

Business Plan Secrets Revealed Discovery Kit

*Prove the Case in Your Business Plan
Beyond a Reasonable Doubt*

By Mike Elia CPA, MBA

Step-by-step workbook to

help you articulate and communicate

your business plan or idea using

*the principles of **Business Plan Secrets Revealed***

to make your business...

The Most Appealing Investment Choice!

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First Edition 2003

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Use Ctrl + N to navigate to a specific page number.

About the Author

Mike Elia is founder of Elia & Partners, LLC, a financial and marketing consulting firm. For more than 20 years, Mike has helped business owners buy, sell, and finance their businesses. He has overseen more than 70 manufacturing and sales locations spanning over nine countries, and has a diverse industry background that includes:

- Electronics and telecommunications components
- Automotive components
- Specialty publishing
- Consumer products
- Professional services

From 1997 to 2003, he completed 17 merger and acquisition transactions worth \$967 million and arranged for \$760 million in financing.

More importantly, he has a refreshing combination of higher education (a Masters in Business Administration from Duke University's Fuqua School of Business) and practical experience (Chief Financial Officer of two publicly held companies). He understands what entrepreneurs and business owners need to build, analyze, and develop business plans and strategies that can meet today's challenging business environments.

Before You Get Started

Let's review the three steps to bridge the investor confidence gap as explained in *Business Plan Secrets Revealed*.

Have something good to say: discovery.

Writing a winning business plan isn't as hard as it's made out to be. In fact, it's easy to write a persuasive business plan that attracts investors, as long as you remember the number one rule of business communication:

At least 75 percent of the writing effort for your business plan consists of the process of research.

A lawyer is successful only in direct proportion to the understanding he has of the law – the study he puts in to his cases. A doctor's success depends on his careful consideration of every symptom and his knowledge of the effect of every drug or treatment that he may prescribe.

And it is no different with business owners and entrepreneurs.

You cannot write a business plan that will pulsate with a vital message unless you study your proposition in detail. Picture the individuals to whom you are writing; consider the language they use, the method of presenting your arguments – there is no point that is beneath consideration.

So, step one to writing a business plan is to research your business... its products, competitors, and customers. Then, you can apply all the winning communication formulas to get the best results.

Good business writers don't have to be the most imaginative people, as long as they research their business until most of what they need to write becomes obvious!

Say it well: presenting your case.

You've gathered your evidence. Your case is in court, the jury drawn, the judge is attentive, and the opposing counsel is alert. It is now up to you to prove your case.

Now you have the hard task of attracting and stimulating the interest of the investor. You must hold their interest, explain your proposition, point out the superiority of your business venture and induce them to move forward with their due diligence.

A good business plan leads quickly to your description and explanation. It paints a picture of your business, followed by convincing arguments and supporting evidence.

Lead your reader along, paragraph by paragraph, without a break in the point of contact you've set up. Then present your proposition so clearly that there is no possibility for misunderstanding.

Specific statements and concrete facts support a business plan. But whether an investor reads a plan or not, and whether those statements and facts are forceful and effective, depends on the manner in which you present them to your reader.

Every business plan consists of a business idea and the language in which you express that idea. Your words, phrases, sentences and paragraphs are the building blocks to express your idea – explanations, arguments, appeal. Neglect none of these, if you want your plan to attract investors.

Your job as a business plan writer is to select and arrange words in sentences that tell your business idea clearly and concisely.

Use carefully selected words, phrases and sentences to make the little impressions on your reader. At the same time, your plan as a whole has to make a single impression – clear-cut and distinct.

To do this, write your plan with a style that holds it together. Be sure you have a definite idea behind your plan. Present a logical message with a unity of thought. Provide a continuity that carries your investor along without a break to a climax that works the investor up and closes at the height of their enthusiasm.

Say it often: communicating with investors.

What's that old saying? "You have to kiss several frogs to find a prince."

Well, pucker up; the same is true of finding investors!

You have to understand and accept that not all investors are ready to invest at the exact time you want or need their investment.

They may already have funds tied up in other investments and are waiting for them to mature so they can liquidate them. Or, perhaps your business may not be the right fit for their investment portfolio at the particular time you're seeking investment funds.

The bottom line is that there is a whole host of variables that must line up to secure investment dollars for your business. Timing is one of them.

That's why you need to systematize your investor communication process – to communicate your business case continuously to your investor base, especially the

likeliest prospective investors you've identified and those who have shown an interest in your business and were not yet ready to invest.

By constantly reinforcing the reasons why they should invest in your business and even refer other investors to you, you increase the odds of finding an investor who is ready to invest.

This takes work, but if you organize and automate the contact process, you can manage your investor base more effectively. And, your so-called "timing" will miraculously improve.

This manual focuses on *Having Something Good to Say: Discovery*. How much time you put into each question will have a direct impact on the quality, power, and success of your business case. So let's get started.

The Company

General information

Exact corporate name: _____

State and date of incorporation: _____

Street address of principal office: _____

Company Telephone Number: (____) _____

I.R.S. Employer Identification number: _____

Primary Standard Industrial Classification Code Number _____

Fiscal year: _____ (month) _____ (day)

Person(s) to contact at Company with respect to transaction: _____

Telephone Number (if different from above): (____) _____

Company information

Your business (check at least one, as appropriate):

- Has never conducted operations.
- Is in the development stage.
- Is currently conducting operations.
- Has shown a profit in the last fiscal year.
- Other (Specify):

In what industry does your company operate?

What does your company do?

Business and Properties

Business overview

Describe in detail what your business does or proposes to do, including what product or goods are or will be produced or what services are or will be rendered.

Business history and organization

Summarize the material events in the development of your business (including any material mergers or acquisitions) during the past five years, or for whatever lesser period you've been in existence. Discuss any pending or anticipated mergers, acquisitions, spin-offs or recapitalizations. Describe if you recently underwent a stock split, stock dividend or recapitalization.

State the names of your subsidiaries, their business purposes, and ownership. Indicate which are included in the Financial Statements your present. If not included, or if included but not consolidated, please explain.

Products & service

Describe how you'll produce or render these products or services and how and when you intend to carry out these activities. If you plan to offer a new product(s), tell its present stage of development, including whether or not you have a working prototype(s). Indicate what it will take in terms of money, resources, and approvals to completely develop the product. Disclose if you are dependent upon one or a limited number of suppliers for essential raw materials, energy or other items. Describe any major existing supply contracts.

Industry analysis

Describe the industry in which you sell or expect to sell your products or services and any related trends within that industry. Describe that part of the industry and the geographic area in which your business competes or will compete.

Indicate whether competition is or is expected to be based on price, service, or another basis. Indicate (attach a table if possible) the current or anticipated prices or price ranges for the your products or services, or the formula for determining prices, and how these prices compare with those of competitors' products or services, including a description of any variations in product or service features. Name the principal competitors you have or expect to face. Indicate the relative size and financial and market strengths of your competitors as they relate to your business. State why you believe you can effectively compete with these and other companies.

Resources: FedStats - <http://www.fedstats.gov/>
Organisation for Economic Co-operation and Development (OECD) - <http://www.oecd.org/home/>
U.S. Census Bureau - <http://www.census.gov/index.html>
Bizjournals - <http://www.bizjournals.com/>
Securities and Exchange Commission - <http://www.sec.gov/edgar.shtml>
RobertNiles.com - <http://nilesonline.com/data/>
BizMiner - <http://www.bizminer.com/index.asp?aid=121>
IBISWorld - <http://www.ibisworld.com/>

Note: Potential investors may wish to conduct their own separate investigation of your industry to obtain broader insight in assessing your business prospects.

Marketing

Describe specifically the marketing strategies you employ or will employ to penetrate your market or to develop a new market(s). Layout the timing and the expected results of these efforts. Indicate how and by whom your products or services are or will be marketed (such as by advertising, personal contact by sales representatives, etc.), how your marketing structure operates or will operate and the basis of your marketing approach, including any market studies. Name any customers that account for, or based upon existing orders will account for a major portion (20% or more) of your sales. Describe any major existing sales contracts.

State the backlog of written firm orders for products and/or services as of a recent date (within the last 90 days) and compare it with the backlog of a year ago from that date.

As of ____/____/____ \$ _____
(a recent date)

As of ____/____/____ \$ _____
(one year earlier)

Explain the reason for significant variations between the two figures, if any. Indicate what types and amounts of orders are included in the backlog figures. State the size of typical orders and explain if your sales are seasonal or cyclical.

Operations

State the number of your present employees and the number of employees you anticipate having within the next 12 months. Also, indicate the number of employees by type (i.e., clerical, operations, administrative, etc.) that you will use, whether or not any of them are subject to collective bargaining agreements, and the expiration date(s) of any collective bargaining agreement(s). If your employees are on strike, or have been in the past three years, or are threatening to strike, describe the dispute. Indicate any supplemental benefits or incentive arrangements you have or will have with your employees.

Describe generally the principal properties (such as real estate, plant and equipment, patents, etc.) that your business owns, indicating also what properties you lease and a summary of the terms under those leases, including the amount of payments, expiration dates and the terms of any renewal options. Indicate what properties you intend to acquire in the immediate future, the cost of such acquisitions and the sources of financing you expect to use in obtaining these properties, whether by purchase, lease or otherwise.

Indicate the extent to which your operations depend or are expected to depend upon patents, copyrights, trade secrets, know-how or other proprietary information and the steps undertaken to secure and protect this intellectual property, including any use of confidentiality agreements, covenants-not-to-compete and the like. Summarize the principal terms and expiration dates of any significant license agreements. Indicate the amounts you've expended for research and development during the last fiscal year, the amount expected to be spent this year and what percentage of revenues research and development expenditures were for the last fiscal year.

If your business, products, or properties are subject to material regulation (including environmental regulation) by federal, state, or local governmental agencies then indicate the nature and extent of the regulation and its effects or potential effects upon the Company.

Litigation

Recent or pending

Describe any recent or pending litigation or administrative action which has had or may have a material effect upon the Company's business, financial condition, or operations. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.

Threatened

Describe any threatened litigation or administrative action that may have a material effect upon the Company's business, financial condition, or operations. State the names of the principal parties, and the nature and current status of the matters.

Tax Aspects

Describe any material tax consequences to investors in this offering.

Other Material Factors

Describe any other material factors, either adverse or favorable, that will or could affect the Company or its business or which are necessary to make any other information in this Disclosure Document not misleading or incomplete.

Critical milestones

Describe in chronological order the steps management intends to take to achieve, maintain, or improve profitability during the 12 months following receipt of the offering proceeds.

If you do not expect to achieve profitability during that time period, describe your business objectives for that period and the steps you intend to take to achieve those objectives.

Indicate the probable timing of each step.

Milestone or Step	Expected Manner of Occurrence or Method of Achievement	Date, or Number of Months after Receipt of Offering Proceeds When Step Should be Accomplished	Cost of Completion
1)			
2)			
3)			
4)			
5)			

If you need more than five events or milestones exist, add additional lines as necessary. A "milestone" is a significant point in your Company's development or an obstacle which it must overcome in order to become profitable.

Consequences of delays

State the probable consequences of delays in achieving each of the events or milestones within the above time schedule, and particularly the effect of any delays upon your liquidity in view of the anticipated level of your operating costs.

Dealing with consequences

Describe how you will deal with these consequences.

Note: After reviewing the nature and timing of each event or milestone, potential investors may reflect upon whether achievement of each within the estimated time frame is realistic and should assess the consequences of delays or failure of achievement in making an investment decision.

Things to keep in mind: The inquiries under Business and Properties elicit information concerning the nature of your business and its properties. Make clear what aspects of your business are presently in operation and what aspects are planned to be in operation in the future. The description of principal properties should provide information which will reasonably inform investors as to the suitability, adequacy, productive capacity and extent of utilization of your facilities used in the enterprise. Detailed descriptions of the physical characteristics of the individual properties or legal descriptions by metes and bounds are not required.

<u>Sources evidence to gather:</u>		
<input type="checkbox"/> Articles/press stories	<input type="checkbox"/> Earnings reports/Financial Statements & Projections	<input type="checkbox"/> Proprietary Rights/Patents/Intellectual Agreements
<input type="checkbox"/> Associations	<input type="checkbox"/> Endorsements	<input type="checkbox"/> Quotes/Contracts/Agreements
<input type="checkbox"/> Awards	<input type="checkbox"/> Examples of savings	<input type="checkbox"/> Standards lists
<input type="checkbox"/> Charts & graphs	<input type="checkbox"/> Expertise tests	<input type="checkbox"/> Statistics
<input type="checkbox"/> Client lists	<input type="checkbox"/> Facts & figures	<input type="checkbox"/> Tax materials
<input type="checkbox"/> Comparisons	<input type="checkbox"/> Insurance Policies	<input type="checkbox"/> Technical drawings
<input type="checkbox"/> Compliance checklists	<input type="checkbox"/> Performance audits	<input type="checkbox"/> Test/lab results
<input type="checkbox"/> Corporate books and records ¹	<input type="checkbox"/> Photos/videos	<input type="checkbox"/> Testimonials
<input type="checkbox"/> Debt documents	<input type="checkbox"/> Product demos	
<input type="checkbox"/> Deeds, title documents		

Management

Officers and Key Personnel of the Company

Chief Executive Officer:

Name: _____ Age _____

Office Street Address: _____

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

Education (degrees, schools, and dates):

Also a Director of the Company Yes No

Indicate amount of time to be spent on Company matters if less than full time:

Chief Operating Officer:

Name: _____ Age _____

Office Street Address: _____

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

Education (degrees, schools, and dates):

Also a Director of the Company Yes No

Indicate amount of time to be spent on Company matters if less than full time:

Chief Financial Officer:

Name: _____ Age _____

Office Street Address: _____

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

Education (degrees, schools, and dates):

Also a Director of the Company Yes No

Indicate amount of time to be spent on Company matters if less than full time:

Title: _____

Name: _____ Age _____

Office Street Address: _____

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

Education (degrees, schools, and dates):

Also a Director of the Company Yes No

Indicate amount of time to be spent on Company matters if less than full time:

Title: _____

Name: _____ Age _____

Office Street Address: _____

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

Education (degrees, schools, and dates):

Also a Director of the Company Yes No

Indicate amount of time to be spent on Company matters if less than full time:

INSTRUCTION: The term "Chief Executive Officer" means the officer who has been delegated final authority by the board of directors to direct all aspects of the business' affairs. The term "Chief Operating Officer" means the officer in charge of the actual day-to-day operations of the business. The term "Chief Financial Officer" means the officer having accounting skills who is primarily in charge of assuring that the financial books and records are properly kept and maintained and financial statements prepared.

The term "key personnel" means persons such as vice presidents, production managers, sales managers, or research scientists and similar persons, who are not included above, but who make or are expected to make significant contributions to the business, whether as employees, independent contractors, consultants or otherwise.

Directors of the Company

Number of Directors: _____. If Directors are not elected annually, or are elected under a voting trust or other arrangement, explain:

Are Directors elected annually? Yes No If no, explain.

If directors are not elected annually, disclose how and when they are elected.

Are Directors elected under a voting trust or other arrangement?

Yes No If yes, explain.

Information concerning outside or other Directors (i.e. those not described above):

Name: _____ Age: _____
Title: _____

Office Street Address: _____
_____ Telephone No.: (____) _____

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

Education (degrees, schools, and dates):

Name: _____ Age: _____
Title: _____

Office Street Address: _____
_____ Telephone No.: (____) _____

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

Education (degrees, schools, and dates):

Name: _____ Age: _____
Title: _____

Office Street Address: _____
_____ Telephone No.: (____) _____

Name of employers, titles and dates of positions held during past five years with an indication of job responsibilities.

Education (degrees, schools, and dates):

Have any of the Officers or Directors ever worked for or managed a company (including a separate subsidiary or division of a larger enterprise) in the same business as the Company?

Yes No Explain:

If any of the Officers, Directors or other key personnel have ever worked for or managed a company in the same business or industry as the Company or in a related business or industry, describe what precautions, if any, (including the obtaining of releases or consents from prior employers) have been taken to preclude claims by prior employers for conversion or theft of trade secrets, know-how or other proprietary information.

If the Company has never conducted operations or is otherwise in the development stage, indicate whether any of the Officers or Directors has ever managed any other company in the start-up or development stage and describe the circumstances, including relevant dates.

If any of the Company's key personnel are not employees but are consultants or other independent contractors, state the details of their engagement by the Company.

If the Company has key man life insurance policies on any of its Officers, Directors or key personnel, explain, including the names of the persons insured, the amount of insurance, whether the insurance proceeds are payable to the Company and whether there are arrangements that require the proceeds to be used to redeem securities or pay benefits to the estate of the insured person or a surviving spouse.

Consultants

Are all key persons employees of the Company? Yes No

If no, state the details of each contract or engagement.

Arrangements with officers, directors, and key persons

Describe any arrangements to ensure that Officers, Directors, and key persons will remain with the Company and not compete with the Company if they leave.

Describe the impact on the Company if it loses the services of any Officer, Director, or key person due to death or disability.

Has the Company purchased key person life insurance on any Officer, Director, or key person?
 Yes No If "yes," describe.

Has the Company made any arrangements to replace any Officer, Director, or key person it loses due to death or disability? Yes No If "yes," describe.

Compensation

List all compensation that the Company paid to its Officers, Directors, and key persons for the last fiscal year:

	<u>Cash</u>	<u>Other</u>
Chief Executive Officer	\$	\$
Chief Operating Officer		
Chief Financial Officer		
Key Persons:		
Total:	\$_____	\$_____
Officers as a group (number of persons ___)	\$	\$
Directors as a group (number of persons ___)	\$	\$
Key Persons as a group (number of persons ___)	\$	\$

Has compensation been unpaid in prior years? Yes No If "yes" explain

Does the Company owe any Officer, Director, or employee any compensation for prior years?
 Yes No If "yes" explain

Is compensation expected to change within the next year? Yes No If yes, explain.

Does the Company have any employment agreements with Officers, Directors, or key persons?
 Yes No If yes, describe.

Does the Company plan to enter into any employment agreements with Officers, Directors, or key persons?
Yes No If yes, describe.

Prior experience

Has any Officer or Director worked for or managed a company (including a separate subsidiary or division of a larger enterprise) in the same type of business as the Company?
 Yes No If yes, explain in detail, including relevant dates.

If the Company has never conducted operations or is otherwise in the development stage, has any Officer or Director managed another company in the start-up or development stage?
 Yes No If yes, explain in detail, including relevant dates.

Certain legal proceedings

Insolvency

Has a petition for bankruptcy, receivership, or a similar insolvency proceeding been filed by or against any Officer, Director, or key person within the past five years, or any longer period if material? Yes No If "yes" explain.

Was any Officer, Director, or key person an executive officer, a director, or in a similar management position for any business entity that was the subject of a petition for bankruptcy, receivership, or similar insolvency proceeding within the past five years, or any longer period if material? Yes No If "yes" explain.

A "similar insolvency proceeding" includes the court appointment of a custodian, trustee, fiscal agent, or similar officer for the business or property of any of your company's officers, directors, or key persons or of a business entity related to any of them.

Criminal Proceedings

Has any Officer, Director, or key person been convicted in a criminal proceeding, excluding traffic violations or other minor offenses? Yes No If "yes" explain.

Is any Officer, Director, or key person named as the subject of a pending criminal proceeding, excluding traffic violations or other minor offenses? Yes No If "yes" explain.

Civil Proceedings

Has any Officer, Director, or key person been the subject of a court order, judgment, or decree in the last five years related to his or her involvement in any type of business, securities, or banking activity? Yes No If "yes" explain.

Is any Officer, Director, or key person the subject of a pending civil action related to his or her involvement in any type of business, securities, or banking activity?
 Yes No If "yes" explain.

Has any civil action been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity?
 Yes No If "yes" explain.

Administrative Proceedings

Has any government agency, administrative agency, or administrative court imposed an administrative finding, order, decree, or sanction against any Officer, Director, or key person in the last five years as a result of his or her involvement in any type of business, securities, or banking activity? Yes No If "yes" explain.

Is any Officer, Director, or key person the subject of a pending administrative proceeding related to his or her involvement in any type of business, securities, or banking activity?
 Yes No If "yes" explain.

Has any administrative proceeding been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity?
 Yes No If "yes" explain.

Self-Regulatory Proceedings

Has a self-regulatory agency imposed a sanction against any Officer, Director, or key person in the last five years as a result of his or her involvement in any type of business, securities, or banking activity? Yes No If "yes" explain.

Is any Officer, Director, or key person the subject of a pending self-regulatory organization proceeding related to his or her involvement in any type of business, securities, or banking activity? Yes No If "yes" explain.

Has any self-regulatory organization proceeding been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity? Yes No If "yes" explain.

NOTE: Potential investors review the background of your company's Officers, Directors and key persons to consider whether or not these persons have the adequate background and experience to develop and operate your company and to make it successful. In this regard, the experience and ability of management are often considered the most significant factors in the success of a business.

Management Relationships and Transactions

Family relationships

Is there a family relationship between any Officer, Director, key person, or principal stockholder? Yes No If yes, describe.

Management transactions

Will the Company use any offering proceeds to acquire assets from any Officer, Director, key person, or principal stockholder? Yes No

If "yes," provide detailed information about each transaction. Include the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the seller.

Will the Company use any offering proceeds to acquire assets from an associate of any Officer, Director, key person, or principal stockholder? Yes No

If "yes," provide detailed information about each transaction. Include the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the seller.

Will the Company use any offering proceeds to reimburse any Officer, Director, key person, or principal stockholder for services already rendered, assets previously transferred, or moneys loaned or advanced, or otherwise? Yes No

If yes, provide detailed information about each transaction. Include the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the person.

Has the Company made loans to any Officer, Director, key person, or principal stockholder within the last two years? Yes No

If "yes" state the principal terms of any significant loans, agreements, leases, financing, or other arrangements.

Does the Company plan to make loans to its Officers, Directors, key persons, or principal stockholders in the future?

Yes No

If yes, describe any policies the Company has adopted to deal with the conflicts of interest in these transactions.

Has the Company done business with any Officer, Director, key person, or principal stockholder within the last two years? Yes No

If “yes” state the principal terms of any significant loans, agreements, leases, financing, or other arrangements.

Is the Company currently doing business with any Officer, Director, key person, or principal stockholder? Yes No

If “yes” state the principal terms of any significant loans, agreements, leases, financing, or other arrangements.

Does the Company plan to do business with its Officers, Directors, key persons, or principal stockholders in the future? Yes No

If yes, describe any policies the Company has adopted to deal with the conflicts of interest in these transactions.

Has any Officer, Director, key person, or principal stockholder guaranteed or co-signed the Company's bank debt or other obligations? Yes No

If yes, explain the terms of each transaction and describe the Company’s plans for repayment.

Proposed Financing

General

The securities being offered hereby are:

- Common Stock
 Preferred or Preference Stock
 Notes or Debentures
 Units of two or more types of securities composed of: _____
 Other: _____

The above securities have:

- | Yes | No | |
|--------------------------|--------------------------|-------------------------------------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | Cumulative voting rights |
| <input type="checkbox"/> | <input type="checkbox"/> | Other special voting rights |
| <input type="checkbox"/> | <input type="checkbox"/> | Preemptive rights to purchase in new issues of shares |
| <input type="checkbox"/> | <input type="checkbox"/> | Preference as to dividends or interest |
| <input type="checkbox"/> | <input type="checkbox"/> | Preference upon liquidation |
| <input type="checkbox"/> | <input type="checkbox"/> | Other special rights or preferences (specify): _____ |
- Explain any yes answers:

Are there any restrictions on dividends or other distributions? Yes No
 If yes, describe.

Are the securities convertible? Yes No

If so, state conversion price or formula. _____
 Date when conversion becomes effective: ___/___/___
 Date when conversion expires: ___/___/___

Describe any resale restrictions on the securities and when the restrictions will terminate.

If securities are capital stock of any type, indicate restrictions on dividends under loan or other financing arrangements or otherwise:

Current amount of assets available for payment of dividends if deficit must be first made up, show deficit in parenthesis): \$ _____

Preferred stock

If the securities being offered are Preference or Preferred stock:

- Are unpaid dividends cumulative? Yes No
- Are the securities callable? Yes No If yes, describe.
- Are the securities redeemable? Yes No
 If yes, describe, including redemption prices.

Note: Attach to this Transaction Circular copies or a summary of the charter, bylaw or contractual provision or document that gives rise to the rights of holders of Preferred or Preference Stock, notes or other securities being offered.

Debt securities

If securities are notes or other types of debt securities:

1. What is the interest rate? _____%
If interest rate is variable or multiple rates, describe: _____
2. What is the maturity date? ____/____/____
If serial maturity dates, describe: _____
3. Is there a mandatory sinking fund? Yes No
Describe: _____
4. Is there a trust indenture? Yes No
Name, address and telephone number of Trustee _____
5. Are the securities callable or subject to redemption? Yes No
Describe, including redemption prices: _____
6. Are the securities collateralized by real or personal property? Yes No
Describe: _____
7. If these securities are subordinated in right of payment of interest or principal, explain the terms of such subordination.

How much currently outstanding indebtedness of your company is senior to the securities in right of payment of interest or principal? \$ _____
How much indebtedness shares in right of payment on an equivalent (pari passu) basis? \$ _____
How much indebtedness is junior (subordinated) to the securities? \$ _____

Ratio of earnings to fixed charges

If notes or other types of debt securities are being used and you had earnings during its last fiscal year, show the ratio of earnings to fixed charges on an actual and pro forma basis for that fiscal year. "Earnings" means pretax income from continuing operations plus fixed charges and capitalized interest. "Fixed charges" means interest (including capitalized interest), amortization of debt discount, premium and expense, preferred stock dividend requirements of majority owned subsidiary, and such portion of rental expense as can be demonstrated to be representative of the interest factor in the particular case. The pro forma ratio of earnings to fixed charges should include incremental interest expense as a result of the transaction of the notes or other debt securities.

	Actual	Last Fiscal Year Pro Forma	
		Minimum	Maximum
"Earnings"			
"Fixed Charges" =	_____	_____	_____
If no earnings show "Fixed Charges" only	_____	_____	_____

Note: Care should be exercised in interpreting the significance of the ratio of earnings to fixed charges as a measure of the "coverage" of debt service, as the existence of earnings does not necessarily mean that the Company's liquidity at any given time will permit payment of debt service requirements to be timely made. See the Financial Statements and especially the Statement of Cash Flows.

Capitalization

Table

Indicate the capitalization of your company as of the most recent balance sheet date, and as adjusted to reflect the sale of the minimum and maximum amount of funding in this transaction and the use of the net proceeds from this transaction.

	As of: / /	Amount Outstanding	
		Minimum	Maximum
Debt:			
Short-term debt (average interest rate ___%)	\$ _____	\$ _____	\$ _____
Long-term debt (average interest rate ___%)	\$ _____	\$ _____	\$ _____
Total Debt	\$ _____	\$ _____	\$ _____
Stockholders equity (deficit):			
Preferred stock-par or stated value (by class or preferred in order of preferences)	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
Common stock - par or stated value	\$ _____	\$ _____	\$ _____
Additional paid in capital	\$ _____	\$ _____	\$ _____
Retained earnings (deficit)	\$ _____	\$ _____	\$ _____
Total stockholders equity (deficit)	\$ _____	\$ _____	\$ _____
Total Capitalization	\$ _____	\$ _____	\$ _____

Number of preferred shares authorized to be outstanding:

<u>Class of Preferred</u>	<u>Number of Shares Authorized</u>	<u>Par Value Per Share</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Number of common shares authorized: _____ shares. Par value per share, if any: \$ _____

Number of common shares reserved to meet conversion requirements or for the issuance upon exercise of options, warrants or rights: _____ shares.

Collateral and guarantees

List any collateral you can offer prospective investors as security for their investment in your venture. Include the collateral's value and the basis for this value.

What personal or corporate guarantees will be given on the investment? Include the personal financial statements of any guarantors in the appendix.

Use of Proceeds

Table

Show how the Company intends to use the proceeds from this transaction:

	Amount Raised	
	<u>Minimum</u>	<u>Maximum</u>
1)	_____	_____
2)	_____	_____
3)	_____	_____
Total Proceeds	<u>_____</u>	<u>_____</u>
Less: Expenses to Raise Proceeds		
Commissions & Finders Fees	_____	_____
Legal & accounting	_____	_____
Copying & advertising	_____	_____
Other (Specify)	_____	_____
1)	_____	_____
2)	_____	_____
3)	_____	_____
Net Proceeds Raised	<u>\$ -</u>	<u>\$ -</u>
Use of Net proceeds (Specify)		
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____
Total Use of Net Proceeds	<u>\$ -</u>	<u>\$ -</u>

Instruction

Use of net proceeds should be stated with a high degree of specificity. Suggested (but not mandatory) categories are: leases, rent, utilities, payroll (by position or type), purchase or lease of specific items of equipment or inventory, payment of notes, accounts payable, etc., marketing or advertising costs, taxes, consulting fees, permits, professional fees, insurance and supplies. Categories will vary depending on your plans. Use footnotes or other explanation where appropriate. Use footnotes to indicate those items that are estimates. Separately identify all payments which will be made immediately to executive officers, directors and promoters, indicating by footnote. If a substantial amount is allocated to working capital, set forth separate sub-categories for use of the funds in your business.

If any substantial portion of the proceeds has not been allocated for particular purposes, make a statement to this effect and create a separate category or line item for this amount and a footnote explaining how you expect to employ these funds in the future.

If there is no minimum amount of proceeds that must be raised before you may use the proceeds, describe the order of priority in which the proceeds set forth above in the column "If Maximum Is Raised" will be used.

Note: After reviewing the portion of the proceeds allocated to the payment of raising these proceeds, and to the immediate payment to management and promoters of any fees, reimbursements, past salaries or similar payments, a potential investor might consider whether the remaining portion of his investment, which would be that part available for future development of your business and operations, would be adequate.

Use of proceeds

- (a) State the amounts and sources of other funds, and whether funds are firm or contingent. If contingent, explain.
- (b) If any material part of the proceeds is to be used to discharge indebtedness, describe the terms of such indebtedness, including interest rates. If the indebtedness to be discharged was incurred within the current or previous fiscal year, describe the use of proceeds of such indebtedness.
- (c) If any material amount of proceeds is to be used to acquire assets, other than in the ordinary course of business, briefly describe and state the cost of the assets and other material terms of the acquisitions. If the assets are to be acquired from officers, directors, employees or principal stockholders of your business or their associates, give the names of the persons from whom the assets are to be acquired from, the cost to you, the method followed in determining this cost, and any profit accruing to such persons.
- (d) If any amount of the proceeds is to be used to reimburse any officer, director, employee or stockholder for services already rendered, assets previously transferred, or monies loaned or advanced, or otherwise, explain:

Ownership

Indicate the number of shares outstanding and the number that would be owned by investors as a result of the proposed financing if the minimum financing is raised and if the maximum financing is raised. Indicate the price paid for the ownership, and the percentage of ownership the “new” investors will have of the company as follows:

	Before Financing	After Financing	Percentage	Price paid
Existing shareholders				
“New” shareholders				

Cash flow or liquidity problems

Indicate whether you have or anticipate having within the next 12 months any cash flow or liquidity problems and whether or not you will be in default or in breach of any note, loan, lease or other indebtedness or financing arrangement requiring you to make payments. Indicate if a significant amount of your trade payables have not been paid within the stated trade term. State whether you are subject to any unsatisfied judgments, liens or settlement obligations and the amounts thereof. Indicate your plans to resolve any such problems.

Cash requirements for the next 12 months

Indicate whether any proceeds will satisfy cash requirements for the next 12 months, and whether it will be necessary to raise additional funds. State the source of additional funds, if known.

Plan of Distribution

Selling agents

The selling agents (that is, the persons selling the securities as agent for the Company for a commission or other compensation) in this transaction are:

Name: _____ Name: _____
 Address: _____ Address: _____

Telephone No.: (____) _____ Telephone No.: (____) _____

Compensation to selling agents or finders

Describe any compensation to selling agents or finders, including cash, securities, contracts or other consideration. Also indicate whether the Company will indemnify the selling agents or finders against liabilities under the securities laws. ("Finders" are persons who for compensation act as intermediaries in obtaining selling agents or otherwise making introductions in furtherance of this transaction)

Material relationships

Describe any material relationships between any of the selling agents or finders and your company or its management.

Note: After reviewing the amount of compensation to the selling agents or finders for selling the securities, and the nature of any relationship between the selling agents or finders and your company, a potential investor should assess the extent to which it may be inappropriate to rely upon any recommendation by the selling agents or finders to buy the securities.

Company salespersons

If this transaction is not being made through selling agents, the names of persons at your company through which this transaction is being made:

Name: _____ Name: _____
 Address: _____ Address: _____

Telephone No.: (____) _____ Telephone No.: (____) _____

Purchaser limitations

If this transaction is limited to a special group, such as employees of your company, or is limited to a certain number of individuals (as required to qualify under Subchapter S of the Internal Revenue Code) or is subject to any other limitations, describe the limitations and any restrictions on resale that apply:

Will the certificates bear a legend notifying holders of such restrictions? Yes No

Escrow agent information

Name, address and telephone number of independent bank or savings and loan association or other similar depository institution acting as escrow agent if proceeds are escrowed until minimum proceeds are raised:

Date at which funds will be returned by escrow agent if minimum proceeds are not raised:

Will interest on proceeds during escrow period be paid to investors? Yes No

Resale Restrictions

Explain the nature of any resale restrictions on presently outstanding shares, and when those restrictions will terminate, if this can be determined:

Note: Equity investors should be aware that unless the Company is able to complete a further public offering or the Company is able to be sold for cash or merged with a public company that their investment in the Company may be illiquid indefinitely.

Outstanding Securities

Describe all outstanding securities.

Describe any resale restrictions on currently outstanding securities and when those restrictions will terminate, if this can be determined.

Describe any anti-dilution rights on outstanding securities.

Dividends, distributions, and redemptions

Has the Company paid any dividends on its stock, made any distributions of its stock, or redeemed any securities within the last five years?
 Yes No If yes, describe each transaction.

Does the Company have any plans or commitments to pay dividends on its stock, make distributions of its stock, or redeem its outstanding securities in the future?
 Yes No If yes, explain.

Options and warrants

State the number of shares subject to issuance under outstanding stock purchase agreements, stock options, warrants or rights. _____ shares.

The shares identified in Item 100(a) are ____% of the total shares to be outstanding after the minimum offering.

The shares identified in Item 100(a) are ____% of the total shares to be outstanding after the maximum offering.

In a table, describe these stock purchase agreements, stock options, warrants, and rights. State the basic terms of these securities, including the expiration dates, the exercise prices, who holds them, whether they are qualified or non qualified for tax purposes, and whether they have been approved by stockholders.

State the number of shares reserved for issuance under existing stock purchase or option plans but not yet subject to outstanding purchase agreements, options, or warrants. _____ shares

Does the Company have any plans or commitments to issue or offer options in the future?
 Yes No If yes, explain.

Sales of securities

Has the Company sold or issued securities during the last 12 months?

Yes No

If yes, using a tabular format, provide the following information for each transaction: the date of the transaction; the amount and type of securities sold or issued; the number of purchasers to whom the securities were sold or issued; any relationship of the purchasers to the Company at the time of sale or issuance; the price at which the securities were sold or issued; and a concise description of any non-cash consideration.

Principal Stockholders

Table

In the following table, provide the name and office street address of each person who beneficially owns at least 10% of the common or preferred stock of your company.

<u>Name</u>	<u>Class of Shares</u>	<u>Average Price Per Share</u>	<u>No. of Shares Now Held</u>	<u>% of Total</u>	<u>No. of Shares Held After Offering if All Securities Sold</u>	<u>% of Total</u>
-------------	------------------------	--------------------------------	-------------------------------	-------------------	-----------------------------------------------------------------	-------------------

Number of shares beneficially owned by all Officers and Directors as a group:

Before offering: _____ shares (_____% of total outstanding)

After offering: Assuming minimum securities sold _____ shares
(_____% of total outstanding)

After offering: Assuming maximum securities sold: _____ shares
(_____% of total outstanding)

NOTE: These calculations assume that all outstanding options have been exercised and all convertible securities have been converted

Risk Factors

List in the order of importance the factors that you consider to be the most substantial risks to an investor in this venture in view of all facts and circumstances or which otherwise make the venture one of high risk or speculative (i.e., those factors which constitute the greatest threat that the investment will be lost in whole or in part, or not provide an adequate return).

Sample Risk Factors

These examples are intended to stimulate your thought process and develop risk factor disclosures for your business plan. The list is not all inclusive and some examples may not apply to your business. Each risk factor should summarize the potential impact of the risk on the investor and not simply state a fact.

Limited operating history

We have a limited operating history.

We were incorporated on xx/xx/xx and have been operating only since xx/xx/xx. Because we have been operating for only a short period of time, we have not produced a profit. There is no assurance that we will ever produce a profit. As a new enterprise, we are likely to be subject to risks our management has not anticipated. We have limited resources and will not be able to continue operating without the proceeds from this offering. It is possible that the proceeds from this offering and our other resources may not be sufficient for us to continue to finance our operations.

A history of losses with no expectation for immediate profits:

We have incurred losses since inception and may incur future losses.

We have not yet generated a profit from operations. As of the date of our most recent financial statements, we had an accumulated deficit of \$ _____. We expect to continue to experience losses from operations and we cannot predict when or if we will become profitable. If we achieve profitability, we may not be able to sustain it.

Technological uncertainties:

The (insert description) business is highly technical and our failure to introduce new products to the market may harm our business.

We operate in a highly technical industry, which is characterized by frequent introductions of new products and services into the market. Our success will depend, in part, on our ability to improve our present products, to develop new products and to provide necessary services and support. The proceeds of this offering may not provide us with sufficient funds to finance our research and development needs.

Larger and better financed competitors:

We may not have sufficient financial resources to successfully compete in the (insert description) business.

A large number of enterprises provide products or services similar to ours. We will be competing with established businesses that have a operating history, and greater financial resources, management experience and market share than we have. There can be no assurance that we will be able to compete or capture adequate market share. We will not be profitable if we cannot compete successfully with other businesses.

Dependence on a limited number of key persons:

We depend on the services of key employees, whose knowledge of (insert description) would be difficult to replace.

Our success depends substantially on the services of (insert names and title of key persons). Our business may be harmed if we lose the services of these people and we are not able to attract and retain qualified replacements.

Inexperienced management:

Our officers and directors have no experience managing a company in the (insert description) business.

None of our officers and directors has managed a company in the (insert description) business nor has experience in managing a development stage enterprise. Our ability to operate successfully may depend on our ability to attract and retain qualified technical personnel, who may be in great demand.

Managements' involvement in other unsuccessful business ventures:

Our officers and directors have been involved in other business ventures that have not been successful.

Prior to organizing the Company, (insert name of appropriate officers and directors) operated a business similar to ours in which shareholders lost part or all of their investment. (Insert name of appropriate officers and directors) operated a company in the (insert description) business, which while not similar to our business, also resulted in losses to investors. Our ability to operate successfully may be determined by the ability of our officers and directors to succeed where they have failed before.

Highly regulated business environment:

Our failure to comply with government rules and regulations may harm our business.

Our business must comply with local, state and federal rules and regulations. (BRIEFLY identify type of regulations, e.g., taxation, environmental, licenses.) We believe that we comply with the rules and regulations with which we are required to comply. If we fail to comply with a rule or regulation we may be subject to fines, or other penalties, or our permit or license may be lost or suspended. We may have to stop operating and our investors may lose their entire investment.

Officers, directors or key persons own a substantial number of promotional shares and options:

Our officers, directors and key persons will continue to have substantial control over our company after the offering.

Officers, directors and key persons own (insert number) shares of common stock, which will represent (insert number) % of outstanding common stock. Consequently, they will be able to elect all of the directors and control the direction of the company. They paid an average price of \$ _____ per share as compared with the public offering price of \$ _____ per share. In addition, they own (insert number) options or warrants which are exercisable to purchase additional shares of common stock at an average price of \$ _____ during the next (insert number) years. See Principal Stockholders.

Significant dilution between the offering price and book value:

The price of a share in this offering is significantly higher than the book value of the stock.

If we sell only the minimum number of shares in this offering, the book value per share will be \$____. This is (insert number) % of the offering price. As a result, investors participating in this offering will incur immediate and substantial dilution. To the extent outstanding options or warrants to purchase our shares are exercised, new investors will incur further dilution. Book value is determined by subtracting liabilities from tangible assets and dividing the answer by the number of outstanding shares.

No existing market for shares:

Because there is no market for our common stock, you may not be able to sell your shares.

You may never be able to sell your shares and recover any part of your investment, unless we are able to complete a subsequent public offering or we are able to sell the Company for cash or merge with a public company.

Arbitrary offering price:

The offering price of our shares is arbitrary.

The offering price of \$____ per share bears no relationship to established value criteria such as net tangible assets, or a multiple of earnings per share and accordingly should not be considered an indication of the actual value of the Company.

Exit Strategy and Return on Investment

Discuss how investors will eventually receive a return for their investment. In general, investors want to be able to determine how much money they can potentially make, when they can realize it, and how or through what transaction they'll realize it. Here are the three general "liquidity" events for investors:

Sale

Discuss the potential sale of your company to a larger, strategic buyer or to a financial buyer. Describe or name what other companies might be interested in buying your company and why.

Buyback

If you plan to buy back investors' shares what method would you use to value their shares in the absence of a public market. What basis have other companies in your industry used to value their companies?

Public offering

When might you be able to go public? What multiple do you think the stock would sell for in a public offering and how did you arrive at this estimate? Provide a list of comparable public companies and key indications or measures of value.

Return on investment

Prepare a table or schedule that shows investors how much they might make based on a three and five horizon if you meet your plan. Then run another scenario if you were to only make half your projected sales.

Management's Discussion and Analysis of Certain Relevant Factors

Selected Financial Information

Table

Selected Data	Historical		Projected				
	Year -2	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5
Statement of operations							
Net sales							
Cost of sales							
Gross profit							
Operating expenses							
Operating income							
Interest expense							
Net income							
Other financial data							
EBITDA							
EBITDA margin							
Depreciation & amortization							
Capital expenditures							
Cash flow from operations							
Balance sheet							
Cash & cash equivalents							
Working capital							
Total assets							
Total debt							

Note: The years you present will depend on your history. If you're a start-up you'll likely not have any historical information to present and will only present your projections. EBITDA stands for earnings before interest, taxes, depreciation and amortization; it is often used as a proxy for cash flow.

Liquidity

Is your company having or does your company anticipate having within the next 12 months any cash flow or liquidity problems? Yes No If yes, explain.

Will the investment proceeds and any available funds identified in Use of Proceeds Section, satisfy your company's cash requirements for the 12 month period after it receives the investment proceeds?
 Yes No

If no, explain how your plans to satisfy its cash requirements. State whether it will be necessary to raise additional funds. State the source of the additional funds, if known.

Indebtedness

Is your company in default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring your company to make payments? Yes No

If yes, explain, identifying the creditor stating the amount in default or the term that your company has not complied with, and describing any consequences to your company resulting from the default.

Are a significant amount of your company's trade payables more than 90 days old?
 Yes No

Is your company subject to any unsatisfied judgments, liens, or settlement obligations?
 Yes No If yes, state the amounts.

Describe your plans to resolve the problems identified above.

Operating results

Do your financial statements show losses from operations? Yes No

If yes, explain the causes underlying these losses and what steps you have taken or is taking to address these causes.

Describe any trends in your historical operating results and/or the assumptions behind your projected operating results.

Indicate any changes now occurring in the underlying economics of your business which, in your opinion will have a significant impact upon your results of operations within the next 12 months. Describe the probable impact on your company. Describe how you will deal with this impact.

Financial Statements and Reporting

Attach your company's historical and projected financial statements.

1. Income Statement
2. Balance Sheet
3. Cash Flow statement
4. Valuation Models

Describe the types of information that you will provide to investors in the future and the schedule for providing it.

Appendices and Exhibits

Resumes of key managers, and professional references

Pictures of products or sample service brochures

Government licenses and permits

Market studies, company and third party Reports

Published information (e.g., articles, quotes, facts, etc.)

Patents, copyrights, trademarks, trade names, service marks, logos

Significant contracts and lease agreements

Management agreements

Insurance (product, property, directors and offices, "key man" life insurance, general liability, patent)

Personal financial statements

Other significant items (e.g., pending litigation, contingent transactions or commitments, transactions, tax or other regulatory rulings)