

Creative Media Services for: Entrepreneurs, Venture Capitalists, Lawyers & Accountants From www.vport.info

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What we do ...

Private Placement Memoranda: Investment solicitations are one of our specialties and combine much of what we do. We integrate narratives, spreadsheets, graphics and contracts into coherent packages that work. For an in-depth description of our approach to investment solicitations, scroll down to page 3.

Brochures, Logos, Catalogs, Manuals, PowerPoints and Press

Releases: We provide all documentation needed by most businesses.

Examples:

1. [Sea Robotics](#): (reduced brochure, 2 pages)
2. Worldwide Security and Training Services, (11x17 bi-fold, 4 pages)
[Outside Cover](#), [Inside](#)
3. 5G Marine
[Flyer](#) (8-1/2x11),
[PowerPoint for lab services](#) (Recent, Middle East)

Patents: We do complex, successful patent work, but we do them, starting with only a client's sketch and a concept: Granted Example (2009): PDF Format (275K, 10 pages): www.vport.info/patent.pdf

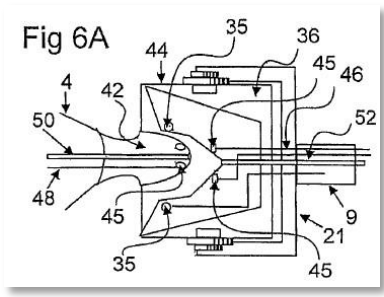
Corporate and Industrial Video Services: HD Video:scripts, production and editing. *Flash Example:* (wait for load) [Trade show video for 5G Marine, LLC](#). (1080p version available)

Forensic Investigation, Exhibits & Documentation: We are very successful at analyzing problems in the field, documenting them, and preparing exhibits. Our forensic work generally results in quick settlements vs. litigation. Experience range: Solving structural construction problems through real estate flooding to authentication of valuable antiquities. Ask for case studies.

Digital Photography: We provide full-service photography including HDR, large format printing and signs. Our work includes extensive use of satellite imagery and digital microscopy.

Fields Successfully Served ... General Business, Manufacturing, Academia, Insurance, Legal, High-tech Inventors, Prototypers, Venture Capital, Publishing, Agriculture, Medical, Robotics, Startups and Individuals

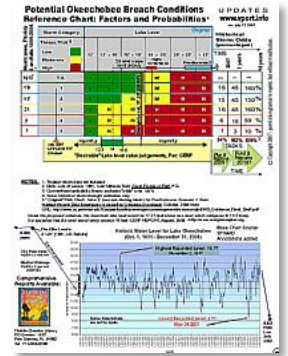
Our work spans decades, has raised millions and never resulted in litigation.



Prototyping, Scale Drawings and Schematics: We are experienced with producing high-quality working prototypes using mixed materials. Our work ranges from hollow plastic parts and underwater cameras to telemetry, hulls, steering and computing systems for seven meter marine robots.

Other in-house experience: Compliance documentation, RFP/RFQs, Chapter 11 Bankruptcy packaging and refinancing, Permitting, Shopping center and retail store design, Prototyping – small parts through robotic boats, design/build w/ LabVIEW, Marine electrical schematics, Trade Show design/build, product data bases, encryption and security, dead tree legacy book publishing, e-publishing and more.

Charts: We love developing a good chart. At right is an example of a chart we did that is used by the US Army Corps of Engineers. It combines a variety of factors into a risk probability for Florida's Lake Okeechobee breaching its dike. This flood is virtually certain to happen and cause massive damage from West Palm Beach to Miami. Click the thumbnail image for a large PDF version. (*Caveat:* The chart was part of a larger, explanatory document. You may not understand it, but the USACE did. The complete report is available. If you're interested we'll walk you through it on our desktop.



Getting Started: For any project, large or small, we start with a consultation and provide a cost estimate. For large projects, like investment packages, we submit an NDA, MOU and work for hire agreement. Usually, we start with outlines, and then submit drafts to the client, their attorneys and accountants. Along the way, we work with and integrate PR, websites, ad agencies, engineering, design and IT departments. The benefits to clients and their decision making professionals alike are that we produce the bulk of the documents for an offering inexpensively, and prepare a highly presentable package, freeing up decision makers to do what they do best.

We work freelance ... primarily on line, by the hour, with minimal travel, meetings or phone charges. You can watch our desktop remotely and consult live, while we work. Completely disclosure-oriented, we deliver unlocked files in any format. Importantly, we show clients how to update our work products with free or inexpensive software to avoid recurring charges.

Our Associates and Referrals: There are many things that we don't do but refer to people and organizations that we know and trust worldwide: e.g. legal (corporate/securities/IP, etc.), publishers, engineers and scientists'

References and resumes on request to selected parties.

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The Private Placement Memorandum Tips, Tweaks and Media Integration for Entrepreneurs, Lawyers and Accountants



Introduction:

The private placement memorandum (PPM) is one example of the types of work that we have done for decades. The history and general description for PPMs are easily available on line. Our purpose here is self-promotional via providing sufficient detail about offering preparation that entrepreneurs, attorneys and accountants alike should find it useful.

Briefly ... Private placement memoranda are the investment solicitation documents that make entrepreneurial fund raising safe and effective. Pursuant to the Securities Act of 1933, any offer to sell securities must either be registered with the (SEC) or meet exemption criteria. Regulation D within the act contains the rules providing exemptions from the registration requirements.

Being exempt from SEC registration confers a substantial amount of flexibility, but does not mean that there are not applicable laws, regulations, principles and conventions that should be followed for an offering to be successful.

Beyond legal and structural considerations, a PPM is a sales tool pure and simple. It must be very attractive to potential investors and their advisors, but also in a format suitable to an entrepreneur's harsh attorney and meticulous accountant whose job it is to keep them out of trouble.

The preparation of an SEC exempt private placement memorandum involves a broad range of technical skills including but not limited to: contract preparation, business plans, detailed graphics, technical writing, spreadsheets and related exhibits. A corporate DVD is always a nice enhancement.

We are not lawyers or accountants. We *collaborate* with clients and their lawyers and accountants who review our work and render their opinions. PPMs typically range from small, with thirty pages or less, to well over one hundred pages with costs varying accordingly. Package fees (in our case) start at several thousand dollars and go upwards. "Big city" prices are typically 10X ours and can be fifty-thousand dollars or substantially more.

Our purpose here is not to write a PPM manual or comment on legal issues, but rather focus on the elements and stylistic conventions that make attractive *integrated* packages, greatly increasing the odds for success.

What do we mean by "integrated"?

Integrated conceptual structures: For any investment proposal, documents and exhibits, existing websites, video, manuals, spreadsheets, contracts, plans, etc. have inter-related structures which refer to each other on paper and refer to things, events, money and concepts in the real world. PPMs should contain an entire

overview of a business, along with share descriptions, prices and contracts for share purchases. Solicitations also make predictions for the future (“forward-looking statements”) based on market analyses, projected costs and estimated sales figures. Adding complexity, PPMs are regulated by domestic (and often international) case and statutory law.

Diligent package prep also includes IP protection strategies. In developing their PPM, the entrepreneur must walk a tightrope between disclosing sufficient proprietary data to explain the business while protecting IP from unauthorized disclosure. Remember that offerees are outsiders and most will probably not invest. A PPM can be a wonderful, free blueprint for competitors if it escapes into the wild.

To be “compliant” and reduce liability, besides clarity and accuracy, the PPM must also contain *caveats*, typically “risk factors” which truthfully balance all of the “optimistic” claims represented by the entrepreneur. Enumerated risks should be custom, not boilerplate and pertain specifically to a particular business.

Creating a PPM that works and looks good is a very pleasurable experience. Well-crafted, they ring like a piece of fine crystal. Poorly-crafted, they go clunk.

Integrated PPMs must be “complete” and internally consistent: All of the overlapping conceptual and contractual considerations must be *without contradiction*. Tables of contents, narratives, budgets, graphics, sales and profit/dividend projections, share sales and contracts must all match. Nothing can be worse than presenting an investment offering where share percentages don’t follow through spreadsheets or the dates on individual instruments inside the package don’t correspond or market research doesn’t support sales projections. For example, mixed dates (Contracts, copyright notices, offering dates, etc.) can alert a savvy evaluator that they are getting a recycled piece of goods, and a second bite at a previously-failed offering. Worse, internal contradictions can invalidate part or ALL of a document.

The integrated theme: In most cases, worthwhile potential investors are very busy. PPMs must be “legal”, coherent and consistent, but they are fundamentally sales documents. They will, at least *initially*, be judged by the look and feel (and sometimes weight). The layout should be easy to navigate from a table of contents and in a conventional sequence. Type fonts, margins, line spacing, headers, footers, and images should all be consistent and formal or they may be distracting. A potential investor’s perception will obviously be that if a PPM isn’t smooth and coherent, the business won’t be either.

Guiding the offeree: In our experience, the typical offeree will fan through the document first, get a general feel for what the business does and then go straight to the “deal”. “*What do I get percentage wise? How much do I have to pay and what can I make?*” If and only if the initial impression is positive, then the evaluator will take the time to look more closely at the details. Specifically, the package has to work in two ways ... at a glance to generate preliminary interest, and then with a detailed examination. These are two different perceptual functions: The cursory overview and the detailed analysis. In both cases, offerings must be well-organized, with sections and documents where the sophisticated reader will expect them to be.

The target market for the offering should be considered from the start. If the potential investors are family, friends and/or close business associates who understand your business and trust you, package preparation can be easy. If the offerees will be half a dozen venture capital firms, who don’t know you or your business, they will have a much more stringent set of standards for the level of detail in the package.

Tip: Documents that are well thought out and flow smoothly are much less likely to get close scrutiny. If they are professionally prepared, with clarity and complete, well-punctuated sentences and correct spelling, an evaluator's tendency will often be to assume that nit-picking isn't necessary. Our post-grad academic work (philosophy of science/computer simulation of thinking) was done under the formal discipline of "ordinary language philosophy"¹ We have applied it successfully over decades of business experience with contracts and in PPMs. As a practical matter, jargon, legalese, and complex engineering terms not only confuse readers, but can also raise a large brown BS flag!

"It depends on what the meaning of the word 'is' is. If the--if he--if 'is' means is and never has been, that is not--that is one thing. If it means there is none, that was a completely true statement....Now, if someone had asked me on that day, are you having any kind of sexual relations with Ms. Lewinsky, that is, asked me a question in the present tense, I would have said no. And it would have been completely true." Grand Jury Testimony, William Jefferson Clinton

Jargon: PPMs play to mixed audiences. An educated guess is that rarely will an investment decision be made by a single person. The offeree will usually consult their lawyers, accountants and spouses, and perhaps business managers and other consultants.

We suggest it is a bad strategy to convolute documents with poly-syllabic legalese, obscure engineering or marketing lingo in run-on sentences. Some writers have the notion that complex language makes them look "smart". Conversely, we feel the purpose for offering documents is to *communicate*. We sometimes produce specialty work where jargon, acronyms and certain styles are expected and appropriate, (e.g. patent applications and military proposals) but PPMs, in our opinion, should be clear, condensed and concise. We deliver our documents in MS Word format and if others choose to "formalize" it to their taste with their linguistic specialties, it's their option.

A solicitation asks someone to read a large amount of documentation for the privilege of investing a significant amount of money. As a practical matter, It makes no sense to confuse an offeree while they are on the path to writing a check. For example, mechanical drawings should be reduced to understandable schematics. While a prospective investor might understand technical drawings, it may well be the case that their lawyers or accountants will not. Also, supplying schematics vs. detailed drawings reduces the exposure of proprietary intellectual property and will confer some flexibility to the offeror.

Spreadsheets: Large spreadsheets should be *summarized* in a PPM, although an offeror should be prepared with complete financial documentation if requested for review. A potential investor will not care how many pencils you're going to buy with their money, but they will want to know that you have a good, reasonable grip on projected expenses. Often, a potential investor will ask their accountant to contact your accountant and it is best to have organized financial data ready if needed and separate from working spreadsheets which will probably change during the months while an offering is taking place.

Typically, inventive entrepreneurs do not consider themselves as detail or spreadsheet types. They regard themselves as creative, hard-working. broad-strokers. However ... ask any accountant whether or not spreadsheets are *creative*. Especially in PPMs, many numbers are particularly imaginative and nuanced and should be targeted to a specific audience. The savvy evaluator understands and will regard them as such. So, probably, will a judge, if ever required.

¹ http://en.wikipedia.org/wiki/Ordinary_language_philosophy

Miscellaneous and contingency line items: As one example of a spreadsheet detail needing collaborative thought, consider budget line items like *Misc.* and/or *Contingency*. Confident thirty year old entrepreneurs usually flinch when creating a contingency number, which seems to impute uncertainty on their part. Conversely, the successful 70 year old investor will well-understand that underestimation of costs is a youthful flaw and a typical death sentence for most young entrepreneurs. Many investors will value a large contingency budget and favor an entrepreneur that appreciates reserves of cash. In our opinion, up to twenty percent of a \$2M budget (\$400K) is not at all unreasonable for a startup. Especially in 2011, hyperinflation or essential commodity shortages are very real, near-term possibilities. We have experienced precedents. There are many other reasons for contingency budgets like anticipating legal fees (however unlikely) or buying out an unanticipated competitor or wanting to buy perfect, deeply-discounted equipment at a bankruptcy auction if the opportunity arises. Most savvy investors will appreciate the wisdom of cash reserves and there are a variety of methods for earmarking to protect the investor.

The dark side: The unscrupulous and avaricious investor who likes a particular offering, especially if the offering is exciting and collateralized by patents granted or real estate, will regard an underestimation of contingencies as a golden opportunity to wrest control when the entrepreneur runs out of cash. Most entrepreneurs do! *Point:* one single line item in a spreadsheet included in an offering can be the difference between success or failure of a business and/or maintaining control of your business!

Spreadsheets have esthetics and a style. To make the spreadsheet easier to read and more attractive, highlighting rows, columns and categories is effective. Inserted logos are a nice touch. The rational use of bold-facing, italics and underlining is important as well. However ... these stylistic tools must be elegantly used with restraint. Overused, they can be splashy, confusing the reader and depreciating the package.

Color: The whole PPM package should even be considered with regard to thematic colors ... to avoid stripe and plaid type conflicts. Good logos confer credibility, should be used liberally, e.g. placed in photographs, which also reduce the odds that they will be copied and re-used by others.

Photographs should be enhanced, sharpened, and correctly cropped. They should be well-placed within explanatory text.

There are often portions of pages at the end of e.g. a narrative section and before a spreadsheet, which doesn't fill the entire page. While it may seem trivial, the blank portions should be so-labeled.

“Intentionally Blank”

This legend is a convention which helps the flow of the document. It is a practical courtesy for the evaluator and says ... *Read on* ... rather than have them delay to wonder if there is something missing from a printer or copy error.

The Integrated “Mechanical“ System:

There is a definite workflow for presenting offerings once packages are prepared. *Once begun, the clock is ticking* and the offering process should be a finely-tuned machine with synchroneshed gears.

Workspace: To start, it's nice to have a well-supplied, lockable room dedicated specifically to the offering ... tables, shelves, postage, letterhead, FedEx envelopes, computer, phone, pads, dry erase board, perhaps binding equipment, a shredder, etc. etc. Especially for an existing business, vs. a new startup, it is not a good idea to commingle regular activity and documents.

Package Tracking: The efficient offeror will create an Excel worksheet with names, dates, and package numbers. Each individual package should be tracked according to its activity, like package delivery date, NDA on file, return date, etc. This document should also include shares sold and dollar amounts. This important master document will provide you with an instant overview of the progress of the offering, and allow quick decision making throughout the process if required. The worksheet should be prepared well in advance of the offering and contain hidden fields or links to data (e.g. contact data) for ease of use.

Ranking potential investors: A good practice is to rank individual offerees according to desirability and the probability that they will invest. The offeree range may be from: #1 *"I told Smith about the offering and he wants in."* to ... " #48 *"Mary knows some guy who told her he had \$10M he wanted to put out"*. Clearly, a master worksheet should be developed concurrently with the preparation of the offering itself. Focusing on the top of the list allows efficient resource allocation and hopefully it will never be necessary to get all the way to the bottom, distributing packages to "some guy". Further, the top five or ten potential investors will be the target audience and flavor the way the package is prepared.

Beyond saving your time, there are compliance reasons for tracking numbered packages in a worksheet. If a regulatory agency shows up in your office, you may be asked to provide documentation proving that you are compliant regarding the types of potential investors allowed and the number of packages.

The PPM should include virtually everything an investor needs to write a check. Not only will it increase the capture ratio, it is also a time saver for a busy offeree. Imagine that you have twenty packages out and active. Then imagine that fifteen out of twenty offerees have multiple questions that need to be answered, perhaps with meetings, phone calls and emails. Incomplete documentation can result in perceived disorganization and a great deal of extra work or worse ... a failed offering. It should be remembered that investor relations can be taxing on a busy executive's time and money.

Most small to medium-sized businesses will not have the in-house expertise to prepare an investment offering. Investors and jurisdictions are all very different. The entrepreneur's solution is coordinating a legal, accounting and package preparation *team* ... supervising each member to do what they do best. "Everything an investor needs" cannot be defined as a practical matter, and neither can "everything a regulator might want to see". As an easy extra, we like including a specimen (so labeled) share certificate in the package. While it's not necessary, it makes the investment seem more tangible.



The overall offering will contain a starting and ending date for very practical reasons, e.g. Without an ending date, an Offeror might elect to invest a year after the venture was funded and a success. (Wouldn't it be nice to have an open-ended offering for FaceBook?)

A limit should be placed on the period of time that an Offeree has to review the package after which point the package should be returned. Once "out there" your trade secrets and proprietary data represent potential liability and exposure. A return due date also creates a sense of urgency which will help keep your package on

the top of the pile and ... If your package is rejected, there is no reason for an offeree to keep your proprietary data. It's none of their business.

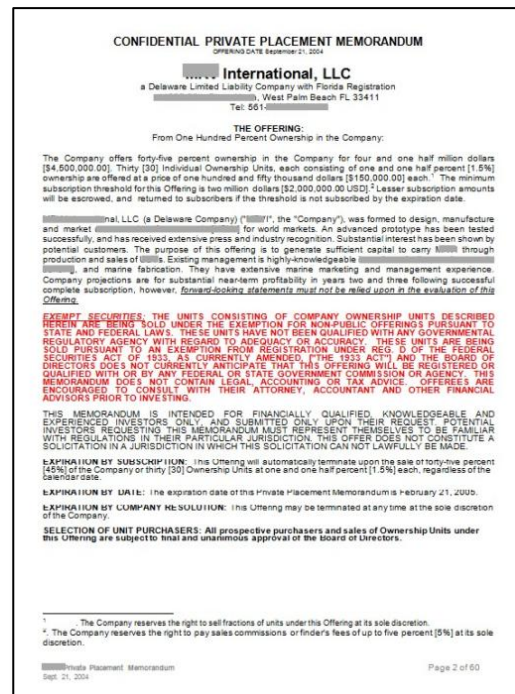
Prospective investors are typically required to make written representations *before* reviewing a PPM ... that they are "qualified" (in the financially technical sense) and that they will not disclose proprietary information. Well-crafted PPMs will include two copies of a document called "NON-DISCLOSURE AGREEMENT & OFFEREE REPRESENTATIONS" One copy will remain in the document, the other is "Corporate Copy - To be signed by the Offeree and removed". We treat covers and bindings below, but physical provisions should be made so that removal is easy. We like a micro-perf system on the inside margin so that it is obvious when it is removed. Loose inserts may get lost. Hand delivery is a courtesy, but if it is impractical ... the NDA/Representation letter should be executed first, before sending the offering. Psychologically, some inexperienced offerees (e.g. Mom or a close friend) may feel that being asked to sign an NDA is a sign of mistrust, but it should be explained that it is just required diligence.

If offerees elect to invest, they are asked to sign a "shareholder's agreement" in which the purchase details are disclosed, that they understand the risks, had the opportunity to ask relevant questions, will not disclose additional proprietary information that they will be given as insiders and more. The shareholder's agreement need not be necessarily included in the PPM, but consider ... If an investor is ready to write a check, why create an additional, complicated step that creates a delay? They may find a better investment or develop buyer's remorse.

Text has an esthetic. The page at right is a page 2 from a successful PPM. It contains an intentional mix of caps and colors which is a convention for in offerings

Photocopies are to be avoided as much as possible in a PPM, but if they are, they should be clear, crisp, squared, and very legible. Sometimes, color copies are advisable if they are expressive. It's best to scan documents when necessary, which allows the image to be tweaked, sharpened and cropped if necessary. Scanned documents can be included in files as images which make pagination much easier and greatly simplify the physical package production. Hitting *Print* is easy ... keeping track of physical photocopy inserts is cumbersome and can be mistake-prone.

PPMs should be constructed so that they are disposable! Your well-oiled gears should include a *reverse*. Though this may sound odd, actual investors should be disposable too! Here are only two of many potential scenarios: Suppose that you have an offering which contains twenty blocks of stock for \$100,000 each (Two Million total). You have signed up two investors @ \$100,000 each and have \$200K in your attorney's escrow account, but sales are less than brisk. Then, one venture capitalist says ... I'll take the whole \$2M but I have specific conditions, one of which is that I don't want small investors ... *and* I want more equity and ...and Oops! ... Without a well-structured PPM, you may be forced to get permission from aspiring shareholders that have already made deposits and who may not want their money back!



The offering should include options for termination or the rejection of someone who elects to invest. Termination clauses are examples of what may appear to be boilerplate, but there are good reasons for their inclusion. Examples:

EXPIRATION BY SUBSCRIPTION: This Offering will automatically terminate upon the sale of forty-five percent [45%] of the Company or thirty [30] Ownership Units at one and one half percent [1.5%] each, regardless of the calendar date. *(Note: You may have twenty or packages in offerees' hands at any particular time. Obviously, you cannot sell 10% of the shares to all 20. This clause establishes the limit.)*

EXPIRATION BY DATE: The expiration date of this Private Placement Memorandum is February 21, 2009.

EXPIRATION BY COMPANY RESOLUTION: This Offering may be terminated at any time at the sole discretion of the Company.

SELECTION OF UNIT PURCHASERS: All prospective purchasers and sales of Ownership Units under this Offering are subject to final and unanimous approval of the Board of Directors. *(Suppose you are almost full-subscribed and have a choice between a potentially disruptive shareholder and someone who specializes in your field and could make significant contributions to the business.)*

PPMs and Security: Documents containing any sensitive data whatever should never be transmitted electronically unless strongly-encrypted. Complete investment solicitation packages should almost never be transmitted anywhere electronically without a very good reason and only then with extreme caution. Especially with electronic data, you are also hoping that nobody in the loop has been hacked!

As the package is prepared, electronic drafts will probably be circulated via email attachments between the person writing the package, the offeror and their accountant and attorney. While a bit tedious to set up, drafts should be encrypted. There are theoretically secure "cloud" services available for document collaboration, like Microsoft and Google. (We aren't enamored with either) They have been widely hyped, but we think using them is an incredibly bad idea. We currently use a software product called Dropbox. (<http://www.dropbox.com>) Links are secure (https), and files are strongly encrypted. It's less than perfect security but easy and probably good enough for day to day work.

Although offerees are required to return bound solicitations unless they invest, and despite agreeing not to copy or distribute, leaks are frequent. You are not only trusting a potential investor you might know well, you are by default trusting their attorneys, accountants, wives, children, internet service providers, cleaning staff and country club drinking buddies. Ask us about leaks and IP theft ... we have personal anecdotes.

PPMs should be attractively bound, numbered, dated, watermarked and *printed* on quality paper. There are security reasons for the binding and the paper. If the dollar amounts are large, they may wind up as a court exhibit. Embossed corporate seals are nice on signature pages and combination metal and rubber stamp packages are available on line for under \$50.



Since PPMs are an effort to print money, i.e. hundreds of thousands to millions, we suggest they should look like money and be laser printed on quality paper. Laser printing on quality paper is not only easier to read, it also shows that you care about your business and respect the reader. Face it ... 20 lb. Wal-Mart, inkjet paper will represent your venture poorly. Depending on your targeted investors, Crane brand, watermarked paper is excellent and if you and your offerees are of a "Green" orientation, recycled paper is nice.

Many packages will necessarily contain personal data about principals. Personal disclosures can carry risks. In our opinion, descriptions of principals should be kept to short bios. Detailed resumes can be offered on request.

Security ink and marking: In the big time, financial printing is very big business, bonded and expensive because of extreme security measures. Even for a small offering, printing should be controlled and preferably done in house, with supervision. We suggest that you do your own invisible marking method. When it comes to serious money, and distributing dozens of packages remember that there are many cases where forged, counterfeit pages have been inserted into documents like contracts. Security methods for documents can be as simple, fast and cheap as a stripe of lemon juice which serves as an invisible marking method, but more clever methods are available.

One of the things we like to do is print bound documents so the margin at the spine is close enough that if an offeree elects to copy the package, despite agreeing not to up front, that they are forced to break or damage the spine to flatten it and get a good copy. If they don't invest and you get the copy back, it will be obvious that they may have made copies. This could be important if some of your proprietary information escapes into the wild. If you are damaged, you may want to sue somebody and the binding can be a forensic clue.

Documents should have covers. Opinions may vary, but our feeling is that, since they are serious documents that ask for money, they should be formal. We like off-the-shelf covers with pre-cut windows that show a minimal amount of data. For example, if the document is on someone's desk and they have visitors ... There is probably no need whatever for the visitor to know what the offeree is considering. We have suggested that investment packages should never be "recycled" but even for a one time use, the cover is not a place to scrimp.

Cover upgrades can include custom die cuts, e.g. for a logo and a picture in addition to a hole for the title. For very upscale packages with few offerees ... say for a ten million dollar movie, hard bound covers are an option and can be individually personalized both on the cover and with personalized letters inside the binding. Leather and gold foil stamping are nice and surprisingly affordable, even in small quantities.

Copyright notices are a topic in themselves and implementations vary. We like a terse copyright notice in the footer on every page and a more detailed notice on the first or second page:

COPYRIGHT AND NON-DISCLOSURE NOTICE: This Offering and related exhibits are the property of, and Copyright 2009 by ZZZZZ International, LLC . This document and related exhibits may not be reproduced in whole or in part by any means without express permission in writing from the Company. Unauthorized reproduction and distribution of proprietary ZZZZ documents may result in civil litigation and/ or criminal prosecution.

The Executive Summary ... Here is some advice we copied from the web by people who sell PPM "templates":² It begins ...

Critical to the development of a sound investment proposal is a well-designed Executive Summary.

² http://www.heptalysis.com/executive_summary.htm

In a sense, an Executive Summary is your "sales pitch" to investors, containing the most significant points of your investment proposal. An Executive Summary should persuade the investor to want to take a closer look at your proposal.

We used to do Executive Summaries (ES) *de riguer*, but have gotten away from the practice. Here's why: First of all, there is some sort of notion that an ES should compress a whole deal into a single page for the "busy" investor. We found it difficult to pack everything about a whole deal into a single page. As we wrote them, they turned into two pages ... we subtracted words and pared and honed. In the end, they never conveyed any excitement about a project and were so terse and bland in a single page format that we felt they were uninformative and would only be scanned and ignored.

Our suggestion is that a well-crafted PPM that flows with a good layout doesn't need an ES. To describe a potential investment, we prefer an initial cover letter with several pages. A letter to determine interest has the halo effect of being personalized ... *Dear ... Best Regards, etc.* and a basic description can be bracketed with targeted and/or personal items ... ranging from "You were referred to me by ...". "I am contacting you specifically because ..." to ... "Tell Marilyn and the kids I said hello." and "How is your knee surgery coming along?"

A descriptive letter also has a major cost saving attribute: Why bind an ES into a ten or fifteen dollar document that might be rejected when a two dollar letter or an email that takes 10 minutes will be much more effective in determining interest?

Miscellaneous Offering Considerations:

Sometimes ... It can be better to start a new, clean entity than it is to raise money within an existing business. Depending on the situation, the reasons can be many, here's just one:

Cross-collateralization: Assumptions: Suppose you have an existing, profitable business, a fourth generation chicken farm as an example ... Your family trust owns the \$5M property (the buildings and the "dirt") and triple-net leases (absolute/bonded) to Chicken Parts, Inc. a corporation you own which has been insulated from liability by your savvy attorney ... where Chicken Parts Inc. would be at risk, and the family farm is relatively protected from selling millions of Salmonella-contaminated chicken parts. There are more asset protection strategies ... separate entities, including but not limited to a 90% mortgage on the farm owned . You, a compulsive inventor, have invented a probably patentable process that converts chicken manure into a very high-powered, inexpensive explosive. You have 2 children in college and have recently invested in more trucks and cages. You are not comfortably liquid ... Your estimate is that it will cost \$500K to generate and complete a patent application, rent a facility, hire some staff, start production and sales and cover overhead. Your calculation is that the exploding chicken manure process can net \$1M in year one.

To get \$500K and start production however, and take the risk of blowing up personnel and customers, It makes zero sense to risk either the family farm or Chicken Parts, Inc. with cross collateralization. While an investor will probably want Chicken Parts, Inc. and the family farm included as hedges ... an entirely new venture is probably warranted. Ask your attorney and accountant about asset protection. We understand the issues and strategies, and can convert them to descriptions but would never commit to making recommendations. One of our virtues is knowing when to say "Ask your attorney and CPA".

Experts ... Legal, Tax and SEC Exemption Opinions: It is critical that documents be reviewed by a qualified attorney and accountant prior to distribution. By qualified, we mean someone expert in both your field and jurisdiction. Being “exempt” from SEC regulations does not mean that you are exempt from statutes in your own jurisdiction. Experienced local attorneys will both understand a particular jurisdiction and understand the local judges,

Example: New York State has their own specific requirements for registration “exemptions” including a “proactive” exemption application, with a lot of strings. (See the Footnote³ and consult your attorney and we suggest you do your own research prior to the consultation!) Expertise regarding business exposure is not limited to legal and accounting advice. It may well be that we are more experienced with the day to day workings of your business than your attorney or accountant, especially if it involves tools and materials and manufacturing or real estate. What this means that in addition to cost savings, and being better able to prepare a description, we can offer business advice based on decades of varied experience.

PPM copies should never be recycled. Although they are time consuming and expensive to produce, the last thing an offeree wants to see is used, rejected, goods ... i.e. a smudged, dog eared document with a coffee stain. In fact, with a very small amount of effort, packages can be personalized specifically to the offeree. An easy way to accomplish that is to include their name in the footer “Your Corp/John Smith”. Returned packages should be retired and stored. If mailed back ... keep the envelopes. It’s too difficult to explain here, but each numbered package which is handled by others is forensically distinct. Who represented what to whom and when may become important in the future.

Note to Lawyers and Accountants: We have an appreciation for the ultra-complex depths of your disciplines. We never, ever render legal, tax or accounting opinions. What we can do, however, is help condense what you do into ordinary language and make it presentable. Given that our costs for services are probably 25% of your rates, and that we are probably faster and better at producing a presentable document, there is sufficient room in our pricing that you can load our work. **N.B.** All of our work is completely confidential and only disclosed with permission.

Getting Biblical: A danger is that for solicitations which are in the million and up range, and given that so much input is required, they can become documentary “Towers of Babel”. There may be several lawyers involved with different specializations, notably investment and Patent/IntellectualProperty. Accountants, marketing and other in-house departments will be involved, not to mention outside vendors like advertising agencies, publishers, manufacturers and PR firms. One of the benefits to working with us is that we understand the lingo and can facilitate the communication. As examples: Graphic artists, webmasters and advertising agencies are very savvy at holding customers hostage to maximize fees. Targeted requests can save time and money.

Always have investments well-documented: In our opinion, when taking an investor’s money, no matter how close the association, a PPM should always be prepared. Even if you have three investors who are ready, willing and able to invest \$100K each, on trust ...you should still prepare a PPM. People get divorced, they die, they change their minds ... Consider: if a buddy gets killed in a car wreck or has a nasty divorce ... **you could be in business with his wife’s attorney.**

³ http://www.ag.ny.gov/bureaus/real_estate_finance/pdfs/PS100.pdf

The successful PPM must be lived with for a very long time. Once the money is taken and especially spent, and shares are distributed ... The entrepreneur may be required to defend the representations if required. Good planning requires contemplating subsequent rounds of financing. Example considerations are authorized shares vs. issued vs. for sale. It can be a convenience to have blocks of stock authorized but unsold and available for sale after the offering is subscribed, but ... sales of treasury stock represent a dilution of the percentage of an investor's ownership. Loans to companies likewise put the shareholders at a disadvantage. These are examples of considerations which need careful collaboration between an entrepreneur, their lawyer and accountants.

Down the road, if the venture is a major success, it may result in a public offering. At that point legacy, founding documents will be subject to close scrutiny by underwriters and regulators. It is best by far to have good, workable documents that will facilitate operations and reflect well on a company rather than having something flawed that needs "fixing" later ... which can get very expensive.

Get real ... The fewer red flags, the better. A quality package, will not contain all of the answers, but implies that you have them. If you have invented a widget ... working prototypes, example, labeled packaging, synopsised patent searches and a summary of competing products are major enhancements and make your widget business not only look "real", but also are a clear demonstration that there are few mysteries and that the time to market and to profitability are short.

In Conclusion ... A brief lesson from philosophy of science: It is generally understood that no scientific theory, e.g. from physics can ever be "true", and that no language can accurately describe states of affairs in the real world (See: [Popper](#) and [Wittgenstein](#) in Wikipedia). Beyond PPMs, another example where precision might be expected is sets of architectural drawings and specifications. Completely avoiding errors and omissions in the text and graphic representations for a building is not only impractical ... it is logically impossible. Good judges and attorneys understand these limits of language and exhibits as expressed in statutes and contracts and act accordingly.

Legally, for the entrepreneur who must take the ultimate responsibility for his investment offering, the solution is "[due diligence](#)". Anticipating the effects of and clearly warning a potential investor re: e.g. inflation or a rise in commodity prices that might affect sales prices and dividends are the responsibility of the offeree; Warning a potential investor that a meteorite might hit corporate headquarters is probably not. (Ask your attorney to confirm.) In the foreseeable future, regulations, statutes and case law, as orchestrated by politicians and lobbyists will continue to make the entrepreneur's life more difficult.

If you, as an entrepreneur, want to risk wagering your hard work and creativity on cash requirements and new money, and want to pay modest fees ... We're here to help.

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