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High Top Information Technology (Terry Hollate)

Sample Business Plan 2014

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Attachments

High Top Information Technology

Business Plan

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High Top Information Technology (HTIT)

Executive Summary

The High Top Information Technology (HTIT) will be wholly owned and operated by Mr. Terry Hollate. The HTIT is a proposed Ontario based company which will provide a wide array of information technology solutions which include:

- Information technology (IT) networking and infrastructure for First Sectorial and First Sectorial organizations
- Information technology systems training
- Custom information technology assessments
- Support and aftercare

This company will be located at:

High Top Information Technology
536 Techie Rd
Innston, ON D84 4T7

HTIT has identified its target market as First Sectorial governments (band infrastructure) and First Sectorial organizations located within Ontario.

The primary function of HTIT is to contract with First Sectorial governments and organizations, in which the company's information technology services will be delivered to ensure, enhance and protect the IT affairs and needs of its target market.

In Canada, the information and communications technology industry is an evolving industrial sector comprised of companies and organizations that provide information and communications technology which:

- Improve communications services;
- Improve data processing, hosting and other related services;
- Enhances computer systems design and other related services

The information and communications technology industry represents a set of enabling tools with information and communication applications across most industries including retail, wholesale, manufacturing and service sectors and serving as an enhancement to primary products and services sold.

In total, the Canadian information and communications technology industry is represented by over 33,500 companies. Firms in this industry remain relatively small. Of the 33,500 companies in this sector, 83% had fewer than 10 employees, 12.9% had 10 to 50 employees, 2% had 50 to 100 employees and 1.7

% had over 500 employees. The Canadian information and communications technology industry employs a highly skilled and educated workforce. More than 555,978 workers (3.2 % of total national employment) were employed in over 33,500 companies in 2011.

On average, the annual growth for the information and communications technology sector has grown 3.8% per year between 2002 and 2011. This represents a growth rate that is roughly two times that of the Canadian economy (1.9% growth rate). Compared to the rest of the economy, which grew by 2.6%, the IT sector has grown by 3.1% in 2010.

There is a clear indication that the IT industry is a robust and growing sector. Industry indicators reveal the IT industry is growing 2 times that of the rate of the rest of the Canadian economy. Compared to the rest of the Canadian economy, which grew by 2.6%, the IT sector has grown by 3.1% in 2010. The bulk of this growth is within the ICT services industry which includes data processing, hosting, related services, computer systems design and integration.

Due to the location of the company, HTIT has an opportunity to service a large portion of Ontario's Eastern, Southern and Northern First Sectorial. In Ontario, there are 126 First Sectorial and of these First Sectorial five are among the twenty largest in Canada. Today, First Sectorial governments and organizations are now realizing the importance of information technology and everything it entails. Moreover, the entire Aboriginal market has identified the increasing demand for IT services since similar driving forces as the mainstream market have taken effect.

Overall, the awareness for First Sectorial governments to invest in IT infrastructures to enhance and protect their resources and data has become an important area. Therefore, the need for qualified First Sectorial IT professionals to fulfill this growing need has become increasingly large. In fact, of those First Sectorial polled (Market research conducted on behalf of Mr. Hollate);

- 35% have stated that they would be "very interested" in talking with Mr. Hollate regarding his services;
- 67% have stated that they would be willing to receive sales and services literature from Mr. Hollate.

Based on the market research, there is a rather high demand for qualified First Sectorial IT professionals in all Ontario regions. There is a demonstrated need in First Sectorial governments and communities for First Sectorial IT professionals such as HTIT.

HTIT's sales strategy is three tiered. First the company will plan on achieving first year direct sales of \$240,000. This is a very realistic projection based on the market research conducted. The company's principal, Mr. Terry Hollate has secured a guaranteed contract with The First Sectorial Statistical Institute worth \$50,000 for its first year of operations.

Market research has indicated a conservative 30% conversion rate is very attainable for its core services. Secondly, the company will plan to achieve a more profitable level of sales equal to or better than

\$333,000 in years two and \$435,000 in year three. Thirdly, the company plans to more aggressively promote its services with higher profit margins to allow for maximized profits.

The initial start-up expense for HTIT includes: capital \$23,250; marketing \$19,000; and business support \$5,000. Capital funds will be used to purchase office furniture, office network, and computer lab. Marketing funds will be used to for identity /branding, trade show booth design, trade show attendance, website, direct marketing campaigns, and company apparel. Business support funds will be utilized to hire an accountant.

In order to properly fund the start-up of HTIT, Mr. Hollate has designed a financing package that consists of personal equity, federal assistance and traditional borrowing. Mr. Hollate will invest \$2,325 or 10% of the project's total capital costs. Easy Technology Contributions will be approached to invest \$10,463 or 45% of the project's total capital costs and the remaining balance of \$10,463 will be financed by a commercial bank over a 5 year term. Bridge financing will be sought from the same institution to ensure cashflow is manageable. Easy Technology Contributions will be asked to contribute 60% and 75% towards the business' marketing and business support costs respectively. The remaining funds will come from revenue generated by the business.

Section #1

Management Plan

1.1 Ownership

The High Top Information Technology will be owned and operated as a for profit corporation with Mr. Terry Hollate being the sole shareholder, voter and board member. This management structure is deemed sufficient and best suits the company's needs. HTIT will seek qualified employees as the company begins to succeed in gaining work.

Myles will incorporate the company provincially at a cost of \$450.00.

1.2 Management Profile

Mr. Terry Hollate will draw upon his specialized education and experience to manage the overall operation and direction of the business to ensure its present and future success. For over 14 years, Mr. Hollate has invested time and money into becoming the Information Technology specialist he is today. Some of the key highlights of Mr. Hollate employment history, education and relevant experience include:

Resume highlights here

As identified, Mr. Hollate has accumulated a number of specialized industry skills, and managed projects which will assist him in the successful management of this business. A detailed resume for Mr. Hollate is included in Attachment #1.

As the owner of the company, Mr. Hollate will be required to fulfill the following key duties and responsibilities. They are:

- Overall management of HTIT;
- Establish and maintain client relationships;
- Maintain strategic alliances and partnership with key companies;
- Provide accurate and timely quotes/proposals as well as sales presentation to potential clients;
- Human resource management;
- Project management and direction;
- Oversee financial activities of the business;
- Deliver and complete all services of the company;
- Maintain the business' assets and buildings

All legal expertise will be provided by a qualified lawyer. Mr. Hollate will be reviewing potential candidates shortly. \$7,500 has been budgeted for this activity.

As the start-up of this company becomes more tangible, additional duties will arise. These duties can be time consuming and may affect the overall viability of the business. It is for this reason that Mr. Hollate has hired an executive assistant to perform daily administrative duties associated with the business.

Mr. Hollate will hire a local and experienced accountant to provide and prepare all financial reporting requirements of the company. This will include:

- Provide updates to lending institutions and government agencies including monthly reports and filing of Easy Technology Contributions Claims;
- Management of new marketing and administrative techniques;
- Provide quarterly financial statements
- Formalization of accounting systems to provide the necessary annual revenues and expense reports

The estimated cost for those specialized service is \$5,000.00. Once these systems are in place, Mr. Hollate will take over these key functions.

Mr. Hollate will determine HTIT's administrative and technical needs on an on-going basis. When sufficient work exists to maintain salaried staff in either realm, the appropriate personnel will be hired. A detailed summary of the additional human resource needs for the company is identified in the operations section of this plan.

Overall, this management team is well suited to undertake the initiatives detailed in this plan and will provide HTIT with a solid base from which to grow. The proposed management plan has been carefully developed and will be maintained to ensure weaknesses are overcome and a solid foundation is in place for the company's immediate as well as future success.

The following section will provide comprehensive facts regarding the Information and Communications Industry in Canada, both mainstream and Aboriginal. Also included is information regarding the market to be serviced by The High Top Information Technology along with an analysis of the competitive environment.

2.1 Defining the Industry

It is important to define and identify the industry in which the HTIT (High Top Information Technology) will operate and how it is classified in the Canadian Industry. This information was extracted from Industry Canada data under the North American Industry Classifications System.

Information and Communications Technology companies are defined as:

“The special aggregation of industries primarily engaged in producing goods or services, or supplying technologies, used to process, transmit, or receive information.”

According to the report by Statistics Canada, entitled, “Beyond the Information Highway, Networked Canada” (1), Information and Communications Technology is defined as:

“The ICT (Information and Communications Technology) is defined as the combination of manufacturing and services industries, which electronically capture, transmit, and display data and information”

Information and Communications Technology companies are those companies that are primarily engaged in producing and distributing information products and services. Included in this definition are goods and services products that include software publishing, broadcasting, telecommunications, data processing, computer systems designs and related services, and other information services including internet publication and processing. The value of these products lies in their information and educational content as opposed to the format in which they are sold.

2.2 Overview of the Canadian Information and Communications Industry

The information and communications technology industry is an evolving industrial sector comprised of companies and organizations that provide information and communications technology which:

- Improve communications services;
- Improve data processing, hosting and other related services;
- Enhances computer systems design and other related services

The information and communications technology industry represents a set of enabling tools with information and communication applications across most industries including retail, wholesale, manufacturing and service sectors and serving as an enhancement to primary products and services sold.

The following information was gathered by the Information and Communications Technology sector profile provided by Industry Canada (2).

Industry Structure

Canada's information and communications technology industry in 2011, represented over 33,500 companies. Firms in this industry remain relatively small. Of the 33,500 companies in this sector, 83% had fewer than 10 employees, 12.9% had 10 to 50 employees, 2% had 50 to 100 employees and 1.7% had over 500 employees.

Overall revenues for the information and communications technology sector have increased by 5.1% from 2009. The majority of the growth has come from the services industry (Data processing, hosting, related services, computer systems design and integration) which grew by 5.7% on an industry average and accounted for 66% of the services sectors growth. The major driver in this growth was the software and computer services sub sector which includes computer systems design and data processing and integration.

As of 2002, industry revenues have increased from \$129 billion to \$168 billion representing a 30% increase. Between 2002 and 2011, there has been a clear shift in revenues from the manufacturing sector towards the services sector. Since 2002, revenues for the services sector has grown by 58% while manufacturing revenues have decreased by 17%.

The Canadian information and communications technology industry employs a highly skilled and educated workforce. More than 555,978 workers (3.2% of total national employment) were employed in over 33,500 companies in 2011. Of those workers, 45.8% had a university degree, compared to the national average of 26%. On average, workers in the ICT industry earned an average of \$67,911 compared to the economy wide average of \$45,488. Interestingly enough, the highest earners in the sector work in the software and computer services industries. As of 2011, average earnings in these sectors are \$72,653.

Given the fact that overall revenues for the ICT services sectors continue to rapidly grow, there is a rather large potential for future growth opportunities. Barrier to entry for service companies are relatively low considering the size of the average ICT service company in Canada (Under 10 employees).

Industry Growth

The information and communication technology (ICT) industry in Canada is quite clearly a high growth sector.

On average, the annual growth for the information and communications technology sector has grown 3.8% per year between 2002 and 2011. This represents a growth rate that is roughly two times that of the Canadian economy (1.9% growth rate). Compared to the rest of the economy, which grew by 2.6%, the ICT (information and communications technology) sector has grown by 3.1% in 2010.

Between 2002 and 2011, the ICT industries have accounted for 8.9% of the Canadian Gross Domestic Product. Since 2002, the ICT services sector which includes computer systems design and data processing and integration, has been responsible for 70% of the growth indicating it is a driving force in the ICT industry growth as a whole.

Compared to the rest of the economy, it is clear that the ICT services sector is one of the fastest growing industries in Canada.

Research and Development

As the ICT industry continues to rapidly grow, the need for an ever changing technological landscape also necessitates this growth.

As a whole, the ICT industry research and development (R & D) has increased by 7% between the 2010 and 2011. A total of \$5.3 billion has been spent on R & D in 2011 compared to \$4.2 billion spent in 1998.

R & D spending has increased in all 3 major sub sectors including wholesaling (9.5%), manufacturing (8.6%), and services (4.7%). The ICT industry accounts for 34.1% of all R & D expenditures in Canada, which is the largest R & D performer in Canada.

In 2011, data processing (24.1%), communications equipment (21%), and communication services (11.2%), posted the largest increases in expenditures within the overall ICT industry. Given that these three sectors are responsible for 70% of the ICT industry as a whole since 2002, the increase in research and development expenditures indicates the possibility for additional growth opportunities.

Domestic and Export Activity

The ICT industry is one of the highest growing industries in Canada. Between the years of 1993 and 2011, The ICT sector has grown, on average by 74% (3). This is 3 times the growth rate of the total economy. The Canadian ICT market is valued at \$168 billion, roughly 8.9% of Canadian GDP. In 2011, Canadian exports of ICT goods increased by 4% to reach \$17.8 billion. The bulk of this growth came from exports of commercial industry machinery (\$383 million), instruments (\$295 million), and electrical components (\$293 million).

However, ICT goods and services are more domestically in demand. Between 2002 and 2010, ICT goods and services exports decreased, on average by 8.2% (4).

Leading Sectors

It is quite clear that the ICT services sectors are driving the rapid growth of the ICT industry. The industry is still in its infancy but is rapidly evolving given the change in the technological landscape. High domestic demand for ICT services has forced companies in Canada to spend more on R & D to remain competitive on the world stage. Given that there is a clear shift from ICT manufacturing to ICT services, which have grown by 33.4% since 2002, there is a rather large potential for future ICT services growth.

A competitive, strategically focused Canadian ICT industry can provide products and services that foster technological efficiency, high productivity and long term sustainable growth. On the success of this industry ride many aspiration for sustainable development, as it has the opportunity to serve as an engine for simultaneous economic growth, technological development, and social stability both domestically and globally.

Ontario Information and Communications Technology Industry

As of 2011, there were roughly 18,000 ICT companies operating in Ontario, up 3.1% from 2010. With annual revenues in excess of \$75 billion, this represents half of Canada's total ICT revenues of \$168 billion in 2011. The ICT gross domestic product for Ontario, as of 2010, was \$27.3 billion representing a yearly growth rate of 2.3% since 1997 (\$11.6 billion).

Between 1997 and 2010, the ICT services gross domestic product has more than doubled, from \$8.4 billion in 1997 to \$22.6 billion in 2010. Interesting enough, like the Canadian GDP ICT domestic growth, the services sector makes up the bulk of the ICT domestic product in Ontario (80%).

Firms in the Ontario ICT industry remain relatively small. Of the 18,000 companies in this sector, 83% had fewer than 10 employees, 13% had 10 to 50 employees, 3% had 50 to 100 employees and 1 % had over 500 employees. The Ontario ICT sector currently employs approximately 272,000 workers.

2.3 Evolving Market Driver in the Information and Communications Technology Industry

Markets are created and driven by demand. The forces driving the demand for ICT products and services continue to evolve and undergo change. Companies in the industrialized world are increasingly moving towards integrated information and communications solutions that contribute to the core business objectives of increased profits, improved R & D, enhanced market share and overall improvement for owner and shareholder value.

The pressure that lies behind the evolving ICT demand is investment.

Investment is the main market driver in this industry that will keep the Canadian and Ontario ICT sectors growing.

ICT investment is important for the overall productivity and growth of the industry as a whole. Between the years of 1987 and 2000, Canada lagged considerably behind the United States in ICT spending which negatively affected labour growth productivity in Canada (4). However, as Canada improved its investment in the ICT industry sector (As of year 2000), there has been steady improvement in the overall productivity in that sector. Industry growth in terms of gross domestic product and revenues confirm that Canada's investment within the ICT sector has paid off.

ICT investment in Canada has grown enormously in the past decade. ICT investment levels increased 6 fold from 5.7 billion dollars in 1981 to 35.7 billion dollars in 2007. With an overall increase in ICT investment, there has been a relative increase in the growth of that sector with regards to gross

domestic product and revenues. The result is a positive demand for ICT products and services in all primary, secondary, and tertiary markets.

2.4 Industry Challenges

The ICT industry is subject to ongoing and rapid change in its technology and markets. ICT firms that wish to remain competitive in both the domestic and international marketplace must be aware of these changing conditions and respond accordingly.

Canada has spurred considerable investment in ICT research and development, especially in niche technologies, as well as many successful start-up companies in emerging clusters in promising niches. However, despite strong academic and institutional research support, the magnitude of private and public investment in ICT technology commercialization still falls short of the real global opportunity. An example is the massive gap between Canada and the United States in ICT investment (on a per capita basis). Although Canada's ICT investment has drastically improved in the last decade, it still falls short in comparison to other world stage players.

While the industry continues to make significant contribution to the Canadian economy and to sustainable development worldwide, some segments of this industry are in transition due to heightened competition, growing customer sophistication, pricing pressure, market share consolidation, and greater merger and acquisition activity.

Industry Summary

There is a clear indication that the ICT industry is a robust and growing sector. Industry indicators reveal the ICT industry is growing 2 times that of the rate of the rest of the Canadian economy. Compared to the rest of the Canadian economy, which grew by 2.6%, the ICT (information and communications technology) sector has grown by 3.1% in 2010. The bulk of this growth is within the ICT services industry which includes data processing, hosting, related services, computer systems design and integration.

With enhanced investments in R & D and other increased capital expenditures, the potential for future growth in the ICT sector remains very positive.

2.5 The Market

The High Top Information Technology will target the following market segments:

Primary Market

- First Sectorial Community Infrastructures

Secondary Markets

- First Sectorial Centres
- First Sectorial Community Councils

- First Sectorial Provincial Organizations

Primary Market - First Sectorial Community Infrastructures

According to the Department of Statistics, there are roughly 126 First Sectorial regions in Ontario with a total population of 86,640 (1). Of those First Sectorial Communities, roughly 68 reside in Northern Ontario and 58 reside in Southern Ontario (2). All federally recognized First Sectorial communities in Ontario have an organized infrastructure which includes, but not limited to:

- Band administration buildings;
- Health centres;
- Schools;
- Police buildings;
- Recreation buildings;
- Public works buildings;
- Garbage and sewage facilities;
- Fire halls

The HTIT (High Top Information Technology) has identified those First Sectorial communities that have the necessary digital (connectivity) and structural infrastructure (buildings) which can support additional networking services, support and training. According to the government of Canada, over 90% of First Sectorial Community owned infrastructure has internet access (IE: band administration buildings).

Given the above mentioned information, the HTIT will concentrate its central market to servicing those infrastructures that house the necessary digital infrastructure. Those being 1) Band offices; 2) Health centres; 3) Learning establishments (IE: Schools, literacy); and 4) Policing services. The following information statistical information was gathered by the Government of Canada (3)

Market research has identified the following trends:

Band Administration Buildings

- 40% of First Sectorial Community band offices currently rely on dial in access for its internet connections (Majority of those connections are located in remote Northern Ontario);
- 60% of First Sectorial Community band offices currently use on high speed internet connections for its digital connectivity;
- 10% of First Sectorial band offices have limited or no digital internet connectivity

Health Centre Buildings

- 90% of First Sectorial communities have Health Centre infrastructure in place;
- All have internet access;
- 23% of First Sectorial Health Centres have dial up connectivity access;
- 77% of First Sectorial Health Centres have high speed connectivity access

Schools

- 60% of First Sectorial have learning establishments (IE: schools, literacy) located on reserve;
- 80% of those First Sectorial learning establishments have some type of digital connectivity (dial up or high speed)
- 20% of those First Sectorial learning establishments have no digital connectivity.

Policing Services

- 65% of First Sectorial has policing establishments located on reserve;
- 35% of First Sectorial Policing establishments have access to dial up digital connectivity;
- 63% of First Sectorial Policing establishments have access to high speed digital connectivity

To successfully service the target markets identified above, it is important that the HTIT understands the digital needs of Ontario's First Sectorial governments. Therefore, the following information outlines the more pressing technical issues that exist for this target market as well as market solutions. The information has been gathered by contacting 21 sample First Sectorial across Ontario (See appendix A).

These issues are as follows.

Qualified High Top Information Technology Professionals and Services

- a. 100% of those First Sectorial contacted have broadband or high speed internet connections. However, 20% of those First Sectorial have out of date connections and are considered slow.
- b. 85% of those First Sectorial do not have a qualified IT staff person or departments in place to maintain and develop IT infrastructure. Therefore, IT services are being sought from independent IT consultants and firms from the surrounding community. Over 95% of those companies are Non Native.
- c. Those First Sectorial who have to contract external IT services are reliant on the schedules and travel times of those consultant and firms. For remote communities, this can be very inefficient and ineffective. In one case, one First Sectorial had to wait one week to have their internet services restored by an IT professional.

- d. 38% of those First Sectorial contacted are not satisfied with the quality of service provided by external IT consultants and firms. Of those First Sectorial, two mentioned that external IT consultants and firms have taken advantage of the First Sectorial with respect to overcharging for basic IT services.
- e. Over 50% of those Northern communities contacted within Digital Take Consulting (DTC) rely on the services and training of one company, Smart Tech Solutions (STS). STS is a First Sectorial operated IT company who services include IT networking and infrastructure. The company is located in Sioux Lookout with one technician. Given the geographical size and location of Northern First Sectorial, service is somewhat slower than expected.
- f. 25% of those First Sectorial contacted allow external IT companies to remotely connect to their networks in order to maintain and repair.
- g. 90% of those First Sectorial contacted have agreed there is a shortage of qualified, First Sectorial IT professionals in their area.

Dedicated Network Solutions and Trained Staff

- a. 35% of those First Sectorial contacted do not have an established network in place. Most have agreed that a dedicated network solution is needed in order to improve efficiency and organization. All have agreed that a centralized data back-up system is of the utmost importance. Since First Sectorial Band Offices have very sensitive community information stored on their computers, data loss is a very critical issue.
- b. 65% of those First Sectorial contacted have an established network in place. 10% have qualified IT staff members to maintain the network and servers. The remaining 90% do not have qualified IT staff to maintain the network. 42% of staff members have received informal IT training and handle minor troubleshooting issues. All serious issues are handled by external IT consultants and firms (95% Non-Native companies)
- c. 30% of those First Sectorial polled, agreed that additional IT training for specific staff members is needed with ongoing mentoring.
- d. 2 First Sectorial have expressed a strong interest in developing an IT networking feasibility study to assess the IT needs for their First Sectorial.

Funding

- a. Funding and financing is relatively limited to most First Sectorial in Ontario. Generally, most funding for First Sectorial Governments comes from the Department of IT Affairs (DITA). Unfortunately, core funding is limited with regards to operations and maintenance of Band infrastructure, including digital technology. However, non-core funding applications to DAAND's "First Sectorial Infrastructure Fund (FNIF) Program" may be accessed. Under the program, all First Sectorial Governments are eligible to apply for "Connectivity" which includes high-speed backbone (transport) networks, broadband points of presence, local access networks and satellite capacity.

b. Large digital infrastructure projects such as the North Western Broad Band Expansion Initiative will allow those remote communities full access to high speed internet technology. The initiative will bring a state of the art backbone fibre optic network to 26 First Sectorial by laying 2300 kilometers of fibre optic cable across the Far North. The \$81 million project will create jobs and opportunities for First Sectorial Digital and IT professionals across Northern Ontario. The project has started and will finish by 2015.

c. 20% of those First Sectorial polled have accessed additional funding for IT projects from sources other than the Department of Aboriginal Affairs and Northern Development.

First Sectorial governments are increasingly becoming more aware of the benefits of an organized approach to information technology. Digital communication possibilities will allow those First Sectorial the opportunity to develop and improve business and socioeconomic conditions.

New technology has changed almost everything about the way most traditional office environments operate. An ever evolving communications and IT sector has forced business and government entities to adapt, including First Sectorial governments.

However, First Sectorial government IT infrastructures is still in its infancy. Based on the market research completed (above), there are critical IT issues facing First Sectorial governments.

Overall, the awareness for First Sectorial governments to invest in IT infrastructures to enhance and protect their resources and data has become an important area. Therefore, the need for qualified First Sectorial IT professionals to fulfill this growing need has become increasingly large. In fact, of those First Sectorial polled;

- 35% have stated that they would be “very interested” in talking with Mr. Hollate regarding his services;
- 67% have stated that they would be willing to receive sales and services literature from Mr. Hollate.

Based on the market research, there is a rather high demand for qualified First Sectorial IT professionals in all Ontario regions. There is a demonstrated need in First Sectorial governments and communities for First Sectorial IT professionals such as HTIT.

Secondary Markets

Secondary markets include:

- First Sectorial Centres
- First Sectorial Community Councils
- First Sectorial Provincial Organizations

First Sectorial Centres

There are 29 First Sectorial Centres in Ontario. Of those Centres, 12 reside in Northern Ontario and 17 reside in Southern Ontario. According to the Ontario Federation of First Sectorial Centres website (1),

The Ontario Federation of First Sectorial Centres (OFFSC) is a provincial organization representing the collective interests of twenty-nine member Centres located in towns and cities throughout the province. The OFFSC administers a number of programs which are delivered by local Centres in areas such as health, justice, family support, and employment and training. Centres also design and deliver local initiatives in areas such as education, economic development, children's and youth initiatives, and cultural awareness.

To successfully service the secondary market identified above, it is important that the HTIT understands the digital needs for the Ontario based First Sectorial Centres. Therefore, the following information outlines the more pressing technical issues that exist for this market. The information has been gathered by contacting 19 Centres across Ontario (See appendix A).

These issues are as follows.

Qualified High Top Information Technology Professionals and Services

- a. 100% of those Centres contacted have broadband or high speed internet connections.
- b. 65% of those Centres do not have a qualified IT staff person or departments in place to maintain and develop IT infrastructure. Therefore, IT services are being sought from independent IT consultants and firms from the surrounding community. Over 95% of those companies are Non Native.
- c. Those Centres who have to contract external IT services are reliant on the schedules and travel times of those consultant and firms. For Centres in the more communities, this can be very inefficient and ineffective.

Dedicated Network Solutions and Trained Staff

- a. 28% of those Centres contacted do not have an established network in place. Most have agreed that a dedicated network solution is needed in order to improve efficiency and organization. All have agreed that a centralized data back-up system is of the utmost importance. Centres are multi program institutions and have very sensitive community information stored on their computers, data loss is a very critical issue.
- b. 72% of those Centres contacted have an established network in place. 26% have qualified IT staff members to maintain the network and servers. The remaining 74% do not have qualified IT staff to maintain the network.
- c. 20% of staff members have received informal IT training and handle minor troubleshooting issues. All serious issues are handled by external IT consultants and firms (95% Non Native companies)

- d. 42% of those Centres who have an established network in place don't use an IT professional to service the network.
- e. Of those Centres who have an established network in place, 4 are brand new and 10 are two plus years old.
- f. 70% of those Centres with an established network need additional servicing and upgrades.
- g. 50% of those Centres contacted with no established network have expressed an interest in establishing a network.
- h. 3 Centres have expressed interest in receiving computer training.
- i. 90% of those Centres contacted have agreed there is a shortage of qualified, First Sectorial IT professionals in their area.

Centres are not-for-profit corporations which are mandated to serve the needs of all clients regardless of legal definition. This necessitates responding to thousands of Clients requiring culturally-sensitive and culturally-appropriate services in urban communities. Centres deliver First Sectorial programming designed to aid and assist the economic and social well-being of urban First Sectorial people.

First Sectorial Centre departments are increasingly becoming reliant on IT communications and programming. It is because of this that First Sectorial Centres need an organized approach to data collection, retention and back up. In fact, of those First Sectorial Centres contacted, 58% have expressed a strong interest in HTIT's services.

First Sectorial Community Councils

According to the Department of IT Affairs(2), Community Councils are defined as:

"...institutions established as "a grouping of bands with common interests who voluntarily join together to provide advisory and/or program services to member bands".

There are a total of 16 Community Councils in Ontario (10 in Northern Ontario, 6 in Southern Ontario) each of which is made up of participating, individual First Sectorial. The primary objective of a Tribal Council is to provide advisory services to its member First Sectorial and to deliver First Sectorial programs and services, subject to the agreement with its First Sectorial members. Advisory services include, but not limited to:

- Economic development;
- Financial management;
- Community planning;
- Technical services; And

- Band governance.

Community Councils generally have an integrated office infrastructure which manages and maintains pertinent advisory services and programs for its member First Sectorial. Each department will manage the flow of information and data through its office infrastructure including digital communications and technology. Community Councils are often located in the same demographics as their member First Sectorial resides.

There is an inverse working relationship between Community Councils and its member First Sectorial. Community Councils provide those advisory services to its members through effective communication while First Sectorial provide feedback using those very same channels.

Digital communication channels are paramount to providing effective advisory services to member First Sectorial. This is especially true for Community Councils whose members are located in remote areas of Northern Ontario.

However, Community Councils often encounter the same issues as its First Sectorial members have when it comes to IT infrastructure and technology which are:

- a. Accessing qualified High Top Information Technology professionals and services;
- b. Attaining access to dedicated network solutions;
- c. Providing IT specific training to staff members; And
- d. Limited funding for IT solutions

The demand for qualified, First Sectorial IT professionals within Council networks is needed to help:

- Asses IT infrastructure and communications
- Assessment of Tribal Council IT needs
- Building the necessary IT networks
- Minimize costs
- Software recommendations and advice
- Improve Tribal Council efficiency and self-reliance
- Data security and back up
- Determine server room recommendations
- Improving connectivity
- Determine wireless versus wired connections

- Provide the necessary training
- Provide post service contracts and support
- Asses Tribal Council needs and customize system

2.6 The First Sectorial Statistical Institute Services Contract

HTIT has entered into an IT services support contract with the First Sectorial Statistical Institute (FNSI) worth \$50,000 (appendix B). The FNSI is a First Sectorial led crown corporation that:

- Collects and aggregates objective, high-quality, non-partisan First Sectorial statistical data;
- Assists communities in data collection, research, analysis, and data-sharing;
- Provides a direct link with communities for control of and access to their data

Under the contract, HTIT will provide the following services:

- a. Organizes and manage infrastructure support services, including network management, data management, acquisition, maintenance and disposal of informatics equipment and software, and training for IT professionals and client users.
- b. Provide in person and remote support and assistance when necessary to both FNSI head office (Garden Village) and satellite office (Ottawa, ON).
- c. Provide strategic advice and technical guidance to FNSI senior management related to IT products and services, in consultation with the IT service provider.
- d. Work with all appropriate federal agencies and/or departments to ensure that information and data is transferred/disposed in accordance with applicable statutes or legislation.
- e. Manage network connectivity services for accessing the Intranet, Internet, e-mail services, specialty services and remote access to LAN-based services.

2.7 Competitive Environment

Within the mainstream IT industry in Ontario, the competitive environment is quite intense and the number of competitors is rather large. However, HTIT (High Top Information Technology) is proposing to enter an industry which very few First Sectorial owned and operated companies exist and operate. Specialized First Sectorial people and businesses have been exploring the opportunities which exist within the Information Technology industry. Over the past decade or so, the need for First Sectorial owned and operated Information Technology companies has increased dramatically. Today, the industry is still showing signs of a shortage of supply with demand for First Sectorial governments, organizations and businesses in Canada.

The HTIT has identified key First Sectorial owned and operated companies as its main competition. The following companies which currently operate within the High Top Information Technology industry are:

- Done and Done Tech
- Smart Tech Solutions (STS)
- X-Right
- Various Independent IT Consultants and Firms

Done and Done Tech

Done and Done Tech is a First Sectorial owned and operated Information technology and Communications Company. Established in 1996, Done and Done Tech operates out of Ottawa, Ontario. The company is well established in the market and offers a variety of business and IT products and services. Those services include:

- Business Services
- Business Analysis
- Business Transformation
- Project Management
- Enterprise Architecture

Information Technology Services

- IT Strategy and Transformation
- Application Design and Development
- Application Maintenance
- Service Desk

Strengths

- Extensive products and services
- Extensive experience in the industry
- Well established and connected in the industry

Weaknesses

- High price points for products and services

- Poor reputation for service, reliability and company image

Market research has indicated that Done and Done Tech is an established IT company in Ontario. However, First Sectorial governance structures such as band offices, have limited experience dealing with Done and Done Tech. In fact, off the 21 First Sectorial contacted, not one had dealings with Done and Done Tech.

However, Done and Done Tech is a large First Sectorial IT firm and quite possibly, has outgrown that segment of the market.

Smart Tech Solutions (STS)

Smart Tech Solutions (STS) is a First Sectorial owned and operated information technology and Communications Company. Established in 1992, STS is well established in the Northern Ontario IT market and offers a variety of products and services.

STS has offices located in Balerton, Sams Dam, Trysden and Horns Bay with their head office in Fort Dynamo. Services include:

- E-mail Hosting
- Server hosting
- Website Hosting
- Domain Name Registration
- Network Services
- Satellite Services
- Video Conferencing
- Website & Graphic Design
- Training Services

Market research has determined that STS is a respected and well established IT Company in the Northern Ontario regions. Of the 21 First Sectorial contacted, 5 are currently dealing with STS for their IT infrastructure needs. When asked about the level of satisfaction, 4 responded favourably. Of the 19 Centres contacted, 2 are using STS services and products. Both are relatively satisfied with the level of service.

Strengths

- Well established in the Northern Ontario IT market
- Trusted IT company in the Northern Ontario IT market

- Strong loyalty amongst Northern First Sectorial Communities

Weaknesses

- Service levels can be slow at times

HTIT will not directly compete with STS. A working relationship will be established with STS by utilizing a careful and focused approach in demonstrating that a strategic alliance will become important at some point. Meetings will be sought and held to discuss future possibilities. This will be an important relationship building exercise and may take some time to generate revenues from these contracts. Once a relationship has been established, HTIT will work closely with STS to determine those services that can be contracted.

Mr. Hollate is currently in talks with STS to establish a mutually beneficial working relationship.

X-Right

X-Right is a large corporation that has an extensive line of business products and services. X-Right is a well-established company in Canada and is considered an authoritative brand in Canada. IT products and services include:

- IT Consulting
- Application Development
- IT Infrastructure
- IT Solutions
- Cloud Services

Strengths

- Well established and trusted
- Well established brand name
- Extensive product line
- Large and well trained staff
- Large economy of scale

Weaknesses

- Turn over requests are long
- Focused on hosting solutions

- Too large to deal with the smaller client

X-Right is a large conglomerate which primarily focuses on larger organizations and government structures. Its main strength is its large economies of scale which is extensive. However, because of this, X-Right prices itself out of the smaller markets. Although considered a direct competitor for secondary and tertiary markets, X-Right is not considered a direct competitor for its primary market. Of the 21 First Sectorial and 19 Ontario Centres contacted, not one had any business dealings with X-Right for IT infrastructure or services.

Various Independent IT Consultants and Firms

Independent IT consultant and firms have been identified as direct competitors within the primary market. These firms are usually small (under 10 employees) and operate locally. These firms are usually located in urban areas surrounding the First Sectorial communities and are usually non Native (over 90%).

Strengths

- Positioned locally
- Access to immediate market
- Accessible

Weaknesses

- Service can be unreliable
- Professional knowledge is lacking
- Poor customer service

According to the market research, the following information was gathered:

- 85% of those First Sectorial contacted use expertise outside of the band office;
- 25% allow external IT companies to remotely connect to their networks in order to maintain and repair;
- 38% of those First Sectorial contacted are not satisfied with the quality of service provided by external IT consultants and firms;
- 90% of those First Sectorial contacted have agreed there is a shortage of qualified, First Sectorial IT professionals in their area;
- 67% have expressed interest in Mr. Hollate service.

The main strength that independent IT consultant and firms have is their ideal locations to the primary market. However, according to the market research, 38% of those First Sectorial contacted are simply not satisfied with the service. This in effect leaves the First Sectorial with two options, 1) Allow distant IT companies to connect remotely (25% of the sample market), or 2) Pursue the services of other IT companies who are located in further areas.

In addition, according to those First Sectorial contacted, over 90% use external sources that are non Native.

After conducting initial research, HTIT has identified a few key competitive advantages it has over its competitors. They include:

- Products are specifically tailored to First Sectorial needs;
- Company is comprised mostly of professional First Sectorial Employees. HTIT employees understand First Sectorial business and social dynamics;
- 14 plus years of direct IT experience;
- Experienced and qualified management;
- Competitive pricing as the company will be utilizing a market entry based pricing strategy;
- Central office to the markets to be serviced. Ottawa is home to over 1,600 high tech companies and the third largest IT centre in Ontario (1);
- An informal alliance with a potential key partner in the Northern Ontario region (STS);
- Superior tailored systems for primary and secondary markets;
- The ability to offer remote IT management;
- A vision of growth for the First Sectorial communities in keeping with the First Sectorial mind set will enable the application of contemporary tools to determine IT and communication solutions from a tradition mind set.

The following section will outline the key services, pricing strategies, distribution methods and proposed promotional strategy of HTIT.

3.1 Key Services

HTIT will provide a diverse set of specialized IT services to its markets. The set of services that will be provided are among the industry's norm. Below is a list of the business' key IT services.

1. IT infrastructure for First Sectorial administration and offices
2. Provide training
3. Provide post service contracts and support
4. Asses band needs and customize system
1. IT infrastructure for First Sectorial administration and offices

This includes First Sectorial offices infrastructures including band offices, schools, policing stations, public works and other structures. Also includes First Sectorial organizations offices and administration. Each of these will involve being versed in the technical capacity of design and management. Information and communications technology strategies will be determined by the following method:

Assessment of Band office IT needs

HTIT will use a systems architect to establish the basic structure of the IT system. By defining the essential core design features and elements, it will provide the overall IT framework for the structure. In essence, HTIT will provide an assessment report which will outline the overall system and break it down into smaller sub systems. The assessment will outline:

- Overall design
- High level planning for the development of solutions
- Integration constraints - Rules and constraints for all components going into the solution
- Adherence to standards whenever possible - to maximize the future investment value and minimizing costs
- Customization for individual customer needs - understanding and recommending the best customization based upon the customer's needs.

Build Network

Once a systems architect is in place and approved by the client, HTIT will build the IT network. Using the overall design as the IT blueprint, a network will be built using the latest virtual technologies which will effectively lower overall cost.

Software Recommendations and Advice

HTIT will provide recommendations on the types of software needed. This will help improve band office efficiency and self-reliance.

Data security

In order to keep data protected from corruption and unauthorized access, HTIT will employ the use of the latest data protection technology. The focus is to ensure privacy while protecting sensitive and important First Sectorial information. HTIT will provide server room recommendations and authorizations for the First Sectorial and First Sectorial Organizations.

Connectivity

HTIT will provide recommendations and solutions to connectivity issues such as:

- Wireless versus wired
 - Community internet recommendations
 - Remote access and personal devices such as Virtual Private Networks (VPN)
 - Cell phone and personal data device connectivity such as laptops, iOS devices, tablets, etc.
2. Provide training

It is very important that First Sectorial staff understand how to use and maintain IT technology. HTIT will ensure that staff and management receive the necessary training to maintain IT infrastructures. This will empower First Sectorial staff, management, and membership which will translate into a higher level of self-reliance, accountability and transparency.

3. Provide post service contracts and support

It is not only HTIT's intention to offer the technical skills of today to those communities with a vision and a desire to succeed but to ensure their IT infrastructure helps support that vision.

HTIT will provide ongoing IT support services on a contractual basis in order to keep data and communications flowing in an efficient and organized manner. HTIT will provide the following services:

- Ongoing remote support for the system – This will allow HTIT to connect remotely and repair, maintain and upgrade networks, hardware and software.

- Ensure the First Sectorial communities and organizations have up to date firmware and annual licensing
 - Product updates
4. Asses band needs and customize system

HTIT will provide an IT assessment for First Sectorial and First Sectorial organizations to determine a custom solution.

3.2 Pricing Strategies

The HTIT will utilize pricing strategies that will allow for the opportunity to remain competitive and allow for the opportunity to gain projects designed to build reputation and trust. The following price breakdown will be the client charge out rate, obviously it will depend on the nature of the work required:

| <u>Service</u> | <u>Hourly Rate</u> |
|--|---------------------------|
| IT infrastructure for First Sectorial administration and offices | \$120 |
| Provide training | \$80 |
| Provide post service contracts and support | \$80 |
| Asses band needs and customize system | \$80 |

Mr. Hollate has over 14 years of direct IT servicing experience. The pricing structure above is very conservative and considered entry level pricings.

This pricing strategy is competitive compared to its mainstream and more importantly its Aboriginal competition. Travel costs and disbursements will be billed as extra. Included in the costs are all administration charges.

The following table illustrates the average time needed to complete a job in each of HTIT’s core services.

| Average Time | |
|-------------------------------|---|
| Service | Time Required for Job |
| IT infrastructure and network | 4 days on average to complete: Billable hours = 32 hours per job on average |
| Training | 2 days on average to complete: Billable hours = 16 hours per job on average |
| Post service contracts | 1 year contracts |
| Custom system assessment | 5 days average to complete: Billable hours = 40 hours on average |

Typically an IT project can be broken down as follows:

| | | <u>Project</u> |
|--|----------------------------------|----------------|
| IT infrastructure for First Sectorial | 30% | \$120/Hour |
| Provide training | 30% | \$80/Hour |
| Provide post service contracts and support | 1 – 3 Service contracts per year | \$80/Hour |
| Asses band needs and customize system | 30% | \$80/Hour |

3.3 Distribution Strategy

The business will seek and retain IT contracts and services. All information technology assessments will be completed on site. If possible, HTIT will connect remotely and assess network problems. Once the assessment report is complete, HTIT will deliver the work either by regular mail, electronic mail, or in person.

Training will be delivered on site as well as providing custom manuals, which will be available online.

Service contracts will be assessed on site. HTIT will connect remotely to service networks and other IT infrastructure where possible. This will cut down on travel and accommodation costs.

The distribution strategies of the business are very time and cost effective and well within the industry norm.

3.4 Promotional Strategy

In terms of promotion, the HTIT needs to meet a certain level of activity and market reach given the geographical spread of its primary markets. The business' Eastern and Southern markets can be reached by using the local mediums to attain solid market reach. However, for the business' Northern markets, other forms of advertising mediums will be needed to successfully reach full market exposure. The incremental and on-going promotional strategy of the HTIT will accomplish the following goals and objectives:

- Ensure that the HTIT has and maintains an image of professionalism and quality;
- Ensure that HTIT's Southern, Northern, and Eastern First Sectorial markets are well educated of the entire service portfolio of the HTIT. Also, HTIT's markets will be provided with the required contact information to make project enquires;
- Establish a strong and trusted brand among the First Sectorial market;
- Establish and maintain a streamlined marketing approach with respect to marketing and promotional material;
- Successfully position the business within the First Sectorial IT services industry;
- Assist in generating a consistent level of revenues for the business

Below are the incremental and on-going promotional activities that the HTIT will implement upon opening the business.

The HTIT will use a streamlined approach to its marketing and promotional campaign. All material will use the same logos, tag lines, colours and look and feel in order to keep HTIT's brand and message consistent in order to avoid confusion.

Initially, the business will invest into the design and implementation of an identity and branding package. This package will be completed by a local and reputable professional. More specifically, the identity and branding package will include a company logo, business cards, company profile, letterhead, and envelopes. HTIT will also invest in a professional copy writer who will work with HTIT to establish strong sales copy on all promotional and sales literature (including the website). Although very straightforward, this will be done to demonstrate the professionalism of the HTIT. The identity and branding package items will be purchased in quantities deemed sufficient by Mr. Hollate.

Secondly, the business will design and implement a direct marketing campaign. This will be done through general mail or through a provincial wide Aboriginal specific newspaper's. Targeted direct mailings will be sent to HTIT's primary and secondary markets. Using professional sales copy, all direct mail campaigns will list specific services and benefits including a company portfolio and specific calls to action, including:

- Opt in to HTIT's leads and contacts list;

- Visit the company website;
- Call for additional services and other information;
- Direct sale

Market research has shown that roughly 35% of those First Sectorial contacted are interested in receiving marketing and promotional material from HTIT. Based on this research, HTIT will make direct marketing a priority/

Thirdly, The HTIT will invest into the development of an online marketing strategy. This will include a professionally developed website which will include the appropriate sales copy and content. The website will use the look and feel, including all images, logos, and tag lines developed from the identity and promotions package. It is important for HTIT to streamline all sales and promotional literature to consistently brand its image to primary and secondary markets. The online marketing strategy will focus on:

- Search engine optimization (SEO)

This will allow HTIT to build a structurally sound website from the foundation up. Search engine optimization will help ensure HTIT's website is indexed in the search engines for appropriate search terms. Higher search engine rankings will equate to higher, targeted traffic to the website. HTIT will also work with the SEO company to incorporate a structured leads and sales cycle.

- Sales copy and content

In order to convert website traffic into customers, HTIT will invest in professional copywriters to write all sales oriented pages. Using sales copywriting techniques, HTIT will structure all sales and services pages in order to attain the most responsive calls to action.

- Shopping cart

HTIT will also install shopping cart technology into the website. In doing so, HTIT will automate the sales process with regards to online sales.

HTIT will actively pursue online promotional activities which will allow the company to grow and prosper online: Online promotional activities include (but not limited to):

- Google Adwords
- Banner ads
- Text ads
- Facebook promotional ads

Online promotional activities will be used until the website is indexed in the more popular search engines such as Google and Bing.

Fourthly, The HTIT will invest into the development of a trade show booth and will begin attending trade shows in Ontario. The business will have its trade show booth professionally designed by a reputable company in Ottawa. Within the IT services industry, this form of promotion is very effective and used widely by all active competitors. The costs outlined below for the trade show participation include travel costs.

Next, the business will invest into the development of professionally designed company apparel. The company apparel will display the company logo, colours and name along with other important information. The company apparel will consist of golf shirts, pants, sweaters and wind jackets. This will be done to add to the professional image of the business and provide a uniform presence. This will be a one-time purchase and will be done as employees are hired so that they can be properly fitted.

As with all businesses, The HTIT, once it has successfully attained and completed projects for its market, will begin to receive word of mouth advertising and referrals. This form of advertising is the best form, however, the business will not rely solely on this form of advertising.

The total costs for the incremental and on-going promotional activities are as follows:

| | |
|---|-----------------|
| Identity and Branding Package (Graphics and logos) | \$3,000 |
| Direct Marketing Campaign | \$3,000 |
| Trade Show Booth Development | \$5,000 |
| Trade Show Participation | \$3,500 |
| Website Development (Includes SEO and written copy) | \$2,500 |
| Company Apparel | <u>\$2,000</u> |
| Total Costs | \$19,000 |

The following section will identify the proposed operational plan for The HTIT. Included are the general operating procedures, human resources, insurance, government and working capital requirements of the business. Also included is a table outlining capital assets acquisitions and an outline of HTIT's operational workflow.

5.1 General Operating Hours

The HTIT intends to operate Monday thru Friday from 9 am to 5 pm. The HTIT will be operational year round.

5.2 Human Resources

Mr. Hollate and his executive assistant will be the employees of HTIT for the first year of operations. When additional human resources are needed, Mr. Hollate will identify and hire additional staff to assist in additional operations.

5.3 Insurance Requirements

The HTIT will have to incur costs for business liability insurance. The estimated cost for this requirement is \$4,000 per year.

5.4 Government Requirements

HTIT is subject to corporate law and income tax. The company will collect and remit PST and GST when required. The company will hire a CA to provide audited financial statements and will follow tax law to minimize the tax burden of the company. Mr. Hollate will endeavor to reduce real taxable profit to zero through an increased salary to eliminate corporate taxes if possible.

As the income of Mr. Hollate is non-taxable when generated on a First Sectorial, there is no legal requirement to report income to Revenue Canada. As sales begin to increase, Mr. Hollate should be properly prepared to address any issues that may result from an income tax inquiry.

Due to the delicate nature of the IT service industry and the sensitive data being handled, it is important that Mr. Hollate protect himself and his family. At this point in time, Mr. Hollate will both incorporate the company and ensure that appropriate errors and omissions insurances are in place.

5.5 Survival Strategy

A long term strategy to maintain a positive cash flow during periods of low activity, will be to diversify the company and develop low capital services to its markets. These services will include preparing IT feasibility studies and First Sectorial Infrastructure Fund proposals and plans for First Sectorial.

Unfortunately, information technology is not considered a core funding component by The Department of IT Affairs for First Sectorial. However, First Sectorial may apply for funding as a non-core component.

This presents HTIT an opportunity to prepare and plan IT proposals for First Sectorial and include their services into the feasibility portion of the plan. This is a long term strategy which will be implemented during those months of low activity.

5.6 Office Requirements and Asset Acquisitions

HTIT will lease office space on the territory of Akwesasne. This facility will require office equipment/furniture, office IT network and a full working computer lab.

| HTIT Capital Requirements | |
|---|-----------------|
| Description | Costs |
| Office Network (laptop, server rack, licencing, wiring, cabling, server, software) | \$10,000 |
| Office Lab | \$5,000 |
| Office Furniture and Equipment (desks, chairs, printer, ink, phones, filing cabinets, paper, peripherals) | \$8,250 |
| Total Capital Costs | \$23,250 |

The above capital purchases will increase work effectiveness, enhance professionalism and will prepare the business for the forecasted demands for services.

5.7 Operational Workflow

As with any IT services firm, the operational workflow for the business is quite uniform and simple to follow. The following is a step by step outline of how IT services and contracts are completed on a regular basis:

Step 1 The High Top Information Technology will respond to a Request for Proposals (RFP) with a professionally prepared proposal for services;

Step 2 Mr. Hollate will analyse and assess the client's current IT systems.

Step 3 A solutions document will be prepared for the client outlining potential options. Mr. Hollate will work with the client and decide on the most appropriate solution.

Step 4 Mr. Hollate will then build the system according to the solutions document and plan. Mr. Hollate will construct the client's network in his office lab. Once the work is complete, Mr. Hollate will transfer the networking solutions to his client's office.

Step 5 Once the work is complete to the satisfaction of both, HTIT and the client, Mr. Hollate will commence with training appropriate staff members. Mr. Hollate will use custom guides, in person sessions and remote connections to help prepare staff.

Step 6 HTIT will perform after care support services for the client. After care will be performed to ensure all IT systems are working to specifications and satisfaction of the client. Mr. Hollate will perform these services in person or via remote connections.

The above operational workflow is very standard, easy to understand and within the industry's norm. Mr. Hollate will personally set up his business' office network and computer systems.

HTIT will accept cash and cheque payments. These payments methods are well within industry standards. The business will provide credit to larger account holders, when necessary. It is estimated that the length and terms of payments are net 30 for all clients. This will allow the business to avoid cash flow problems. Late payment charges are 2% of the projects outstanding balance.

Section #5

Financial Plan

5.1 Costs and Financing

In order to properly start up, HTIT has proposed a financing package that includes a combination of owner's equity, government assistance and traditional borrowing. Table #4 illustrates the proposed costs and financing for the project.

| Costs and Financing | | | |
|---------------------------------|-----------------|-----------------------------------|-----------------|
| Costs | | Financing | |
| Capital Costs | | Capital Financing | |
| Office Network | \$10,000 | M. Chalmers Equity (10%) | \$2,325 |
| Office Lab | \$5,000 | ETC (45%) | \$10,463 |
| Office Equipment/Furniture | <u>\$8,250</u> | Commercial Financing (45%) | <u>\$10,463</u> |
| Total Capital Costs | \$23,250 | Total Capital Financing | \$23,250 |
| Marketing Costs | | Marketing Financing | |
| Start Up / On-going Activities | <u>\$19,000</u> | ETC (60%) | \$11,400 |
| Total Marketing Costs | \$19,000 | Funds from Operations (40%) | <u>\$7,600</u> |
| | | Total Marketing Financing | \$19,000 |
| Business Support Costs | | Business Support Financing | |
| Accounting / Management support | <u>\$5,000</u> | ETC (75%) | \$3,750 |
| Total Business Support Costs | \$5,000 | Funds From Operations (25%) | <u>\$1,250</u> |
| | | Total Business Support Financing | \$5,000 |
| Total Project Costs | \$47,250 | Total Project Financing | \$47,250 |

Mr. Hollate will make a personal cash equity injection into the business in the amount of \$ or 10% of the projects total capital costs. Mr. Hollate will ask that Easy Technology Contributions(ETC) contribute \$ or 45% of the projects total capital costs. Mr. Hollate will also ask that ETC contribute \$8,400 or 60% of the start up marketing costs and \$3,750 or 75% of the identified business support costs. These percentages are well within the programs guidelines and this project meets all eligible requirements of ETC. Contributions made by ETC will be in the form of a non-repayable contribution.

The remaining \$ of the projects capital costs will be sought from Mr. Hollate personal banking institution. It is expected that this loan will be financed over n years at n %. This banking institution will hold the lien on the assets of the business as ETC does not require the assets to be used as collateral. Due to the funding disbursement process of ETC, Mr. Hollate will require bridge loan financing for the

amount requested from ETC. It is anticipated that Mr. Hollate will take approximately 1 month to submit a claim to ETC for the entire amount. This means that Mr. Hollate can repay the bridge loan in month 3.

5.2 Financial Projections and Notes

The following pages contain notes to the financial projections. Also included are a 12 month cash flow projection, 3 year projected income statement, 3 year projected balance sheet, 3 year cash flow projection, and amortization schedule.

Cash Flow

The cash flow of the business remains healthy throughout the first three years of operations. Without the government contributions and loan, the business would not survive. Cash flow must be continually monitored and compared to projections to ensure that operational costs and other expenses were not seriously over or understated.

Sales

The business will generate sales by providing a specific set of IT services. In year one, it is projected that approximately 2,368 hours will be charged out to market. In years 2 and 3 it is estimated that 3,078 and 4,000 hours will be charged out to market respectively. These sales projections are very conservatively calculated based on market research.

Due to the industry, Mr. Hollate will need to retain the services of specialized IT professionals. Mr. Hollate will hire additional support and contractors as additional hours are added in years two and three.

Cost of Sales

In order to show the magnitude of the need for subcontractors and administration costs (IE: travel) and their impact on cash flow, a cost sales section has been included. It should be noted that Mr. Hollate will bill these costs directly to the client on an actual basis and therefore, in effect cancel out on the cash flow statement. This line has been used to assess the cash flow requirements of the company and to illustrate how Mr. Hollate will flow money for these expenses.

Expenses

Expenses were based on the following facts and assumptions.

Capitalization Expenses

As per the schedule illustrated in the operational plan.

Marketing Activities and Promotional Activities

As per the promotional plan detailed in the marketing plan.

Salary Expense

As per the human resource requirements detailed in the operational plan.

Utilities/Communications/Repairs and Maintenance Expenses

Based on estimates in all three years.

Provincial Incorporation Expense

Based on incorporation costs

Rent

Based on actual costs identified in the rental agreement

Office Supplies

Based on estimates in all three years

Bank Charges and Interest

Based on estimates in all three years

Bridge Loan Repayment

Based on the amount borrowed

Loan and Interest Expense

Based on a 5 year loan and financed at 7% annually.

Professional Fees

Based on specialized services needed and identified in the management plan.

IT Systems

Based on estimates in all three years

Amortization Expense

Based on the attached schedule.

Assets, Liabilities and Owner's Equity

The assets and liabilities of the business have been well documented throughout the plan. The assistance from federal government departments provides Mr. Hollate with a healthy level of equity. It

should be noted that only contributions to the capitalization of the project are included on the balance sheet. Mr. Hollate will not payout any dividends throughout all three years.