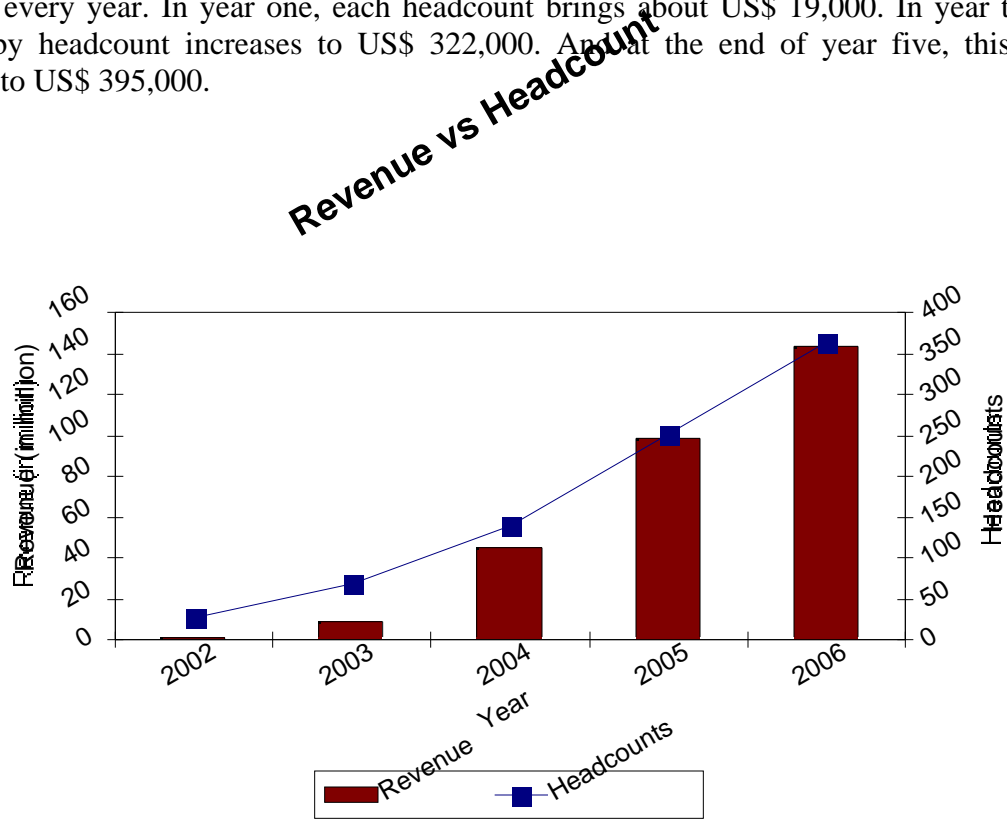
Year 2006 Expenses Breakdown



Graph 3: Expenses breakdown



Figure 7.2.4 shows the revenue versus headcount. As we can see, our revenue by headcount increases every year. In year one, each headcount brings about US\$ 19,000. In year three, the revenue by headcount increases to US\$ 322,000. And at the end of year five, this number increases to US\$ 395,000.



Graph.4: Revenue by headcount



8.3 Income Statement

Money in (000)	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
REVENUE	\$500	\$9,000	\$44,750	\$98,750	\$143,500
COST OF SALES/OPERATIONS	1,636	8,180	21,302	41,823	65,894
GROSS MARGIN	(1,136)	820	23,448	56,927	77,606
<i>Percent</i>	-227.2%	9.1%	52.4%	57.6%	54.1%
R & D	1,980	3,600	5,250	7,750	8,000
SALES & MARKETING	301	2,700	8,238	16,938	26,675
G & A	580	960	1,820	3,780	5,700
OPERATING EXPENSES	2,861	7,260	15,308	28,468	40,375
OPERATING PROFIT	(3,997)	(6,440)	8,140	28,459	37,231
<i>Percent</i>	-799.4%	-71.6%	18.2%	28.8%	25.9%
INTEREST INCOME	81	9	20	64	114
INTEREST EXPENSE	0	0	0	0	0
NET INCOME BEFORE TAXES	(3,916)	(6,431)	8,160	28,523	37,344
TAX PROVISION	0	0	0	7,901	14,938
NET INCOME	(\$3,916)	(\$6,431)	\$8,160	\$20,622	\$22,407

Table 5: Income Statement in Dollars



	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
REVENUE	100.0%	100.0%	100.0%	100.0%	100.0%
COST OF SALES/OPERATIONS	327.2%	90.9%	47.6%	42.4%	45.9%
GROSS MARGIN	-227.2%	9.1%	52.4%	57.6%	54.1%
R & D	396.0%	40.0%	11.7%	7.8%	5.6%
SALES & MARKETING	60.2%	30.0%	18.4%	17.2%	18.6%
G & A	116.0%	10.7%	4.1%	3.8%	4.0%
OPERATING EXPENSES	572.2%	80.7%	34.2%	28.8%	28.1%
OPERATING PROFIT	-799.4%	-71.6%	18.2%	28.8%	25.9%
INTEREST INCOME	16.2%	0.1%	0.0%	0.1%	0.1%
INTEREST EXPENSE	0.0%	0.0%	0.0%	0.0%	0.0%
NET INCOME BEFORE TAXES	-783.2%	-71.5%	18.2%	28.9%	26.0%
TAX PROVISION	0.0%	0.0%	0.0%	8.0%	10.4%
NET INCOME	-783.2%	-71.5%	18.2%	20.9%	15.6%

Table 6: Income Statement in Percentage



8.4 Balance Sheet

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CASH FOR OPERATIONS	\$10	\$100	\$100	\$100	\$100
BALANCE: CASH SURPLUS	746	3,667	7,951	25,413	45,521
RECEIVABLES	0	1,125	5,594	12,344	17,938
INVENTORIES	222	1,023	2,663	5,228	8,237
OTHER CURRENT ASSETS	10	20	30	40	50
CURRENT ASSETS	988	5,935	16,338	43,124	71,845
GROSS EQUIPMENT	665	1,309	2,093	3,085	4,109
DEPRECIATION	152	570	850	1,656	2,590
NET EQUIPMENT	513	739	1,243	1,429	1,519
OTHER ASSETS	20	20	30	40	50
TOTAL ASSETS	\$1,521	\$6,694	\$17,611	\$44,593	\$73,415
BANK DEBT	0	\$0	\$0	\$0	\$0
LEASES-CURRENT	0	0	0	0	0
ACCOUNTS PAYABLE	414	1,930	4,576	8,786	13,284
ACCRD EXPENSES	13	91	191	356	505
TAXES PAYABLE	0	0	0	1,975	3,734
OTHER CUR. LIABILITIES	10	20	30	40	50
CURRENT LIABILITIES	437	2,041	4,798	11,157	17,573
LEASES-LT	0	0	0	0	0
TOTAL LIABILITIES	437	2,041	4,798	11,157	17,573
EQUITY CAPITAL	5,000	15,000	15,000	15,000	15,000
RETAINED EARNINGS					
BEGINNING PERIOD	0	(3,916)	(10,347)	(2,186)	18,436
CURRENT PERIOD	(3,916)	(6,431)	8,160	20,622	22,407
TOTAL RETAINED EARNINGS	(3,916)	(10,347)	(2,186)	18,436	40,842
TOTAL SHAREHOLDERS' EQUITY	1,084	4,653	12,814	33,436	55,842
TOTAL LIABILITIES & EQUITY	\$1,521	\$6,694	\$17,611	\$44,593	\$73,415

8.5 Cash Flows Statement

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SOURCES/(-USES) OF CASH:					
OPERATIONS:					
NET INCOME	(\$3,916)	(\$6,431)	\$8,160	\$20,622	\$22,407
DEPRECIATION	152	418	280	807	933
NET	(3,764)	(6,013)	8,440	21,429	23,340
RECEIVABLES	0	(1,125)	(4,469)	(6,750)	(5,594)
INVENTORIES	(222)	(801)	(1,640)	(2,565)	(3,009)
OTHER CURRENT ASSETS	(10)	(10)	(10)	(10)	(10)
ACCOUNTS PAYABLE	414	1,516	2,646	4,210	4,497
ACCRD EXPENSES	13	77	101	165	149
TAXES PAYABLE	0	0	0	1,975	1,759
OTHER CUR. LIABILITIES	10	10	10	10	10
NET WORKING INVESTMENT	205	(332)	(3,362)	(2,965)	(2,197)
GROSS EQUIPMENT	(665)	(644)	(784)	(992)	(1,024)
OTHER ASSETS	(20)	0	(10)	(10)	(10)
NET CASH FROM OPERATIONS:	(4,244)	(6,989)	4,284	17,461	20,109
FINANCING:					
EQUITY CAPITAL	5,000	10,000	0	0	0
LEASES-LT	0	0	0	0	0
LEASES-CURRENT	0	0	0	0	0
BANK DEBT	0	0	0	0	0
CASH FOR OPERATIONS	(10)	(90)	0	0	0
NET FROM FINANCING:	4,990	9,910	0	0	0
NET CASH FLOW	\$746	\$2,921	\$4,284	\$17,461	\$20,109
PLUS:					
Opening CASH SURPLUS	\$0	\$746	\$3,667	\$7,951	\$25,413
EQUALS:					
BALANCE: CASH SURPLUS	\$746	\$3,667	\$7,951	\$25,413	\$45,521





8.6 Company Valuation

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Chosen Company Valuation \$M	\$8	\$150	\$300	\$600	\$1,000
REVENUE	\$500	\$9,000	\$44,750	\$98,750	\$143,500
Multiple of Revenue	10.0	8.0	8.0	8.0	8.0
Company Valuation \$Millions	\$5	\$72	\$358	\$790	\$1,148
NET INCOME	(\$3,916)	(\$6,431)	\$8,160	\$20,622	\$22,407
Multiple of Net Income	45	45	45	45	45
Company Valuation \$Millions	(\$176)	(\$289)	\$367	\$928	\$1,008

8.7 Investor's ROI

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
REVENUE	\$500	\$9,000	\$44,750	\$98,750	\$143,500
EQUITY CAPITAL	\$5,000	\$15,000	\$15,000	\$15,000	\$15,000
Chosen Company Valuation \$M	\$8	\$150	\$300	\$600	\$1,000
TOTAL COMPANY Shares	6,065	8,230	9,080	9,930	10,530
Co Value / Share Fully Dilluted	\$1.32	\$18.23	\$33.04	\$60.42	\$94.97

Investors' Multiple / Risk Curve:

Investors' Multiple= (Year 5 \$/share)/(This Years'
\$/share)

1\$ invested this year will grow X times to = \$/Share in
Year 5

Investors' Multiple / Risk Curve:	72.0	5.2	2.9	1.6	1.0
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Investors' ROI:

\$1 grows to Year 5 \$/Share at this interest rate per
year:

Investors' ROI:	191%	73%	70%	57%	
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8.8 Company Ownership

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Number of Shares					
TOTAL Investors	2,000	3,500	3,500	3,500	3,500
TOTAL Non-Investors	4065	4730	5580	6430	7030
TOTAL COMPANY Shares	6,065	8,230	9,080	9,930	10,530

Preferred Series A	2,000	2,000	2,000	2,000	2,000
Preferred Series B		1,500	1,500	1,500	1,500
Preferred Series C			0	0	0
Preferred Series D				0	0
TOTAL Investors	2,000	3,500	3,500	3,500	3,500

Founders	2,500	2,500	2,500	2,500	2,500
Vice Presidents and other					
Executives	1,000	1,500	1,750	2,000	2,000
Directors	400	400	600	700	800
Managers	100	200	400	600	800
Employees	50	100	300	600	900
Total Management & Employees	4,050	4,700	5,550	6,400	7,000
Contractors	5	10	10	10	10
Support Services	5	10	10	10	10
Other Non-Investors	5	10	10	10	10
Total Non-Mgt & Employees	15	30	30	30	30
TOTAL Non-Investors	4,065	4,730	5,580	6,430	7,030

Portion Owned

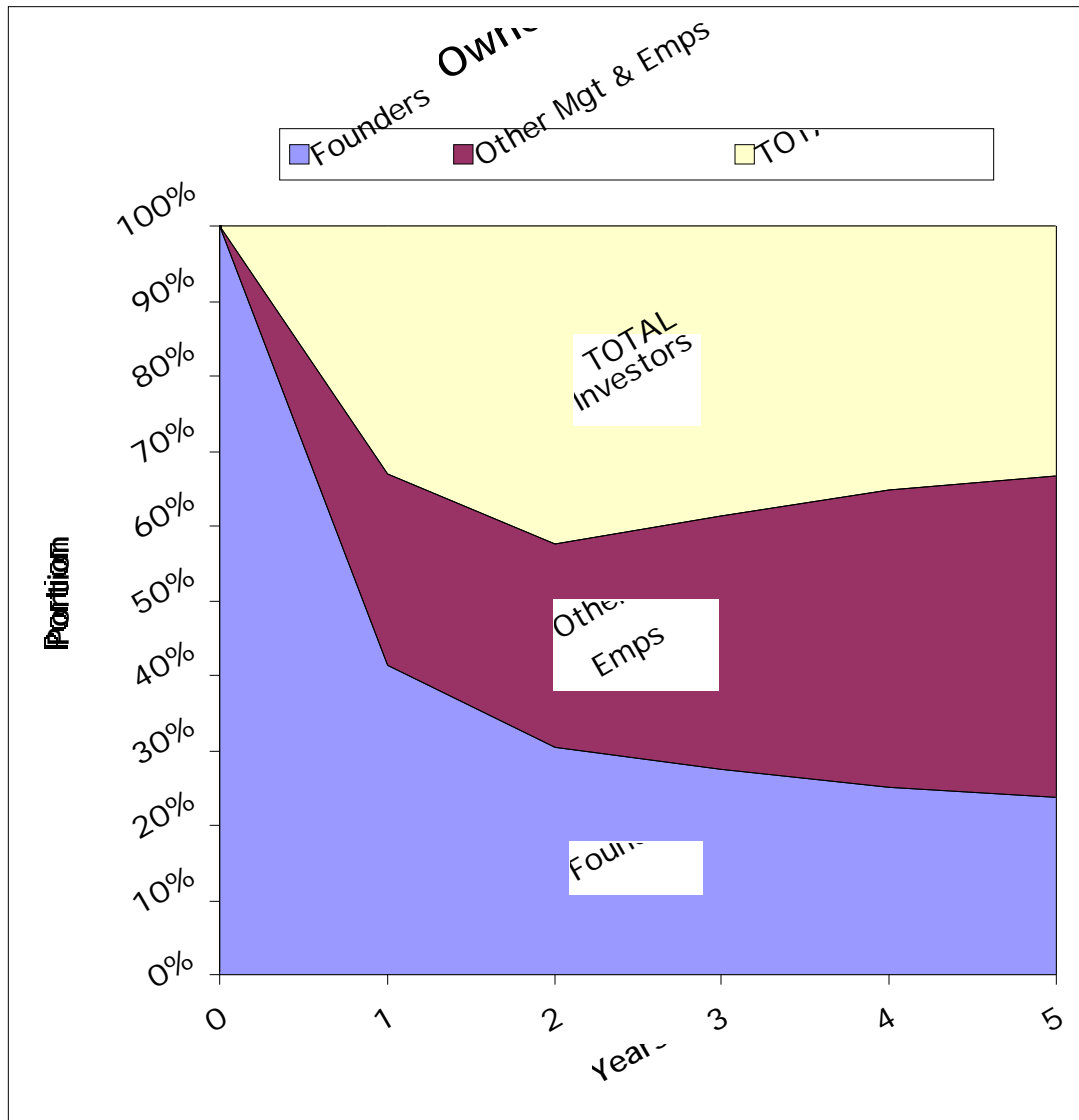
TOTAL Investors	33.0%	42.5%	38.5%	35.2%	33.2%
TOTAL Non-Investors	67.0%	57.5%	61.5%	64.8%	66.8%
TOTAL COMPANY Shares	100.0%	100.0%	100.0%	100.0%	100.0%

Preferred Series A	33.0%	24.3%	22.0%	20.1%	19.0%
Preferred Series B	0.0%	18.2%	16.5%	15.1%	14.2%
Preferred Series C	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred Series D	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL Investors	33.0%	42.5%	38.5%	35.2%	33.2%

Founders	41.2%	30.4%	27.5%	25.2%	23.7%
Vice Presidents and other					
Executives	16.5%	18.2%	19.3%	20.1%	19.0%



Directors	6.6%	4.9%	6.6%	7.0%	7.6%
Managers	1.6%	2.4%	4.4%	6.0%	7.6%
Employees	0.8%	1.2%	3.3%	6.0%	8.5%
Total Management & Employees	66.8%	57.1%	61.1%	64.5%	66.5%
Contractors	0.1%	0.1%	0.1%	0.1%	0.1%
Support Services	0.1%	0.1%	0.1%	0.1%	0.1%
Other Non-Investors	0.1%	0.1%	0.1%	0.1%	0.1%
Total Non-Mgt & Employees	0.2%	0.4%	0.3%	0.3%	0.3%
TOTAL Non-Investors	67.0%	57.5%	61.5%	64.8%	66.8%



Graph 5: Ownership breakdown