

Business Plan Presentation

September 9, 1996
Denver, Colorado

Ecix Corporation

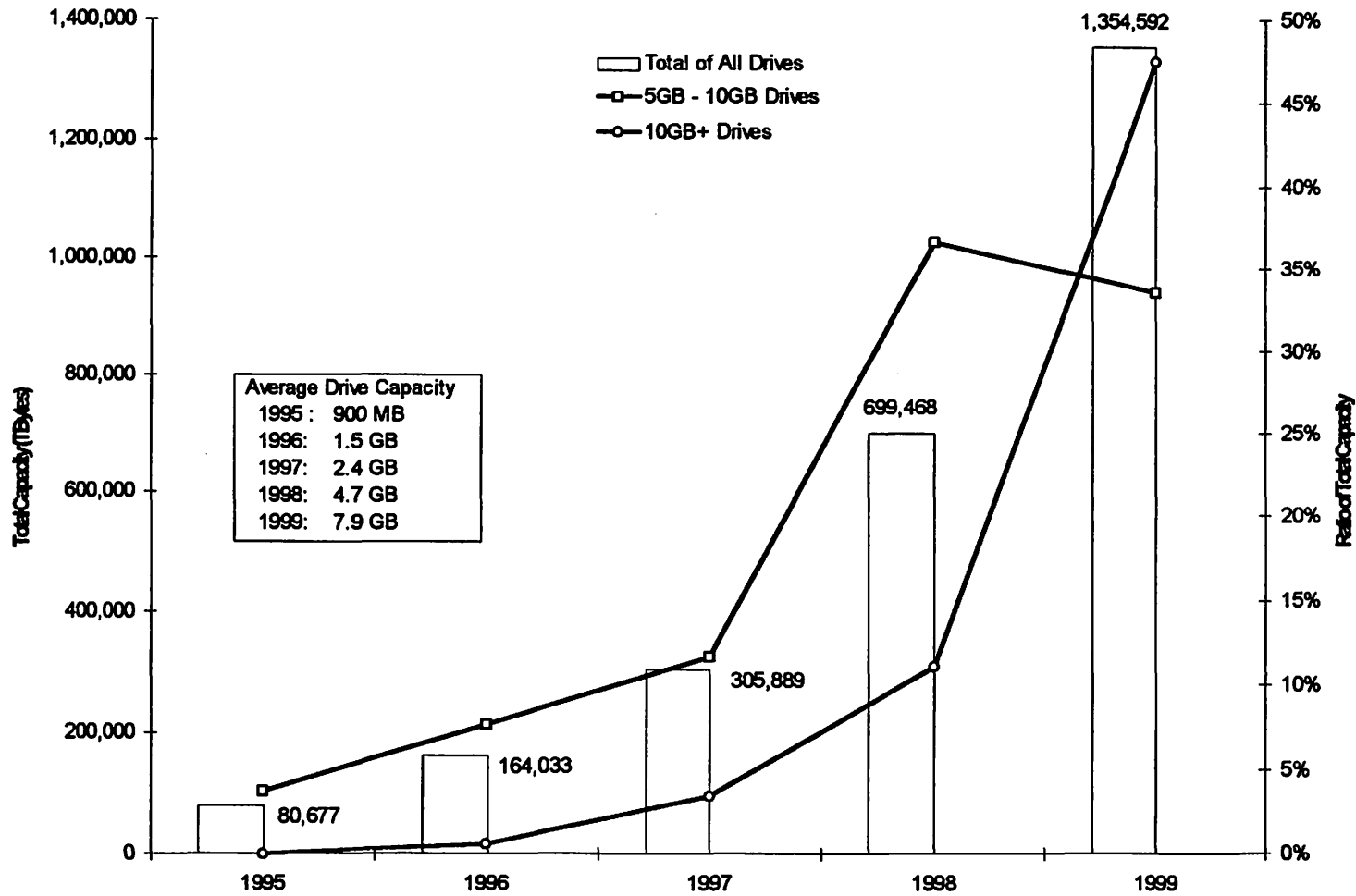
- **Incorporated May 1996**
- **Focus on opportunities in the tape drive market**
 - **Disk backup**
 - **Secondary storage: multi-media applications and communications**
- **Self funded**
- **People**
 - **Juan Rodriguez**
 - **Kelly Beavers**
 - **John Seabury**
 - **3 electronics engineers**
- **Manufacturing partner**
 - **Source for drum and mechanism assembly**
 - **Final assembly and test**
 - **Japanese company with facilities in Singapore**
- **Technical development**
 - **Product specification and detailed cost estimates**
 - **Prototype design**
- **NO patent infringement**
 - **Counsel preparing summary opinion letter**

Opportunity: Disk Backup

- **Advancements in disk drives change the market requirements for disk backup products**
 - **Higher capacity**
 - **Lower \$/MB**
- **The market for network servers and workstations is growing rapidly and creating new demand for disk backup products**
 - **Prices are falling**
 - **Total system disk capacity is increasing**
- **Ecrix will introduce tape drives that are the price:performance leaders in the market**
 - **Price determines the size of the available market**
 - **Performance determines market share**

Disk Drive Market Forecast

Worldwide Shipments of Rigid Disk
(Source: Disk/Trend June 1996)



Opportunity: Secondary Storage of Multi-media Files

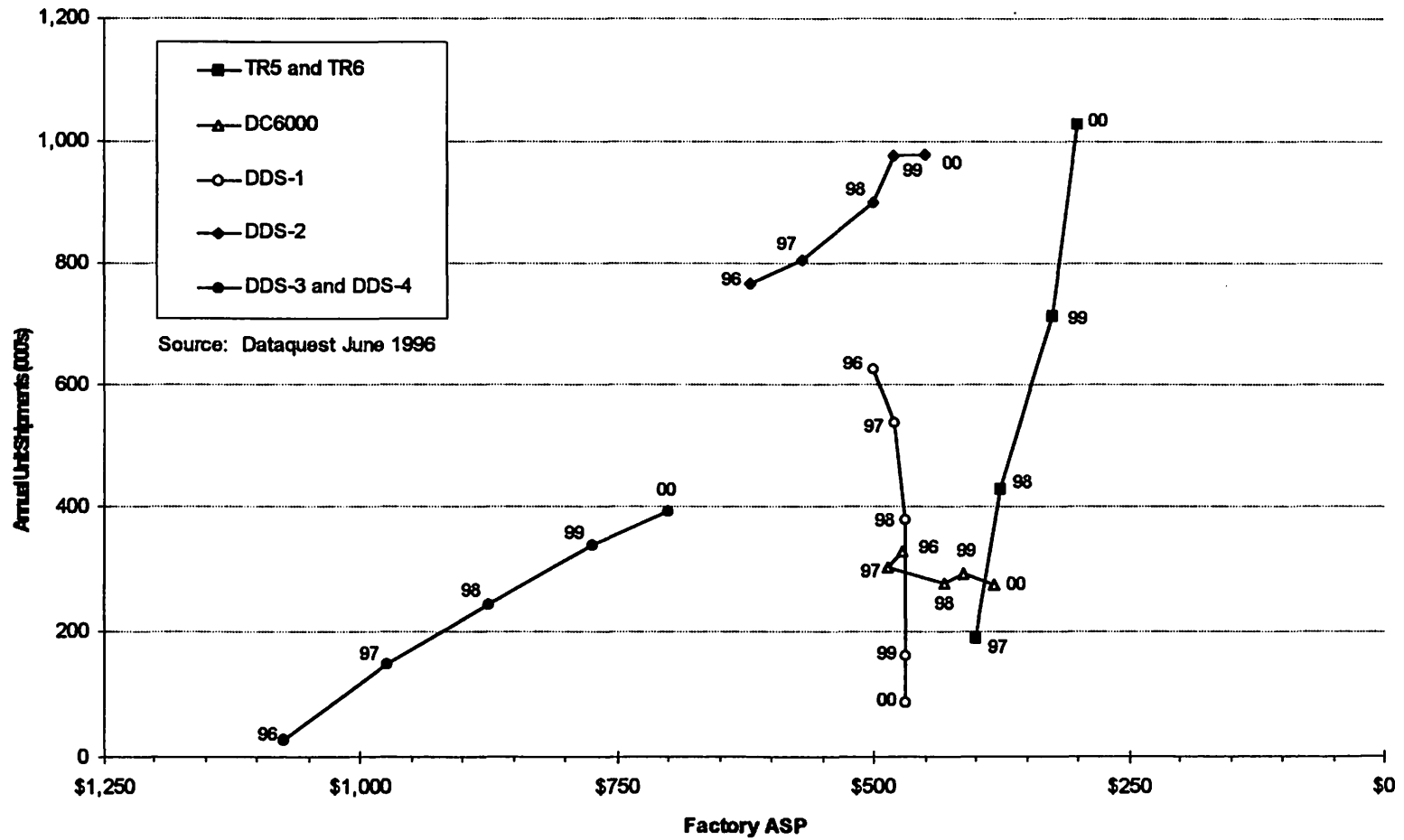
- **Multi-media applications generate very large files**
 - **3 minutes of HDTV transmission ~ 10,000 average PC files**
 - **Many external sources for multi-media files: Internet, Intranet, bulletin boards, etc.**
 - **"Download" data rates are typically slower than "playback" data rates for video and audio files**
- **Microsoft "RFP"**
 - **10+ GByte capacity**
 - **2 to 3 MBytes/sec maximum data rate**
 - **Variable data rate (1/2, 1/3 of maximum)**
 - **\$500 end user price**
 - **NO data compression – multi-media data is already compressed**
 - **Acoustic noise < 40 dB**
 - **mid-1997 availability**

Ecix Product Description

- **Capacity: 25 GBytes (uncompressed)**
- **Data rate**
 - **WRITE – 2 MB/sec**
 - **READ – 3 MB/sec**
- **200,000h MTBF @ 10% duty cycle**
- **Factory ASP: < \$500**
- **Variable Speed Architecture (VSA)**
 - **WRITE at 1/n fixed speeds (1/2, 1/3, etc.)**
 - **READ speeds are continuously variable**
 - **Eliminates tape reposition cycles**
 - **Significant reduction of head, media, and mechanism wear**
 - **Simple, low cost electronics design**
 - **Unique ECC and data integrity features**

Tape Drive Market Forecast

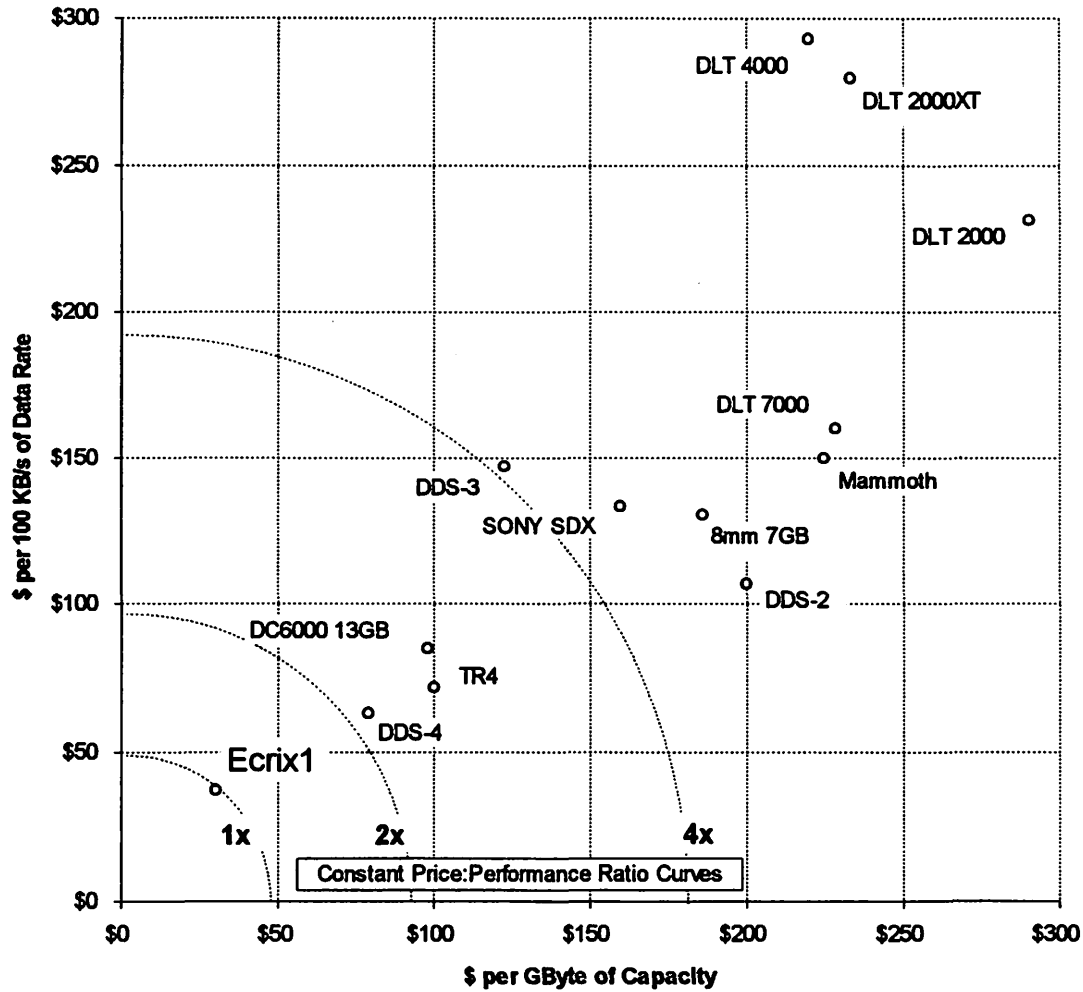
Tape Drive Market Forecast
1996-2000



Positioning

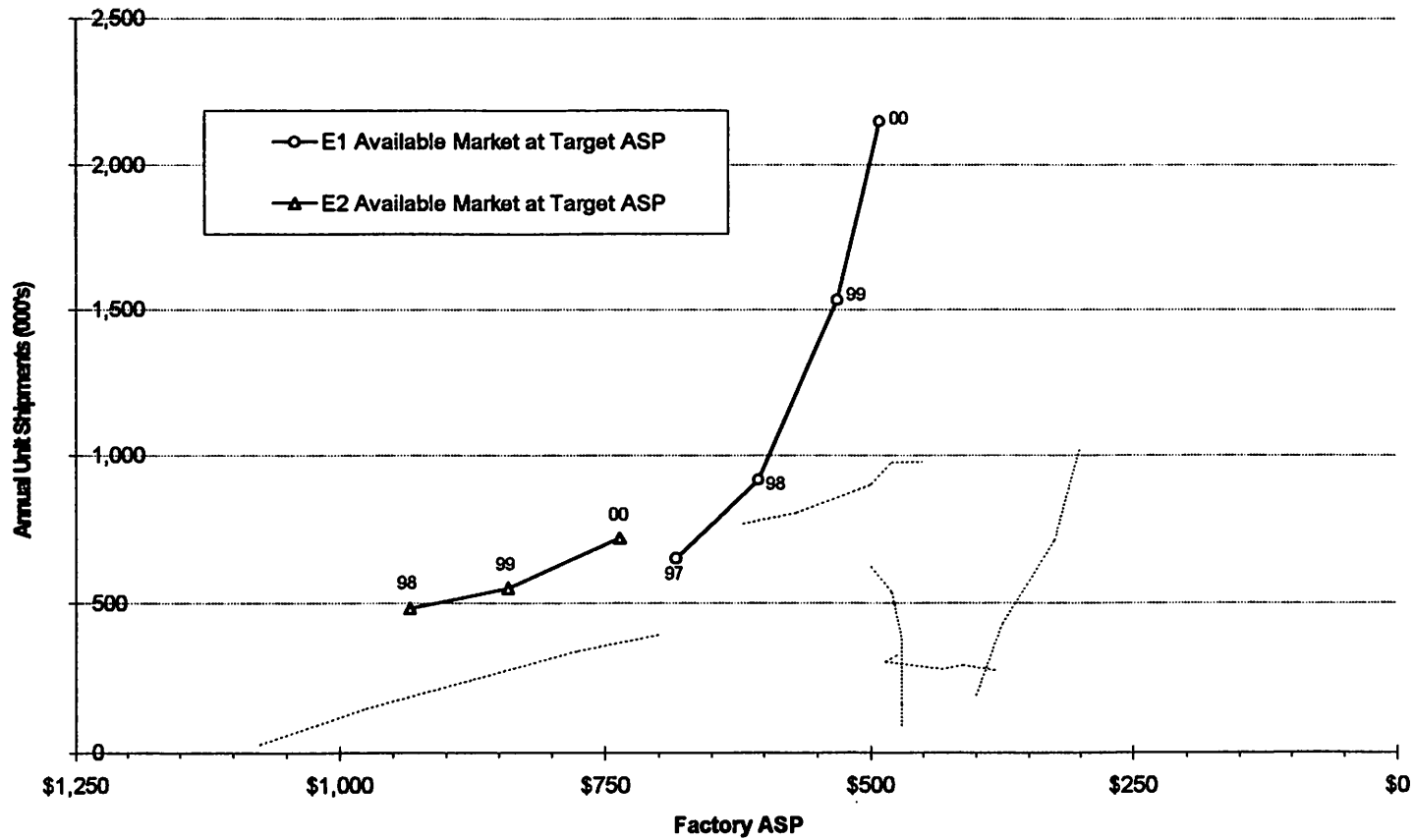
- **Compete in a broad market:**
 - **TRAVAN: TR5, TR6**
 - **DC6000**
 - **DDS-2, DDS-3, DDS-4**
- **DDS-1 and DDS-2 are the ONLY tape drives in the market forecast that are currently in volume production**
 - **DDS-3 and DC6000 have been delayed**
 - **No announcements for TR5, TR6, or DDS-4**
- **Competitive advantages:**
 - **Price/performance leader among ALL tape drives**
 - **VSA performance features**
 - **Superior reliability**

Price:Performance vs Competition



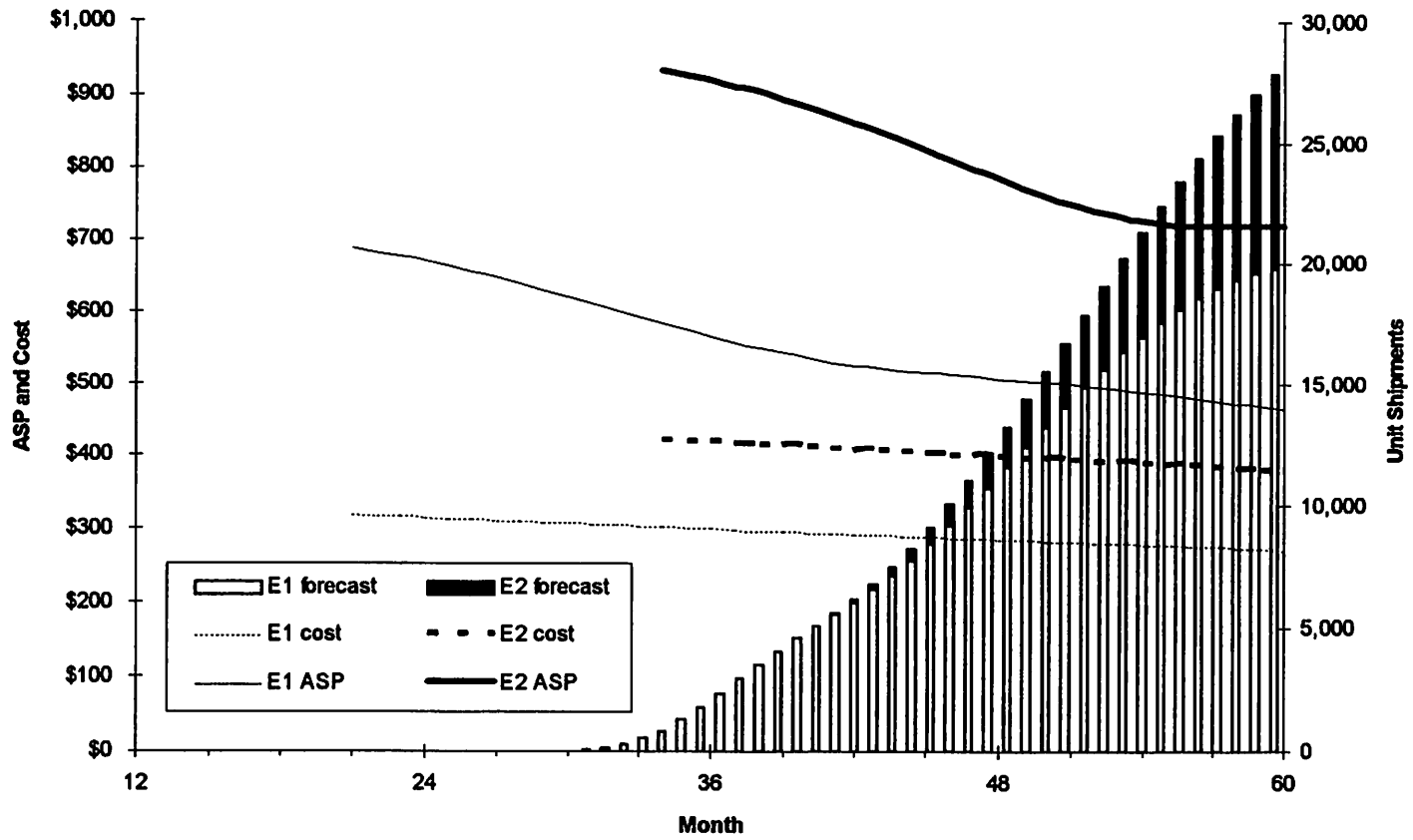
Available Market

**Available Market
1997-2000**



Ecrix Forecast

Forecast, ASP, and Cost



Summary of Annual Financial Projections

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Units shipped		101	27,261	119,399	271,800
Sales		\$ 68	\$ 16,151	\$ 65,687	\$146,748
Product costs		\$ 32	\$ 8,272	\$ 36,008	\$ 82,422
Expenses	\$ 2,267	\$ 3,907	\$ 9,691	\$ 17,853	\$ 28,951
Operating income	\$ (2,267)	\$ (3,871)	\$ (1,811)	\$ 11,826	\$ 35,375
Net earnings	\$ (2,267)	\$ (3,871)	\$ (1,914)	\$ 10,317	\$ 22,805

All \$ amounts in 000's

Annual Projections: Balance Sheet

Balance Sheet	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Current assets					
Cash	\$ 381	\$ 968	\$ 4,332	\$ 10,179	\$ 27,979
Accounts receivable		\$ 61	\$ 5,447	\$ 16,215	\$ 29,283
Inventory		\$ 47	\$ 1,677	\$ 5,047	\$ 8,743
Capital equipment, net	\$ 388	\$ 503	\$ 366	\$ 475	\$ 396
Total assets	\$ 769	\$ 1,579	\$ 11,822	\$ 31,916	\$ 66,401
Current liabilities					
Accounts payable – drives		\$ 76	\$ 4,573	\$ 14,072	\$ 25,443
Accounts payable – other	\$ 36	\$ 142	\$ 402	\$ 680	\$ 988
Credit line			\$ 2,900	\$ 2,900	\$ 2,900
Income taxes payable					
Stockholder's equity					
Series A preferred stock	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Series B preferred stock		\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
Series C preferred stock			\$ 4,500	\$ 4,500	\$ 4,500
Retained earnings	\$ (2,267)	\$ (6,139)	\$ (8,053)	\$ 2,264	\$ 25,069

All \$ amounts in 000's

Annual Projections: Income Statement

Income Statement	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue					
Sales		\$ 68	\$ 16,151	\$ 65,687	\$ 146,748
Product costs		\$ 32	\$ 8,272	\$ 36,008	\$ 82,422
Gross margin		\$ 36	\$ 7,879	\$ 29,679	\$ 64,326
%GM		53%	49%	45%	44%
Expenses					
G&A expense	\$ 482	\$ 722	\$ 1,319	\$ 1,577	\$ 1,774
Engineering expense	\$ 1,785	\$ 2,143	\$ 2,382	\$ 2,367	\$ 2,710
Tech support expense		\$ 338	\$ 866	\$ 2,233	\$ 4,526
Sales & Marketing expense		\$ 635	\$ 3,947	\$ 7,797	\$ 11,777
Operations expense		\$ 70	\$ 1,071	\$ 3,330	\$ 6,828
Uncollectable accounts		\$ 0	\$ 107	\$ 548	\$ 1,335
Operating income	\$ (2,267)	\$ (3,871)	\$ (1,811)	\$ 11,826	\$ 35,375
Interest expense			\$ 103	\$ 290	\$ 290
Interest income					
Pre-tax earnings	\$ (2,267)	\$ (3,871)	\$ (1,914)	\$ 11,536	\$ 35,085
Tax provision				\$ 1,219	\$ 12,280
Net earnings	\$ (2,267)	\$ (3,871)	\$ (1,914)	\$ 10,317	\$ 22,805

All \$ amounts in 000's

Annual Projections: Cash Flow

Cash Flow	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Cash from operations					
Received from customers		\$ 7	\$ 10,657	\$ 54,371	\$ 132,344
Paid to employees	\$ 1,197	\$ 2,556	\$ 5,294	\$ 9,610	\$ 15,464
Paid for occupancy	\$ 124	\$ 293	\$ 613	\$ 1,048	\$ 1,518
Paid to tape drive supplier		\$ 3	\$ 5,405	\$ 29,879	\$ 74,746
Paid to other suppliers	\$ 744	\$ 704	\$ 3,076	\$ 6,111	\$ 10,038
Interest paid			\$ 103	\$ 290	\$ 290
Taxes paid				\$ 1,219	\$ 12,280
Net cash from operations	\$ (2,065)	\$ (3,549)	\$ (3,833)	\$ 6,215	\$ 18,008
Cash from investing					
Paid for new equipment	\$ (555)	\$ (364)	\$ (203)	\$ (368)	\$ (208)
Cash from financing					
Sale of Series A stock	\$ 3,000				
Sale of Series B stock		\$ 4,500			
Sale of Series C stock			\$ 4,500		
Credit line			\$ 2,900		
Interest received					
Net cash from financing	\$ 3,000	\$ 4,500	\$ 7,400		

All \$ amounts in 000's

Annual Projections: Forecast and Work Force

Forecast	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
E1 shipments		101	27,226	108,255	209,681
E1 ASP		\$672	\$592	\$522	\$484
E1 cost		\$315	\$303	\$291	\$278
E2 Shipments			35	11,144	62,119
E2 ASP			\$923	\$821	\$728
E2 cost			\$422	\$406	\$389
Work Force					
G&A	3	8	15	16	16
Operations		4	10	19	20
Engineering	12	21	21	25	25
Tech support		4	12	31	53
Sales&Marketing		7	24	48	59
Total	15	44	82	139	173

Equity Funding

- **Round 1: \$3,000,000**
 - **Develop 1st generation product (E1)**
 - **Build form factor prototypes**
 - **Develop manufacturing and marketing plans**
- **Round 2: \$4,500,000**
 - **Internal tests, customer "alpha" and "beta" tests**
 - **Product announcement**
 - **First revenue shipments**
 - **Start development of 2nd generation product (E2)**
- **Round 3: \$4,500,000**
 - **Build E1 revenues, achieve profitability**
 - **Market introduction of E2 product**
 - **First revenue shipments of E2**

Fund 5

Poinapels only -
FCM

Don
Jack
Adam Gokina
Steve
Jet Schultz
David Hall -

3 → 4 other people -
CFO/
Legal / Adm.
Library Science /
Recording Service /

Electronic Com
Network — cellular
Services — Towers — consolidation
Electronic Communication Technology.
Data Storage -

1- Product

2- Market

3- Competitive Advantage

4- Revenue Test /

5- People — Relevant Highlights — Data point
— CEO / ~~Eng.~~
— AIWA ~~Eng.~~ Sony

45 minute presentation /

11am →