

Suite 402**CREATING A BUSINESS PLAN**

Creating a Business Plan
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402.01 PLANNING YOUR BUSINESS

You need to plan your business. Trying to run your business without planning is like floating aimlessly at sea in a fog. You will not know where you are going, any more than where you have been or where you are. What is worse, sooner or later you will hit something.

A business plan is a recognized management tool used by successful and/or prospective businesses of all sizes to document business objectives and to propose how these objectives will be attained within a specific period of time.

Many people think of a business plan as a document predominantly used to secure external funding. This is important – as potential investors, including banks, may invest in your idea, work with or lend you money as a result of the strength of your plan.

But there are other benefits to creating and managing a realistic business plan – even if you just use it in-house. It can:

- Help you spot potential pitfalls before they happen
- Structure the financial side of your business efficiently
- Focus your development efforts
- Work as a measure of your success

Examine the relevant factors now.

It is important that you examine all the relevant factors now. You will then be able to anticipate any surprises after your business has opened its doors.

To be successful a business must find the answers to:

- Where are we now?
- Where do we want to go?
- How will we get there?
- How much will it cost?
- How much will we get out of it?
- Is it all worthwhile?

One of the main reasons for business failures is lack of forward planning and reacting by “the seat of the pants” approach rather than being proactive and anticipating by having the “early warning” signals in place at the start.

Remember the four ‘P’s:

- Preparation
- Prevents
- Poor
- Performance

Above all a plan is a must. To fail to plan is to plan to fail.

The plan is fundamental to the success of the business.

A business plan is therefore a fundamental document for any business that desires success. It can certainly help the owners and top management to crystallize and focus their ideas of where they want to be, set objectives and monitor performance on a regular basis. Also the business plan can be used when external discussions are held about raising extra funds or financial restructuring of the company.

Undoubtedly, a well structured and written business plan will go a long way to convince and impress any potential investor that the management have seriously thought out the essentials of the business and basically know where they are going.

The business plan should provide information of your proposed venture to lenders, investors, and suppliers to demonstrate how you plan to use their money, and to establish a basis for credibility of your project.

It is never easy to write a business plan that stresses the strengths of the company, compares it with the competition, it can identify weaknesses and difficulties in both management skills and the product/services provided. However, it is absolutely essential to assess and evaluate these and other topics honestly and realistically if the business plan is to be meaningful.

402.02 WHO SHOULD PREPARE THE PLAN?

The business plan should be prepared by those persons who will be implementing it. Outside assistance from consultants, accountants, bookkeepers, and experienced business people can definitely help, but you must draft the initial plan. After all, you are the one that is going to run the business once it is open.

When drafting a business plan for any kind of business for whatever reason some basic rules should be followed:

- Consider the business objectives honestly and realistically
- Look very carefully at the strengths and weaknesses of the whole business and the management team and key people
- Present the plan in a professional manner

- Keep it clear but descriptive
- Keep it simple but precise
- Show enthusiasm but also realism in the figures or forecasts included in the plan
- Try to identify any training or skill needs that would benefit the company
- Try to indicate how any cash or funding requirements will be used.
- Be patient especially if going for finance negotiations. This can be very time consuming and may take some time before the deal is fixed.
- Think of the reader
- Let the business plan belong to the business person or owner – not the financial advisor
- Do your homework and be prepared for questions from potential investors or advisors

The importance of a good presentation cannot be overstressed. Show that some care has gone into the production of the final document and it looks as professional as possible.

Where to start?

Provide a table of contents, sometimes called CONTENTS LIST. Tab each section for easy reference; use an appendix to cover cash flow forecasts, CV's, charts, graphs etc. Package the entire document in a good looking binder.

402.03 WHAT THE PLAN SHOULD INCLUDE

The contents and details of a business plan will vary according to the individual needs and circumstances of each company. Some plans will be drawn up specifically to attract investors or raise finance from banks or other sources. Other plans will have been drafted by the management as part of their general overall strategy and use it as a monitoring tool and as a consequence certain sections will take on more importance than others.

The general outline and principles detailed here can be modified as circumstances demand.

The plan should include:

- **An executive summary** – this is an overview of the business you want to start. It's vital. Many lenders and investors make judgements about your business based on this section of the plan alone.
- **The business opportunity** – who you are, what you plan to sell or offer, why and to whom; be brief.

- **Your marketing and sales strategy** – why you think people will buy what you want to sell and how you plan to sell to them.
- **Your management team** and personnel – your credentials and the people you plan to recruit to work with you.
- **Your operations** – your premises, production facilities, your management information systems and IT.
- **Financial forecasts** – this section translates everything you have said in the previous sections into numbers.

A typical business plan will include some or all of the following:

- The Executive Summary
- Company legal structure, history and background
- Description of products or services
- Objectives; short, medium and long term
- Management team and key people (CV's in Addendum highlighting industry and market expertise.)
- The Market and Marketing Strategy
- Analysis of the Market and the Competition
- Pricing, costs and suppliers
- Manufacturing and/or Operations
- Premises, property and location
- Equipment and other requirements
- Personnel and training needs
- Licenses, registrations, filings (Local, Governmental, Environmental)
- Accounting, book-keeping system
- Current Financial information and Projections
- Balance sheets, cash flow and profit and loss forecasts
- Risks and rewards
- Appendices, (personal details and other information)

Working out the cash you expect to get is part of the planning process. It will show you whether you need more finance. If you do, it will be easier for your bank or any other organisation to help you if you can give them a Business Plan which covers all of the information in a logical way.

402.04 WRITING THE PLAN

Writing the Plan

Putting your business plan in writing can help you, especially if you need to raise finance.

A format for a Business Plan is provided for you here.

However, before we go any further here are a few useful tips if you need to approach a bank or other organization for support.

Put yourself in the shoes of the person you are making your proposal to. Would you back your business based on the information you give?

Be as clear and as brief as possible. Don't leave everything until the last minute. Give yourself plenty of time and send a copy of your plan before the meeting.

Be realistic. Look at things clearly and decide whether to include alternative plans if the best or the worst happens. Be ready to answer searching questions about the information you have put together.

Now we'll look at the various headings in your business plan document.

THE EXECUTIVE SUMMARY

402.05 SIGNIFICANCE

The most significant single section of a business plan intended for outsiders in the Executive Summary.

Venture-capital investors, bankers, and corporate investment officials typically receive many business plans each week-more than they could possibly read from beginning to end. To help them determine which plans they should spend time analysing, financiers invariably begin by reading the Executive Summary. If the Executive Summary suggests a promising business for investment or loan funds, the experts read further. If not, they quickly reject the plan. Essential information has no value if it is buried away in a later section and the reader never gets that far.

Your objective in the Executive Summary is to entice and convince investors to study your business plan further.

Keys to an effective Executive Summary

What makes for an enticing Executive Summary? First, it is important to remember that it is not a preface to or abstract of the business plan. Rather, it is a much-shortened version. It is the business plan in the most concise form possible.

The executive summary is a synopsis of the key points of your entire plan. It should include highlights from each section of the rest of the document – from the key features of the business opportunity through to the highlights of the financial forecasts.

An effective Executive Summary describes all of the key elements of a business plan in two pages or less. It must include the following essential information:

- A synopsis of the company's strategy for succeeding
- A brief description of the market (along with the ingredients for success that make your company unique in that market)
- A brief description of the product or service
- A brief description of the management team's qualifications that make the company successful (be sure to include a description of your team's contributions to previous successful business ventures)

- A capsule summary of key historical and forecasted financial data, such as annual revenue and net income, for five years
- An estimate of the amount of venture capital or loan funds you need and a statement of how you will use the money

In addition, briefly describe what form of business structure you have chosen:

- Sole proprietorship;
- Partnership (enclose agreement)
- Corporation (enclose shareholders agreement)
- Cooperative (enclose membership agreement).

Include:

- Date the business was registered/incorporated;
- The business name and address;
- The business phone number;
- The principal(s) name(s) and telephone number(s);
- The Web site address and relevant E-mail addresses.

If all this sounds like a lot to explain clearly in two pages or less, it is. In fact, composing an effective Executive Summary is one of the most difficult writing tasks that an executive faces.

How the Executive Summary Helps Shape the Plan

Executives cannot realistically expect the Executive Summary that they write at this early stage of business-plan preparation to be polished and ready for presentation. Indeed, they should be prepared to revise it substantially after the remainder of the plan is written.

The preliminary version of the Executive Summary at the early stages of preparing a plan serves several purposes:

It provides guidance and a sense of the Plan. Drafting the Executive Summary forces you to think long and hard about the facts most essential for business success. It also forces you to prioritise issues, and set aside for later consideration those that are least important.

It builds confidence in the plan. By starting to write down the key elements, you are less likely to experience writer's block and other forms of procrastination later on. Being able to get the plan's main points down in short form allows you to move on to the full plan with a sense of direction and vision.

It involves the management team early on. Writing a draft of the Executive Summary provides an effective way of involving all members of the management team in the analysis that is essential for a successful plan. This team effort serves as a "dry run", and gains valuable input and unanimity on the main issues.

It leads to a better final product. Rewriting is the key to successful writing. An Executive Summary drafted to guide the writing of the body of the plan can be tackled again at the end of the process and rewritten as needed. The end result will be a better business plan and a better Executive Summary than would otherwise be achieved.

Uses for the Executive Summary

An effective Executive Summary can serve two purposes for executives seeking to raise financing:

It helps preview the plan and protect the business. If your business plan is lengthy, it may be cumbersome to distribute. If you are sending your plan to financial sources who don't know you or who might not be interested in what you offer, you may want to send only the Executive Summary with a cover letter. If these sources read the summary and are interested in seeing the whole plan, you can then mail it or present it in person. This will help protect the confidential details of your plan.

It involves readers in the plan. An Executive Summary should be concise – no more than two pages at the most - well written and interesting. It makes the plan stand out from the crowd and thus will often make readers anxious to learn more about the company.

How long should the plan be?

Basically any business plan should be long enough to cover the subject satisfactorily but at the same time short enough to maintain interest. If the reader loses interest then the plan is a waste of time.

Therefore, attracting interest and making an impact on the reader becomes a priority. Obviously the actual length will depend on individual circumstances and the reasons for the plan. However, it is not unusual to see companies looking for several million of extra finance produce a business plan covering the subject matter very well and the whole package being no more than 20 pages long plus a few pages of appendices. If the business is looking for extra finance of between 100,000 and one million then a business plan of no more than 15 pages including appendices should be adequate. Always err on the side of brevity and keeping it down to a manageable length.

INTRODUCTION

402.06 BRIEF COMPANY HISTORY AND BACKGROUND

Generally this will include the date of formation of incorporation and progress and track record since that time. Past successes of the company should be stated here if relevant to the whole plan and future potential of the company. The structure of the shareholding (ownership) could be included especially if there are major institutions involved who are taking an active interest in the affairs of the company. Also it is useful to know if the company is totally reliant on the owner as a sole trader and the relevance to any funding requirements.

THE BUSINESS OPPORTUNITY

402.07 THE CONCEPT

Description of Products and/or Services

This section should detail exactly what the company does and any future developments it has in mind. It is essential that the reader is in no doubt where the product or service being provided stands in the market place. Any proprietary aspects with regard to technology, patents, R&D, low cost of operation should be stressed. Future developments and product life cycles should be highlighted. Never be afraid to mention and make comparisons with the competition.

This part of your plan sets out your vision for your new business and includes who you are, what you do, what you have to offer and the market you want to address. It answers the question – is your idea viable?

Start with an overview of your business:

- When you started or intend to start trading and the progress you have made to date.
- The type of business and the sector it is in.
- Any relevant history. For example, if you acquired the business, who owned it originally and what did they achieve with it?
- The current legal structure
- Your vision for the future.

402.08 IS YOUR IDEA VIABLE?

Then describe your products or services as simply as possible, defining:

- What makes it different
- What benefits it offers
- Why customers would buy it
- How you plan to develop your products or services
- Whether you hold any patents, trademarks or design rights
- The key features of your industry

Remember that the person reading the plan may not understand your business and its products, services or processes as well as you do, so it's important to avoid jargon. It's often a good idea to get someone who isn't involved in the business – a friend or family member perhaps – to read this section of your plan and make sure they can understand it.

Exactly what is it? What does it look like, feel like? How is it to be packaged if it is a product, or presented if it is a service? If you intend to have a range of products or services, how much will each contribute to the amount of money your business will make?

If you are manufacturing, who will supply your materials, and what are the costs?

How have your potential customers been coping without your product or service (e.g. Have they been obtaining it from other sources, or is your product or service different from others on the market)?

How much will your potential customers pay for it?

How often will they buy, and in what quantities?

What is the competition charging (e.g. Are there recommended retail prices)?

How will you compete (e.g. Price, quality of service)?

How much does it cost to produce your product or provide your service?

To obtain this information you need to undertake some market research. When you have gathered the information together, the rest of your marketing effort will be much more effective.

OBJECTIVES

402.09 SHORT, M EDIUM AND LONG TERM

All companies when planning ahead should set down some objectives for the future. These should be realistic targets to aim for and also to monitor performance. Therefore, it is useful to include such objectives in the business plan. The objectives could be: new products, new markets, extra staff, new location and facilities all of which will have financial implications and these could be highlighted. A realistic timescale for each of the objectives could be set and then used as a monitor for achievement and general performance.

Describe what you want to get out of the business and over what period. Try to give an idea of how you see the business developing over this period of time. You will probably find you have more to say for your short-term objectives and this is where the emphasis of your planning should lie.

THE MARKET

402.10 THE MARKET AND MARKETING

This is an important section and you should give it the serious study and consideration it deserves. The market place is the most critical forum of all. Show the reader that this is recognised and that the marketing strategy and sales forecasts and targets etc being followed are **realistic**. It's often the weak link in business plans so it's worth spending time on to make sure it's both realistic and achievable.

Try to give sensible figures of market size, market share, future growth, competition and customer buying patterns and behaviour etc. Look at market segmentation and state how the company hopes to penetrate any particular or new segment.

Give a statement on the company's PR and advertising campaign, if any. This must show how the company is letting the market and customers know about their products and services.

Show that there is a pricing policy within the company and it is not all a "wet finger" approach.

It may be useful to mention the customer base and the extent of repeat orders, possible future contracts, outstanding bids, etc.

If distribution channels, agents, overseas companies or subsidiaries are involved give a statement on their impact on the overall marketing strategy and sales targets and costs etc.

Charts and graphs etc can be incorporated into the appendix.

The Market

One of the most important parts of any business plan is how you see your market. It shows a banker how much you have thought about your product and its place in the market. Can you show that you know about opportunities in the market?

- How is your product or service to be sold?
- How much will it cost you to reach potential customers?
- What is it about your business that is special?
- Who are you aiming at?
- How big is your market (e.g. what is the number of potential customers and what is their spending power)?
- What sort of people will be buying from you?
- Where are they located?

If you have researched your potential customers properly you should be able to give a good indication of their number and requirements, and give as much detail about the competition as you can, including details of where you fit in.

Market Research

Here are some useful market research techniques.

Conduct some preliminary desk research. If your business is local, you may be able to get a lot of useful information by asking friends and contact, looking at adverts in the local paper and Yellow Pages. If you are aiming for wider sales, your local library should have much of the published material on market sizes, trends, statistics and so on, a great deal of it being Government information which you can obtain free of charge. You should also look at newspapers, advertisements and directories to get a 'feel' for your market.

If there will be middlemen between you and your customer (such as retailers and distributors) visit them to discuss the ways in which they do business.

Try to find out about competitors – look at their promotional literature, find out about their prices and use their products yourself if possible.

If you plan to trade in the 'Retail Market' it is absolutely vital that you research the location. How many potential customers will be walking past your door in any given location? This traffic flow is crucial to your chances of success in this type of operation. Look and listen when visiting the locations.

And finally, talk to the people who may buy from you. Visit them, or telephone them, or mail them with a questionnaire. Ask them searching questions about their buying habits and the kind of prices they are prepared to pay for your product or service. You must, of course, treat all this information with care – people are sometimes likely to tell you what they think you want to hear!

By the time you have completed your research you will have some good ideas about how your business might develop. You can use the information you have found to good effect. For a start, it will allow you to make some informed decisions about pricing.

Calculate the cost of marketing your goods or services. How are you going to sell? How do your competitors sell?

Are you sure that your way of reaching the market is appropriate?

You will probably be considering leaflets, advertisements in your local paper, business cards, phone calls and personal visits.

402.11 PRICING AND COSTS

Don't base your prices on your estimate of your own costs – keep an eye on your competitors and the market generally.

Your prices are a vital part of your business success. Try to ensure that they give you a competitive edge.

Remember, it is generally easier to bring prices down than to put them up.

What's the best price you will be able to get from your customers – evidence shows that many small businesses charge less than their customers are prepared to pay.

Does your price cover the direct cost of producing your product and provide a reasonable contribution to cover your overheads?

Supplies

Are adequate supplies available?

Is the quality good? Can you get supplies at the right price for you? Do you know what credit is available?

How much will you charge for different customer segments, quantities etc? See our Section on Pricing Policies.

THE MANAGEMENT

402.12 THE MANAGEMENT TEAM AND KEY PERSONNEL

This is a very important section. It is absolutely essential that the management team are shown to have the ability and competence to carry out their individual duties if the company is to succeed. Remember, most business failures are due to poor management. It should identify the strengths in your teams and your plans to deal with any obvious weaknesses.

Give a summary of the shareholding (ownership) of directors both working and non-executive. The degree of control they have of the company.

The key managers and senior people give a brief summary of their experience highlighting any special expertise they may have and how they will contribute to the future success of the company.

If recruitment is necessary to strengthen the management team do not be afraid to say so. Also a brief mention of training requirements could be given but bear in mind this should be dealt with more specifically in the appropriate section if necessary.

All CV's and organisation charts etc should be included in the appendix.

OPERATIONS

402.13 HOW IT GETS DONE

This section should summarize how the operations side of the company gets things done be it products from the shop floor or services from an office environment. Highlight any significant methodology or procedures, sources of supply, plant and equipment, machinery and production processes being used the various facilities, production capacities and new plant that may be necessary for future growth.

If special plant and equipment are being used, any special computer software being developed than may give a competitive edge see they are given a mention together with any training or skill needs.

Premises, Property and Location

Any lender will be interested in your premises for a number of reasons. In particular, you will have to show that your premises are in the right location. And if you need to spend a lot of money on your premises, this must be covered in the plan.

With the plant and machinery; a banker will need to know how old it is, its present value and how much it will cost to replace it, its condition and whether it can cope if you expand. Be open and realistic when you give these details.

- What are your long-term commitments to the property?
- Do you own or rent it?
- What are the advantages and disadvantages of your current location?

What premises will you operate from? Are they adequate? How much will they cost? Do you need to buy vehicles or machinery? If so, have you assessed the cost? And, how will you pay for them?

It could be very useful to make a brief statement about the premises and present location and existing facilities. If larger premises are being sought this will have an impact on future costs, rents and leases etc.

The size of the premises together with details of any lease arrangement, rent and rates payable, short or long lease, next rent review, etc. Whether a full repairing lease is held all have an important bearing on the business and its worth. If there is a floor plan of the premises, a reduced copy could be included in the appendix as a useful aid.

Equipment and other requirements

- Do you need your own production facilities or would it be cheaper to outsource any manufacturing processes?
- If you do have your own facilities and equipment, how modern are they?
- What is the capacity compared with existing and forecasted demand?
- Will any investment be required?

Management-information systems

- Have you got established procedures for stock control, management accounts and quality control?
- Can they cope with any proposed expansion?

Information technology (IT)

- IT is a key factor in most businesses, so include your strengths and weaknesses in this area.
- Outline the reliability and the planned development of your systems.

Key Personnel

Include brief details in the plan itself. If necessary, add more details about experience, job responsibilities and health on separate sheets of paper. Mention that you will be providing full CV's in the Appendix. You need to give a clear summary of the experience people in your business have, including your own. The exercise will also help show whether any of your staff need training. Be ready to answer questions about your own abilities and skills.

Will you need to employ people; if so, do you know how many and at what cost? Do they have the necessary skills and capabilities? Will they need special training? What is their future potential? What contribution can they make to your business? If you anticipate employing staff or using freelance services, what will they be doing and what will be the cost to you? Have you considered the legal implications and requirements of employing people?

Personal details

Why are you qualified to run your business? Has your previous work and business experience been relevant?

Personnel and Training Needs

The resources for training and developing employees should be clearly identified in the business plan. It is essential that top management understand the importance of investing in people and their ongoing training and development.

Making an investment in people is now becoming the standard and is more readily recognised and accepted by companies. The written plan should identify these resources throughout the company. It is important to understand how you plan to protect and enhance these resources.

Do you have any plans for either personal or staff training? Have you personally attended any courses? Where do you see yourself in five years time? Have you got the skills for the job? What are your plans to ensure that you get the right skills and knowledge to run your business profitably? Do you know your own strengths and weaknesses? Now apply these same questions to your key personnel. Your staff represents vital assets to your success; what measures or plans do you have to enhance their value?

Once you have a basic book-keeping system it is important to use the information it holds to help you to:

- Compare your progress against your plan and identify any potential problems early on
- Control your cash flow
- Amend your original plans in the light of any changes in circumstances.

Other Information

Give the names of your professional advisers such as an accountant or solicitor, if you have one. State whether or not your business is or will be registered to collect and report sales tax (VAT).

COMPANY STRUCTURE- RECORDS

402.14 THE COMPANY STRUCTURE

Be sure you have identified the type of company structure. Whether you are a Sole Proprietor, Partnership, Corporation or Cooperative; include the date the business was registered/incorporated, the business name and address, phone number and web site address.

This should include the names and addresses of the Partners and/or Directors and Key Officers as the case may be. Also, if a corporation, identify the holders of common stock and their percentage holding.

402.15 ACCOUNTING, BOOKKEEPING

You must present a clear picture of your bookkeeping methods and accounting practices. If in any doubt about this please consult the Suite that deals with Books and Accounts.

FINANCIAL FORECASTS

402.16 BASIS FOR FINANCIAL FORECASTING

This section should include a commentary on the forecasts and projections included in the plan. The assumptions on which the forecasts have been based should be clearly stated. The trends for profit and loss, sales, costs and overheads, cash flow should be highlighted.

Virtually everything in your business plan will have an impact on your income and expenses and it is vital to work out what the financial implications of your plans are.

If you already know the level of orders you will get, then details of these should be shown in your plan.

If not, you will need to make realistic forecasts.

You will need to work out what equipment you will need to get started, the cost of items, if and when any may wear out, and the cost of replacing them.

In order to run your business you may need to purchase materials, both initially and throughout the year. Details of the various items you envisage purchasing are needed, together with their cost and, of equal importance, a note of when you will be expected to pay for these items.

The way in which you will be charged, and the way in which you will charge your own customers, taking account of discounts, bonuses, credit, and the like, is known as your 'terms of trade'. The terms you are offered by suppliers may vary from one to another – and you may plan to offer different customers different terms according to their importance and value to you.

But whatever size or type of business you are starting – or expanding – we would strongly recommend that you do complete a profit and loss forecast, and cash flow forecast.

Any plans for new equipment or machinery and their impact on cash flow etc should be identified.

If funding is required details of the amounts, time scale, anticipated gearing and payback periods indicated.

At a higher level your company may be the target of a take-over, or you may wish to take-over or merge with another company. Capital to be raised through a Joint Venture, or perhaps by seeking public funding through a Public listing.

All the basic figure work, balance sheet & Profit and Loss accounts for one to three years should be included in the appendix.

The reader should be left in no doubt as to the financial state of the company currently and what it will look like in three years time.

Please consult Suite 404 for details on the structure of the financial pages.

RISKS AND REWARDS

402.17 RISKS AND REWARDS

It is necessary to be aware of the risks in any business. It must be understood that risk is inherent in any business but not always appreciated by the management of the enterprise. Therefore, a very useful discipline in drafting any business plan and looking ahead is to set down where the risks and rewards may be and try to make plans to minimize the risk and maximise the possible rewards.

Always try to be as honest and realistic as possible when setting down risks and rewards. Let the assessment be as complete as possible. A sensitivity analysis of various probabilities could be included in the appendix. The 'Sensitivity Analysis' should include risk monitoring, management and control reporting.

402.18 INVESTOR SUITABILITY

The following is an example of how to qualify investors who are not sophisticated enough to clearly see the risk involved. This particular statement refers to the purchase of stock in a privately held corporation; or an investment into a similar structure:

"Prospective purchasers of the Shares should give careful consideration to certain risks associated with this business particularly to the risks associated with information technology in general and various risks related to the long-term nature of any investment in the Company, and the sufficiency of the proceeds from this funding as related to the proposed obligations and plans of the Company. Only persons or entities having adequate means to assume such risks and to provide for their current needs and personal contingencies and who have no need for liquidity in their investments should consider purchasing the Shares."

402.19 DISCLAIMER

The following is an example of a Disclaimer:

"The shares offered are highly speculative, involving a high degree of risk and should not be purchased by persons who cannot afford the loss of their entire investment. Each prospective investor should consider carefully the business and

Securities laws and other risks and should consult his own legal, tax and financial advisors with respect thereto. Prospective purchasers should be aware of these risks and review carefully the information contained in this proposal.”

402.20 APPENDICES

This can be very useful section containing information and details which can be examined separately from the main body and message of the text and commentaries. This allows the reader to master and understand the basic points of the plan more easily, without having to digest undue detail all at once.

The appendices could include:

- A glossary of terms (terms special to the company)
- Any special technical data or drawings
- Any special publicity material, brochures, etc
- Company organisation chart
- CV's of Management and key people
- Financial information, cash flows, sensitivity analysis, audited accounts are always useful if available, any assumptions used that are not covered in the body of the text
- Typical customer base always useful for potential investors to examine
- Any other information that is considered better presented in the Appendices