

Systems Evolution Inc.

“SEVI”



Fiscal Year 2004

Business Plan

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Executive Summary

Overview

Systems Evolution Inc.'s business plan consists of a go to market model that combines high value expert-level services with long-term leveraged services that together provide a model for capturing new clients as well long-term relationships that deliver consistent and predictable revenue annuities.

The expert-level service offerings provide a point-of-entry to capture new clients and define our "micro brands". These micro brands will be aggregated into our corporate brand under an umbrella of consulting best practices and a corporate marketing plan. We use these micro brands to capture new clients and then encourage cross-selling to build the credibility and reputation that earns SEVI the right to propose outsource and managed services. These outsourced services would be difficult to capture without the credibility earned by being the expert, however, once captured, provide the baseline of consistent revenue that allows us to run a predictable business.

Organizationally, we have implemented an aggressive communications and reporting plan that encourages cross-selling, resource sharing and accountability across brands and geographies.

Industry Trends

There are many issues facing IT departments and vendors today, including the so-called "Dot Bomb" in 2001, the economic slump of 2003, and the end of a maturation cycle (every 9 years or so). These trends have thinned the service vendor ranks and the ranks of contractors by roughly one third in the Houston area. Because of current circumstances, CIO's are focusing on cutting costs on steady state IT costs and are only funding projects with a clear investment return:

- ✓ Outsource infrastructure support
- ✓ Outsource new projects to lower cost locales
- ✓ Increasing percentage of packaged software over custom development

The main challenge facing IT vendors including SEVI is the ability to capture long-term revenue streams. For IT vendors, other trends will continue throughout the next few years:

- ✓ Large systems integrators like EDS and IBM are pursuing Fortune 1000 accounts. Small to medium sized businesses (SMB) are getting most of the smart money's focus.
- ✓ M&A activity has been high among major players in computer services.
- ✓ Low value added services like software reselling, white box resellers, and recruiting firms will be eliminated by e-procurement and the Web.

Strategy

SEVI has commenced two (2) phases of corporate development. Our corporate values reflect how we will incorporate new acquisitions and work with clients, employees, and shareholders...

People	Performance	Profit
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Phase I focuses on growth through acquisition for 18 months.

1. Build the scalable infrastructure to support a \$50M company
2. Complete processes and rules of operation for division practice managers
3. Complete technology platform through acquisitions
4. Make acquisitions to establish at least 4 divisions
 - Business solutions, Technology solutions, Infrastructure Support Solutions, and SMB Solutions

All acquisitions must be accretive to our PROFIT. Here is a break down of acquisition candidate characteristics:

- ✓ Strategic match to our “technology shopping list”
- ✓ Revenue of \$500,000 to \$5,000,000
- ✓ Gross margins of 35% minimum
- ✓ Capable of cutting SG&A costs by 20% to achieve 10% EBITDA or better
- ✓ Solid customer base and contracts

Phase II focuses on complete IT platform outsourcing for 18 months. This shift’s premise is that activities that make acquisitions successful make complete IT platform outsourcing successful – namely contract negotiation, integration, and operational procedures. Our target market is mid market companies:

- ✓ Revenue of \$100 million to \$2 billion
- ✓ Geographically in the gulf coast region
- ✓ Outsourcing requirements of \$500,000 minimum per year

Operations Philosophy

- ❖ Present a **clear and consistent message** that differentiates SEVI and creates a demand generating brand image in our target marketplace.
- ❖ Provide **expert level** services to capture new clients and build our relationship and credibility.
- ❖ **Deliver on the message** of SEVI as a trusted advisor through successful projects, knowledge transfer, and expert-level mentoring and **cross-sell** business, technology

and infrastructure solutions to build our relationship and credibility to earn the right to propose outsourced solutions.

- ❖ Create an **employee-focused culture** with an emphasis on communications, individual and team recognition, personal growth and career planning. The goal is to generate a self-perpetuating engine for winning business, attracting and retaining the best people in the industry, and use those key resources to win more marquee clients.
- ❖ Refine our **technology best of breed solutions**, staying ahead of our clients and competitors to provide points of entry into new clients via mentoring.
- ❖ Leverage **partner relationships** to identify new prospects, enter new markets, and qualify opportunities in existing targeted accounts. Furthermore, use **guerilla-marketing programs** to further establish our brand image.
- ❖ Establish long-term relationships with **targeted clients** to document each company's technology preferences, decision-making processes, budgets and business model and continue to position SEVI's long-term interest in supporting their business and technology needs.

Corporate Background

History

Systems Evolution Inc. (also known by its ticker symbol of “SEVI”) was founded in 1993 to answer the pressing need for knowledge transfer for Client/Server development. In order to fulfill the promise of knowledge transfer, SEVI added Powersoft and Microsoft certified classroom training capabilities in early 1994; by combining classroom training with architectural and project startup mentoring, SEVI was in great demand by clients in all sectors of the national economy, including EDS (American Express Private Banking, AccuPlant, IES), Louisville Gas & Electric, Pepsi (KFC), and Valero.

SEVI's presence in the technology project recovery marketplace was well established by 1995. Clients as diverse as the U.S. Federal Reserve Board of Governors, Freddie Mac, and First Union Capital Markets retained SEVI consultants to review project status and technology implementation. By 1996, a number of software manufacturers also began using SEVI strategic technology consulting – including EAS Technologies, FocusSoft, and Sybase.

SEVI's 1997 entry into the Internet arena focused on mission critical Java development using the SilverStream application server. Leveraging our certified SilverStream training status as well as our respected status in the consulting arena, SEVI is the leading Houston area consultancy with J2EE implementation experience. Major clients since 1999 include Service Corporation International (SCI), Conoco Philips, Reliant Energy, and PG&E Gas Transaction Texas. SEVI is a recognized thought leader in the web services arena – recognized by Novell as well as clients such as Imperial Sugar Corporation and SCI.

SEVI went public on September 9th, 2003 in an acquisition by Wallace Resources Inc. that brought SEVI to the over the counter bulletin board (OTC:BB) market.

Management Team

CEO – Robert C. Rhodes

Robert C. Rhodes, II serves as the Chief Executive Officer for Systems Evolution Inc. Mr. Rhodes has worked in software development and sales since 1986. Prior to his employment with SEVI, Mr. Rhodes held positions at the BSG Alliance/IT and Software Integration Consulting Group. In 1993 he founded SEVI, which at that time made extensive use of mentoring and training techniques to advance consulting services for knowledge transfer and the implementation of technical architecture. Mr. Rhodes took the company public in 2003.

COO – Richard N. Hartmann

Richard N. Hartmann serves as the Chief Operating Officer for Systems Evolution Inc. Mr. Hartmann has managed technology based organizations for twenty-five years with experience that spans large systems integrators to technology start-ups. Mr. Hartmann

held a variety of positions with the Unisys Corporation including direct sales, branch and district management as well as regional marketing management. He leveraged that experience to help launch new business initiatives at PowerCerv and Austin Software Foundry in positions growing from regional manager to Executive Vice President and Chief Operating Officer. Most recently he was Managing Director of Noblestar a consulting company headquartered in Reston, Virginia.

Board of Directors

Michael M. Barbour, Director, is currently Chief Executive Officer of MicroLight Corporation of America (www.microlightcorp.com). Mr. Barbour is the former CEO of a \$60 million a year, NASDAQ listed, global healthcare company and was the 1998 recipient of Ernest and Young's Entrepreneur of Year Award in Healthcare. Mr. Barbour has over 30 years in the healthcare industry, having raised over \$30 million in debt and public equity financing as well as over \$60 million in mergers and acquisitions.

John B. Dewberry, CPA, has served as Director for Systems Evolution Inc. since 1995. Mr. Dewberry's long career in public accounting spans back to 1945 and include private businesses as well as public accounting practice. Early in his career, Mr. Dewberry was Chief Accountant at Western Gear Works. Mr. Dewberry then joined public accountants Peat Marwick Mitchell. From 1960 to the present, Mr. Dewberry has had a public accounting practice.

Patrick L. Anderson (CPD/A, CPD/P, CSD, CSI, CSTI, MCP, MCT) serves as a SEVI board member. With over twenty years of experience in the software industry, Mr. Anderson's lucid technical vision has helped clients maximize the return on investment for their projects, and his deep knowledge of Internet-based architecture has produced premium enterprise solutions. Prior to SEVI, Mr. Anderson worked for the office of the CTO of SilverStream Software, Inc., where he was a systems architect and project troubleshooter.

Competitive Analysis

SEVI has chosen to focus its efforts on delivering offerings in the IT infrastructure outsourcing and systems integration markets. All other offerings are ancillary services, such as IT staffing and creative design, are designed to increase overall revenue per customer.

IT Industry Overview

In 2002, the worldwide IT industry suffered its largest decline ever, falling 2.3%, compared with an average annual growth rate of 12% for the past 20 years, according to IDC. The slowdown in overall IT spending growth indicates that organizations are becoming more selective in acquiring technology, whether it is application software, infrastructure software, hardware, networking equipment or professional services. Major contributions to the decline in the industry in 2002 included a 9.3% reduction in worldwide sales of IT systems (includes PCs, servers and workstations); the global storage market shrank by 10.6%; and the worldwide network equipment market experienced a 7.6% decline, as sales to telecom service providers declined sharply.

Initially, industry analysts were forecasting a worldwide recovery during 2003, but there were no dramatic increases in spending for IT services. According to IDC, the worldwide IT industry is expected to recover from this low point in 2004. The fundamental drivers of IT demand are strong and include the proven benefits of technology investment for business productivity, rising Internet usage and innovations in technology. IDC forecasts that the worldwide market for computer and networking hardware, software and services will grow to \$1.4 trillion in 2005. While economic and political climates may alter the flow of IT spending, companies are expected to continue to spend money to install and maintain the hardware and software that nearly every business depends upon. IT spending is projected to also continue to grow as technology becomes increasingly pervasive.

IT Services

The IT services industry includes consulting and systems integration, outsourcing, network integration and support, hardware services, software support and development, life cycle services, and strategic partnering and services marketing. In 2001, worldwide IT services revenues reached \$541.9 billion, and continued to grow to \$556.8 billion in 2002. According to Gartner Dataquest, worldwide IT services revenues are forecast to grow 6.2% in 2003, reaching \$591.4 billion. Process management is expected to be the highest-growth segment in the IT services market in 2003, while hardware maintenance and support is expected to be the slowest.

According to Gartner Dataquest, three factors exert the greatest influence on users' IT services spending plans:

1. Decision-makers' confidence in the value of IT and its investment return

2. IT vendors' implementation of compelling new technology, which affects the pace of demand
3. The rate at which users will replace IT if assets require maintenance and adaptation

Contract Consulting & Programming

The U.S. federal government reported that an average of 95,000 computer scientists, systems analysts and programmers are expected to be in demand each year between 1999 and 2005. According to the U.S. Census figures, in the last five years, computer programming services grew three times faster than the economy as a whole.

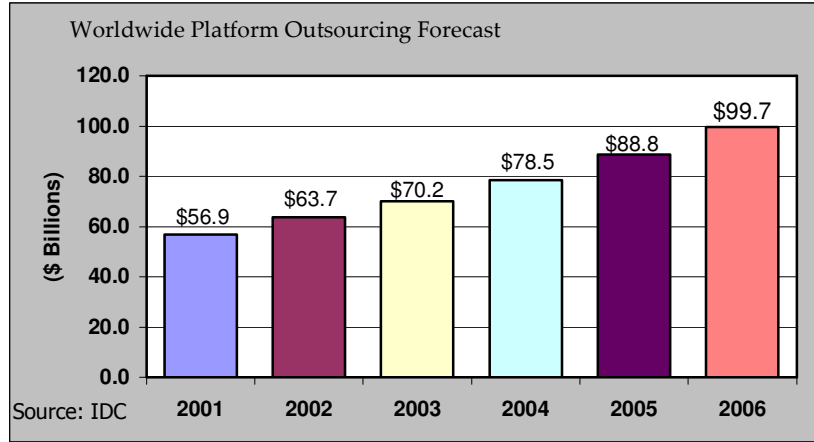
This expansion ended abruptly as the U.S. economy took a sharp downturn in the latter part of 2001. In 2001, for the first time ever in many computer programming sectors, growth turned to declines, down 30% for Internet software and down 1.8% for systems management. Other sectors, such as network and systems management (up 1.1%) and security software (up 12.1%) continued to rise during the same period.

The use of contract programmers is soaring in this environment, according to new research from Evans Data Corp. Based on a December 2002 study, more than 70% of companies are outsourcing some software-development work, up from 40% in May 2001, Evans Data reported. Evans Data also stated that companies are beginning to start a number of new projects, but that most companies are turning to outsourcing as an alternative to hiring full-time programmers. About 80% of those companies with at least 10,000 employees are outsourcing some portion of their software development and roughly 66% of companies with 1,000 to 10,000 employees are doing the same.

Platform IT Outsourcing

Platform IT outsourcing is the assumption of responsibility for managing all or part of a client's information technology infrastructure, typically involving the transfer of IT facilities, staff, and hardware. Examples include hardware facilities management, onsite and offsite support services, server vaults, and data security services.

Despite the overall IT spending slowdown that has occurred over the last two years, the platform IT outsourcing market grew from \$56.9 billion in 2000 to \$63.7 billion in 2001 (12.3%) and \$70.2 billion in 2002 (10.2%). Research firm IDC is projecting double-digit compound annual growth for this market over the next four years, to \$110.6 billion in 2006.



While the primary impetus to outsource during the high-growth period of the mid-to-late 1990s was access to new technologies and highly-trained IT staff, enterprises are in large part citing historical motivations — driving costs down and improving internal efficiencies — for current and future outsourcing decisions. While the market continues to grow, the rate of that growth has slowed, as customer decision cycles have lengthened and contract values have fallen.

Compared to other outsourcing segments, the platform outsourcing market is highly concentrated among a few large firms, as would be expected in a market where firms compete for 5-10 year, \$500 million plus contracts. The three top-tier outsourcers — IBM Global Services, Electronic Data Systems, and Computer Sciences Corporation — account for nearly 45% of U.S. revenues, and the ten largest firms account for over half of the U.S. market.

Significant barriers to entry — including large upfront capital requirements, personnel-intensive business model, and wide range of required service offerings — largely deter new entrants in this space.

Market Share of Top 10 Platform Outsourcers

Company	2001 Revenue (\$ Millions)	2001 Market Share
IBM Global Services	5,500	18.9%
Electronic Data Systems	4,373	15.1%
Computer Sciences Corp.	3,000	10.3%
Lokheed Martin	800	2.8%
Affiliated Computer Services	598	2.1%
Unisys	523	1.8%
SAIC	511	1.8%
Perot Systems	500	1.7%
HP / Compaq	199	0.7%
CGI Group	36	0.1%
Total	16,040	55.3%

Source: IDC

Global 1000 market saturation

The Global 1000 market, the primary target of the top-tier service providers, has become saturated and competition among the largest vendors and between first- and second-tier firms is increasing, contributing to reduced margins. At the same time, platform outsourcers have expanded their service offerings into other outsourcing markets, such as

business process outsourcing (BPO), and to vertical solutions to gain a competitive advantage in seeking new contracts and increasing their revenue per client.

Competitors - Public Companies

Public companies that we have competed with in the past and that are emerging as powerhouses today include these companies:

Company Name	Symbol	Market Cap.	Sales	Employees
CGI Group, Inc. ¹ http://www.cgi.ca	T.GIB	\$1.98 B	\$ 1.00 B	10,000
Computer Sciences Corp http://www.ctp.com	CSC	\$ 13.0 B	9.63 B	58,000
Electronic Data Systems (EDS) http://www.eds.com	EDS	\$ 19.0 B	\$ 18.7 B	121,000
Perot Systems Corp. http://www.perotsystems.com	PER	\$ 924.5 M	\$1.14 B	7,000
Spherion Corporation http://www.spherion.com	SFN	\$ 722.4 M	\$3.90 B	8,000

Figure 1 - Public company statistics

¹ A Canadian company that bought what was formerly known as DRT Systems.

Business Model

Our business model is based on developing a series of service offerings that create an expert-level consulting model. By providing experts, SEVI can create brand image programs that will shorten the sales cycle and eliminate less qualified competition. By defining our expertise and identifying qualified prospects based on these criteria, we move from a mass marketing model to one based on partnerships, networking, and reference selling.

Once we have established SEVI as a valued advisor in one area we then begin cross-selling to identify additional areas where we can apply our experts to address specific needs. By demonstrating that we can provide value across business, technology, and infrastructure boundaries we position SEVI as a viable provider of outsourced services that establish an annuity of consistent and predictable revenue.

SEVI has developed and implemented best practices for consultant development and management, project management, and software development to assure consistency of delivery and client satisfaction across all practices.

Expert-Level Model



These functional areas are more than the accumulation of skills and experiences needed to provide outsourced services. They represent distinct brand image offerings that provide an “entry point” to gain new clients. Once we secure a new client with one or more offering we want to make sure that we build that relationship and earn the credibility required to begin cross-selling other services and ultimately, through superior delivery and “client delight” we want to earn the right to propose a higher level relationship by outsourcing all our part of their IT environment. This strategy gives us a mix of high-value expert-level services that command higher margins with long-term consistent and predictable revenue from outsourced services. This could start with platform and network management or it could begin with an outsourced engagement to manage all of their offshore development.

Service Offerings

The competitive environment in the post dot com era requires a nimble business plan that allows us to outmaneuver the large systems integrators and outman the small boutique firms. Our strategy is to offer services that differentiate SEVI in the marketplace and provide business and technology solutions that cannot be outsourced to offshore firms. These solutions form the basis of our brand image and allow us to build the reputation and credibility with our clients that we need to earn the right to offer outsourced services which then may leverage offshore and near-shore resources.

Business Solutions

SEVI provides business solutions that position our teams to work with the budget owners and decision makers. These services provide a point of entry at the level of the organization that can authorize the use of high value consultants that make an impact on their bottom line, create new market opportunities, and leverage technology in new and innovative ways. This translates into higher margin services as well as a position within the organization to cross sell other services.

Despite the endless introduction of new technologies - the delivery of custom applications on time, within budget and according to user specification is still a rarity. Many consulting firms and offshore developers have turned to sophisticated methodologies to assure successful delivery. This can leave a wide chasm between the business owner and the applications development team. SEVI provides a range of services to ensure that the solutions being developed, whether in-house, outsourced via consultants or offshore are the solutions your business needs today.

- ✓ Business Requirements Management
- ✓ Business Process Optimization
- ✓ Software Development Methodology Mentoring
- ✓ Sarbanes Oxley Technology Audits
- ✓ Build versus Buy Analysis
- ✓ Strategic Application Development
- ✓ Outsourcing Assessments and Managed Offshore Development

Technology Solutions

SEVI is focused on solving business challenges by providing the finest team of technologists in the industry. SEVI consultants use best of breed solutions to leverage technology to solve business problems and open up new business opportunities. A consistent and repeatable project management and development methodology is the underlying foundation to all of our engagements.

- ✓ Software Solutions from IBM, Novell and Microsoft
- ✓ Enterprise Application Architecture, Integration & Web Services

- ✓ J2EE and .Net Application Architectures
- ✓ Portal & Content Management Systems Design & Implementation

Infrastructure Support Solutions

SEVI takes customer support seriously and takes every opportunity to exceed customer expectations. The SEVI philosophy is to provide network and platform maintainability, availability, and security. To accomplish this, SEVI offers individual plans for each one of their broad service categories.

- ✓ Risk Assessment & Disaster Recovery planning & execution
- ✓ Technology Planning and Consulting
- ✓ Infrastructure Design
- ✓ Network Management
- ✓ Storage Solutions
- ✓ Web Site Design, Management & Maintenance

SMB Solutions

While small to medium-sized businesses face many of the same challenges as the Fortune 500, SEVI understands that it is necessary to package solutions in a way that meets their unique needs. The Systems Evolution SMB practice does just that, with a team that specializes in delivering solutions to the SMB marketplace. The SMB Practice also leverages the resources from their other practices to provide a comprehensive service offering across the information technology spectrum customized to the small business owner's budget and needs. From a strategic standpoint, the SMB practice provides an initial proving ground for our outsourced services, proposal templates, contracts, metrics, and engagement management.

Marketing - Go To Market Plan

Our go to market model and the associated marketing plan leverages our expert level service offerings to build brand image. Our marketing activities are aimed at crisply conveying our message in white papers, our web site, our elevator speech, and presentation material; identifying prospective clients that already value the principles that make up our brand; and efficiently qualifying prospects based on their perception of the value of our services. Simply put, we will create an environment where we close a higher percentage of the opportunities that we chase because we will be chasing the right opportunities.

Market Need

The market is recovering from the recent downturn in the economy, the dot com bust, and budgets impacted at the turn of the century by Y2K and major ERP implementations. During these trying times the offshore firms moved in and filled a market need for inexpensive commodity resources and many of the firms that offered technology based or business specific consulting didn't have the cash reserves to survive. There is a void in the marketplace today and this void is most noticeable in the mid market firms that aren't as likely to go offshore or hire the large systems integrators.

Today the market values leadership. Many of the high value services of the last decade have become commodities. This is part of a natural cycle where new technologies emerge, small firms quickly move into the market to fill the need for expertise in the technology, then eventually the market catches up and the technology becomes a commodity. It happened with client server technology, Java, the web.

SEVI's business plan provides leadership in key areas that are less likely to be outsourced but will position SEVI to own some of these critical leadership positions and therefore be in position to lead the firms in evaluating, selecting, and managing relationships with vendors supplying commodity services.

Barriers to Entry

Large firms are not nimble enough to offer depth of expertise in every area of technology and business consulting, but they will dominate their client's IT budget. The large systems integrators will continue to try to dominate the marketplace and prevent smaller firms from growing into their space. Some will dip down to the mid market just as software vendors such as SAP and PeopleSoft.

Offshore firms are building expertise in both new technology and business domain knowledge. Combine that with their low cost of delivery and they will take a significant portion of the market.

Independents and small boutique firms offer very competitive rates that could prohibit even mid-sized firms like SEVI from operating profitably in their markets.

The key barrier to firms trying to grow in the mid market will be funding. The small boutique firms won't be able to leverage their small engagement to earn the right to own more of their client's business without the funds to build the management team, the marketing muscle to be heard in the market, the supporting infrastructure, and the critical mass needed to grow to the point of commanding respect in the marketplace.

Brand Image Development

Brand image is an often-missing component in a small business marketing plan. Usually this is because a small business has a difficult time defining their message and the aspects of their business that differentiates them from their competition. By crisply defining our message and business plan and consistently presenting it across all communication vehicles, our clients and business partners will begin to associate our name with our message and values.

Brand Image is the hub of our strategy with Partner Marketing, Event Marketing, the supporting Web Site and Collateral, Public Relations, and Target Account Programs, are the spokes that support our marketing plan.

Brand image in our strategy is the simple process of crisply defining your message, highlighting your differentiating values, and finding every opportunity to communicate this message to our targeted community. We use the term community here because we include prospective clients that value our message; the software partners that we support with our message; and the pool of potential resources, including our competitors, which make up our possible recruits.

Partner Alliance Programs

Software partners as well as other firms in our space that offer complimentary services offer the most efficient entry into new prospective clients. Our partners offer an opportunity to quickly establish our brand image and leverage their client base and marketing dollars. We will focus on a few strong partnerships where there is a clear mutual value-add relationship.

Our partner plan includes:

- ✓ Advanced certifications to establish our expertise
- ✓ Joint marketing events
- ✓ Joint press releases
- ✓ Publication and public speaking opportunities
- ✓ Leverage direct sales force and telemarketing personnel

Current Partnerships:

- ✓ IBM/Rational
- ✓ Microsoft
- ✓ Novell

Event Marketing

We will undertake a limited number of seminars/conferences this year. The Business and Technology Division will focus on the IBM relationship with joint seminars and a major presence at their annual user conference. We will be announcing our new web portal at the conference that provides a user community experience with an online forum, knowledge nexus section where people can contribute white papers and presentations, and an event calendar. SEVI will take an active role in local Rational User Groups as well.



The Infrastructure Support Services group works with Microsoft and Novell to leverage their marketing events including seminars, internal presentations to their sales teams, and user groups. They will also sponsor open houses as we announce new offices and acquisitions.

Collateral and Web Marketing

SEVI has a marketing plan that stresses their position in the technology community. Our web site will be the focal point of this strategy offering a community gathering place where our clients can interact with experts and each other; where they can submit questions for discussions on an interactive forum; and where they can download and contribute content in the form of white papers, PowerPoint presentations, and even components or software add-ins. Our initial launch will focus on the Business and Technology division with our Rational Software relationship. The second phase of the program will include the Infrastructure Support Services Division with emphasis on our SMB practice.

Our collateral plan for 2004 calls for a consistent theme that is embodied in our hand shake picture and our “Building Solid Relationships” tag line. Initially, we will create a corporate folder, a corporate overview, and a SMB overview.

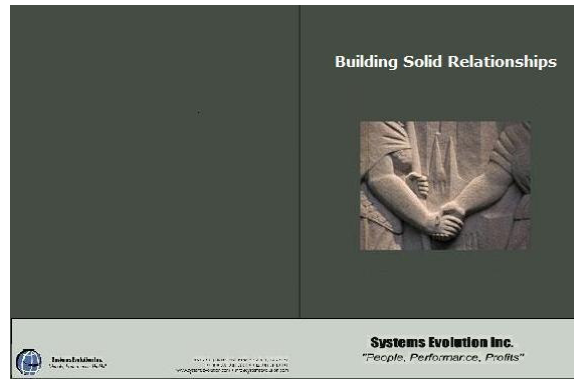


Figure 2 - SEVI corporate folder

Target Account Program

We will establish a target list of prospective clients that fit the criteria for our long-term client engagements for outsourced services and we will begin a campaign of qualification, marketing “waves”, and direct sales / management contact.

- ✓ Establish a CRM based target client file
 - Org charts
 - Environment description
 - Call history
- ✓ Create a manager of interest program
 - Each member of the management team will have their own target list for personal networking
- ✓ Develop a calendar of events for the next 18 months that includes mailers, seminars, executive breakfasts, partner promotional events, etc. that will provide a consistent reinforcement of our brand image.
- ✓ “Volume Mailer”
 - We will create a symbol of our relationship with our clients that can be mailed or personally delivered to our targeted clients.
- ✓ Cross-reference and pro-active planning with our partners.
- ✓ Encourage web site involvement for communications and information exchange

Public Relations

We will use every opportunity to promote the SEVI brand and name through press releases and “community marketing”. We will leverage opportunities for free press through articles on the SEVI business plan, press releases, and technology leadership pieces wherever possible.

Vehicle	✓ Description
Houston/Austin/Dallas /San Antonio Business Journal	<ul style="list-style-type: none"> ✓ Business plan and business model ✓ Acquisition announcements ✓ New hires (CFO, COO)
Houston Chronicle	<ul style="list-style-type: none"> ✓ New hires ✓ Acquisitions
Press Releases	<ul style="list-style-type: none"> ✓ Continued presence in the public eye
Technology Magazines	<ul style="list-style-type: none"> ✓ Success stories with partners ✓ Partner magazines

Community marketing simply means getting out in the community and “being seen”. We will leverage our partner events, industry conferences, user groups, and networking events. We will also explore opportunities for publication and public speaking where possible. These types of marketing activities are extremely beneficial in establishing our name recognition, brand image, and our expertise in the industry. Although they don’t always directly provide solid leads, they establish an environment in which our sales proposition is better received and accepted.

Team Selling and Sales Management

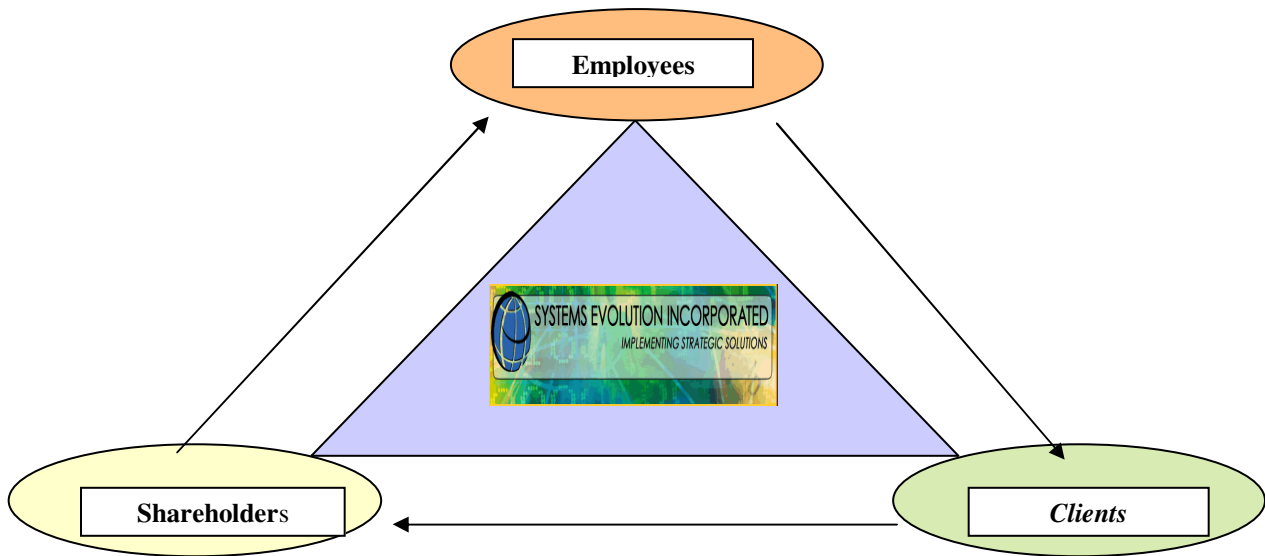
A team selling approach will be formulated and implemented late in the first quarter once we have a better picture of our potential resources from acquisitions. A planning session will be held no later than the first week of March to develop the approach and assign responsibilities.

Lead Generation	Solution Creation	Statement of Work	Negotiate & Close	Ongoing Business Development
Sales driven with marketing and partner programs <ul style="list-style-type: none"> • Telesales • Marketing • Partner marketing • Direct sales networking • Management team networking 	<i>Practice Manager & tech leads</i> <i>Sales coordination</i>	Practice Manager & tech leads Sales trial close and coordination	Sales & Practice Manager CFO & COO approval	Practice Manager & Management team Sales QA client relationship

Company Culture

People, Performance, Profits

SEVI wants to establish a company culture that will promote our brand image in the marketplace and provide a beacon to attract and retain the best people in the industry. The SEVI culture depends on attracting, developing, retaining the best talent in the industry; using this talent to close new business and provide delighted clients; which will in turn provide consistent revenues, growth, and a profitable return to our shareholders. SEVI cannot be the company that we strive to be without serving and satisfying all three of our constituents.



SEVI Values

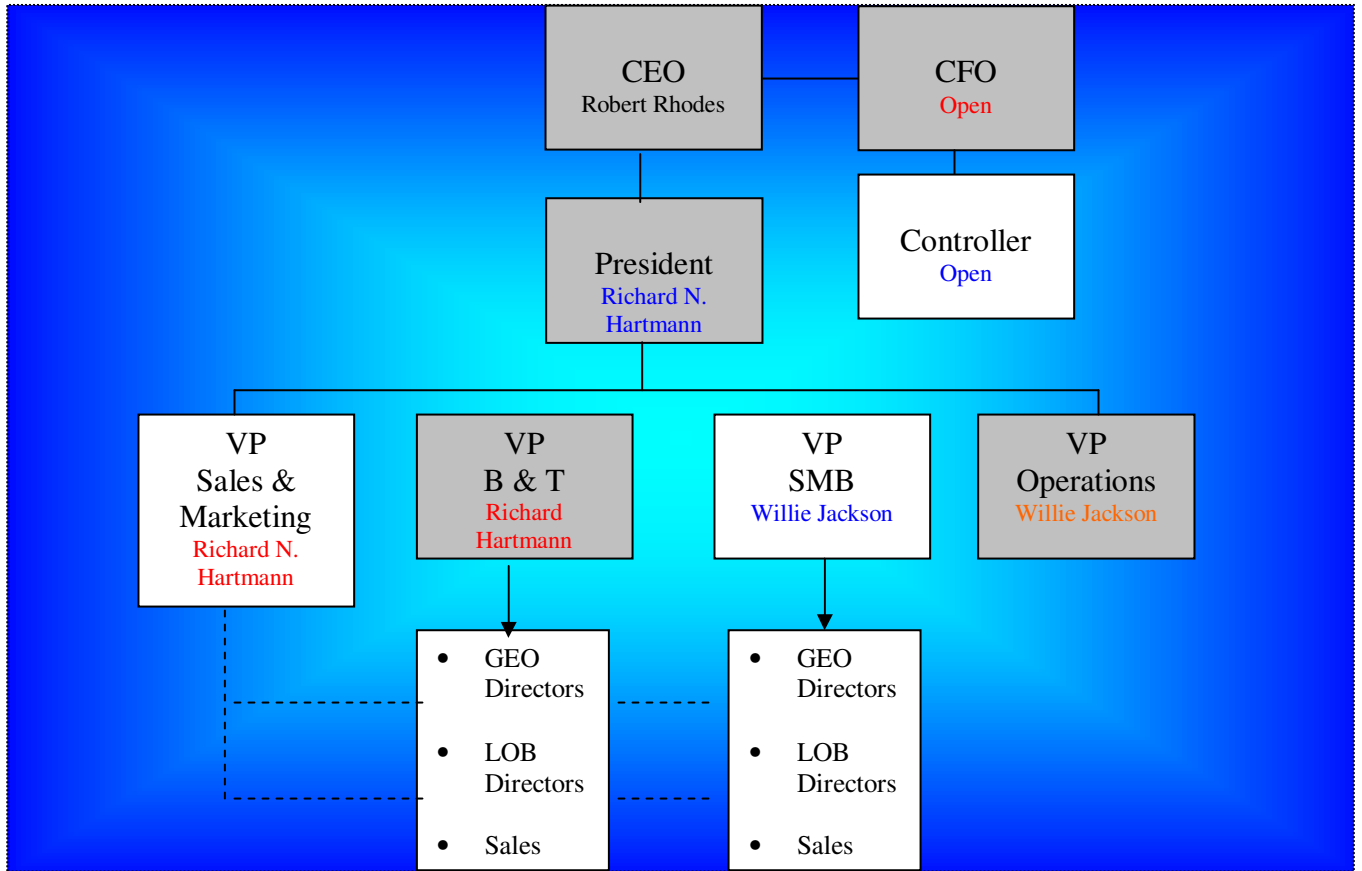
1. Clients buy from **people** and SEVI will attract, develop, and retain the best technologists, IT leaders and business consultants in the industry.
2. SEVI values individual and team **performance** and will provide the necessary infrastructure, compensation plans, and work environment that will allow our people to achieve individual and team goals.
3. Satisfied clients beget more clients, ongoing engagements with consistent revenue growth, and **profits**. Our reputation as a firm that delivers quality services on time and within budget is the key to affirming our brand image and message.
4. We value innovation and the entrepreneurial spirit. SEVI will provide our employees the work environment and culture that will encourage our people to grow the company and stretch our capabilities within a flexible framework that provides a strategic direction and message, common methodologies and tools. Our organizational plan will focus on creating successful teams with leadership responsibility and empowerment with the management layer closest to the client and the consultants serving them.

Organization and Roles

Our current organization is structured to provide a management team that has the capacity to manage a growing organization of acquired teams, manage day-to-day operations, and have the flexibility to incorporate new leadership through acquisition and organic growth.

<i>Title</i>	<i>Role & Responsibilities</i>
<i>CEO</i>	<ul style="list-style-type: none"> • Reports to: Board Manages: CFO; President • Primary responsibility <ul style="list-style-type: none"> ○ Financial oversight, SEC reporting ○ Funding ○ Mergers and Acquisitions
<i>President</i>	<ul style="list-style-type: none"> • Reports to: CEO Manages: <ul style="list-style-type: none"> ○ VP OPS; VP B&T; VP Sales; VP SMB • Primary Responsibility <ul style="list-style-type: none"> ○ Business plan ○ Profitability & Revenue growth ○ Organizational excellence ○ Practice management ○ Acquisition targeting
<i>VP Operations</i>	<ul style="list-style-type: none"> • Reports to: President Manages: Office managers • Primary responsibility <ul style="list-style-type: none"> ○ Network services ○ Organizational excellence and best practices ○ Cross organizational consistency and coordination ○ Facilities management ○ Policy and Procedure manual ○ Document management
<i>VP Business & Technology</i>	<ul style="list-style-type: none"> • Reports to: President Manages: Geo and LOB Directors • Primary responsibility <ul style="list-style-type: none"> ○ Practice business plans ○ Practice profitability & Practice revenue growth ○ Practice management & Practice organizational excellence ○ Employee & client Satisfaction
<i>VP SMB</i>	<ul style="list-style-type: none"> • Reports to: President Manages: SMB Practices • Primary responsibility <ul style="list-style-type: none"> ○ Practice business plans ○ Practice profitability & Practice revenue growth ○ Practice management & Practice organizational excellence ○ Employee & client Satisfaction
<i>VP Sales & Marketing</i>	<ul style="list-style-type: none"> • Reports to: President • Primary responsibility <ul style="list-style-type: none"> ○ Brand image ○ Dotted line sales support ○ Marketing events ○ Consistency

Organization Structure



Financials

Systems Evolution Inc.'s (SEVI) business plan will present only the broadest financial planning as acquisitions will vastly change the company's financial operations.

SEVI has a Fiscal Year 2004² budget and uses a rolling forecast for operational planning and controls. The budget assumes no funding above what South Bank Development Solutions Ltd. has already committed to every 45 days basis, \$25,000, nor does it assume any further acquired operations.

Model

The conservative financial model below uses previous SEVI operational results from fiscal years 1993 through 2000 and public systems integrators' 10-K reports as its basis. \$228,000 working capital is required per \$1,200,000 revenue added; working capital will be returned within 13 months.

Annual	%	Item	Derived
Revenue	100%	\$ 1,200,000	
Costs	60%	\$ (720,000)	
	Gross margin	40%	\$ 480,000
Operating expenses	8%	\$ (96,000)	
Sales expense	8%	\$ (96,000)	
	Gross income	24%	\$ 288,000
General Administrative	14%	\$ (168,000)	
	Net income	10%	\$ 120,000
Monthly			
Revenue		\$ 100,000	
Operating cash out		\$ (76,000)	
Cash flow, with 90 day payment		\$ (228,000)	
Cash flow, return of cash flow capital			13

Figure 3 - Financial model

Assumptions

- ✓ \$100,000 monthly revenue.
- ✓ Revenue starts day one and 76% costs would be expended for 30 days before it is invoiced; invoice payment takes place 60 days following the invoice date.
- ✓ General administrative costs are assumed to have been scaled previous to this revenue being added; therefore the cash flow does not require it to be covered.
- ✓ Model is conservative since billing is completed either on project milestones or every 15 days and SEVI's DSO average invoice payment is 32 days.

² SEVI's fiscal year starts on May 31st.

Funding Use of Proceeds

SEVI management is seeking \$4,000,000 to execute on plans for its Fiscal Year 2004. The majority of the funding requirement is for working capital with a minority of the funding used to pay acquisition closing costs³.

Year	Description	Month
2004 – Q1 & Q2	\$ 2,000,000	
Working Capital		
⇒	Hire fulltime financial control staff	July
⇒	Ramp up staff for 2 projects <ul style="list-style-type: none"> ▪ MUSL/Powerball portal, \$500K implementation, \$250K support ▪ PBS (a public professional employer's organization) portal 	July
⇒	Assimilate four (4) independent IT professionals with \$500,000 revenue or less <ul style="list-style-type: none"> ▪ Assimilation by individual hiring ▪ Each organization contains sales and delivery capabilities 	Aug. – Dec.
⇒	Hire a Houston based placement / staffing firm's principals into a subsidiary <ul style="list-style-type: none"> ▪ Provides short term, non project based employee pool / base ▪ All firms' employees hired simultaneously 	August
Acquisitions		
⇒	CMS Technologies, an SMB ⁴ focused San Antonio company <ul style="list-style-type: none"> ▪ Audit pending 	July
⇒	an Austin based company <ul style="list-style-type: none"> ▪ Audit pending ▪ Splits focus between Business Solutions & Technology Solutions 	October
2004 – Q3 & Q4	\$ 2,000,000	
Acquisitions		
⇒	an infrastructure focused Dallas based consultancy <ul style="list-style-type: none"> ▪ Dell and the State of Texas correspond to 80% of their business ▪ Audit pending 	February
⇒	Louisiana based software engineering (Technology Solutions) company <ul style="list-style-type: none"> ▪ Audited 	May

Figure 4 – Detailed use of proceeds for Fiscal Year 2004

Using the previous detailed use of proceeds, working capital requirements are set forth using the model below (this model is used throughout the rest of the financial section).

		2004 Q1 & Q2		2004 Q3 & Q4	
Start		\$	1,000,000		\$ 9,250,000
Organic	100%	\$	1,000,000	15%	\$ 1,387,500
Acquisition	725%	\$	7,250,000	125%	\$ 11,562,500
Total	825%	\$	9,250,000	140%	\$ 22,200,000

Cash Flow requirements					
Unit growth	6.88		10.79		
Operating capital		\$	1,567,500		\$ 2,460,500

Figure 5 - Working capital requirements

³ Acquisitions will be accomplished for SEVI stock with minor cash payments, but acquisitions costs including legal, accounting, and due diligence must be covered.

⁴ SEVI will have four divisions: Business Solutions, Technology Solutions, Infrastructure Solutions, and SMB (Small to Mid-sized Business) Solutions that will allow us to deliver total IT platform outsourcing to the mid market.

Market Capitalization

The market capitalization goal for SEVI shareholders is a \$100 million market capitalization by the end of SEVI's Fiscal Year 2005. A survey of public systems integrators and public M&A transaction during SEVI's 2003 Fiscal Year reaped the following parameters:

Target	Value
Valuation	\$ 100,000,000
Shares outstanding	150,000,000
Target share price	\$ 0.67
Earnings valuation:	
Price to earnings (EBITDA) multiple	25
Earnings required	\$ 4,000,000
Net profit margin	10%
Revenue required	\$ 40,000,000
Revenue valuation:	
Revenue multiple	1.70
Revenue required	\$ 58,823,529

Figure 6 – Stock Valuation Model

Equity Dilution

The following model using Fiscal Year 2004 and 2005 planned actions shows the equity dilution.

	2004 Q1 & Q2		2004 Q3 & Q4		2005	
Start		\$ 1,000,000		\$ 9,250,000		\$ 22,200,000
Organic	100%	\$ 1,000,000	15%	\$ 1,387,500	50%	\$ 11,100,000
Acquisition	725%	\$ 7,250,000	125%	\$ 11,562,500	115%	\$ 25,530,000
Total	825%	\$ 9,250,000	140%	\$ 22,200,000	165%	\$ 58,830,000
Value						
EBITDA	5%	\$ 462,500	7%	\$ 1,554,000	10%	\$ 5,883,000
Enterprise Value	25	\$ 11,562,500	25	\$ 38,850,000	25	\$ 147,075,000
Cash Flow requirements						
Unit growth	6.88		10.79		30.53	
Operating capital		\$ 1,567,500		\$ 2,460,500		\$ 6,959,700
Equity Dilution schedule						
Start	\$ 0.49	52,000,000	\$ 0.59	65,795,918	\$ 1.73	85,096,054
Acquisition	10	7,397,959	8	10,965,986	7	10,339,973
Cash flow	50%	6,397,959	50%	8,334,150	50%	8,053,619
Total	0.18	65,795,918	0.46	85,096,054	1.42	103,489,647

Figure 7 - Equity dilution

Assumptions include:

- ✓ All operating capital / working capital acquired through the sale of equity at a discount rate to market of 50%.
- ✓ Companies being acquired and new business only yield 5% and 7% in SEVI Fiscal Year 2004 instead of the 10% required by our due diligence.

- ✓ Acquisition of companies is done at 10, 8, and 7 times EBITDA instead of the current acquisition parameters of 3 times trailing EBITDA in stock and 3 times forecasted EBITDA minus trailing EBITDA as performance based options.
- ✓ Assumes roughly \$5 million in working capital is acquired for SEVI Fiscal Year 2005 for acquisitions and new business funding.
- ✓ SEVI achieves a \$100 million market capitalization by either the EBITDA or revenue multiple approaches in this model.

Conclusions

Conclusions of the equity dilution schedule presented previously detail a vibrant growth oriented organization with realistic growth goals based upon a continuing organic growth rate based upon cross selling in new acquisitions. Other financial conclusions include:

1. A stock price of \$1.73 by the end of SEVI Fiscal Year 2005 is possible based upon the EBITDA generated by the organization.
2. Strong results provided by SEVI's acquisition program will allow SEVI to switch from complete reliance upon equity funds for working capital to a combination of bank debt and equity in late SEVI Fiscal Year 2005 providing for less dilution in coming years.
3. Equity investment in SEVI common stock provides an opportunity to reap returns in the two year time frame that are commiserate with the risk involved with investing in a micro cap public company.