The Rainmaker Business Plan

The Search for Gold

A Rainmaker White Paper

№ RMKR-09/102.9

May 24, 2009

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The Rainmaker Business Plan – The Search for Gold

The Rainmaker-developed business plan affords a company the ability to consistently and effectively communicate its business goals, objectives and strategies. The Rainmaker plan is concise, business oriented, factual and believable and eliminates any doubt about a business' objectives and financial needs. Remember that the business plan is company's most effective negotiating tool.

A solid business plan plays a major role in the successful growth of any business. Likewise, the use of a professional business plan developer and strategist is of paramount importance/ The professional business planners at Rainmaker know what questions to ask and how to document the answers. Because the Rainmaker professionals are not involved in the day-to-day operation of a business, they bring fresh, unassuming perspective, objectivity and clarify key aspects of the business in terms that will appeal to the financial community.

A completed business plan should be selectively distributed to lenders and investors that are most likely to understand and appreciate your business and its potential for success. It is important to avoid mass distribution of any business plan because a plan that has being shopped-around will not receive serious attention.

The following business plan outline and white paper has been developed by Gary L. Johnson, President and CEO of Rainmaker Consulting, LLC. It covers the key aspects of most business plans that, when completed, will address the information needs and requirements of the financial community, a potential joint-venture target or angel/private investors.

Confidentiality Agreement

A business plan is a confidential, proprietary document owned by your business. It contains financial information, client lists, pricing information expansion, market strategies and other proprietary information not available anywhere else. Accordingly, it is very important that your business plan be shared only with those individuals that have a need to see the plan and have signed your confidentially agreement. An attorney can prepare a confidentiality agreement that will protect your interest. When the confidentiality agreement is executed, it will allow you to share your plan with business consultants, advisors and potential lenders and inventors.

Executive Summary

The executive summary must quickly capture the attention of the reader and present the key points of the plan. It is strongly recommended that the Executive Summary be written last.

Business Description

A general description of your business. It should also reflect reasonable and attainable goals and objectives for the business.

Products and Services

What products and/or services does your company offer? The business plan for a start-up company would refer to products and/or services that the company will offer once it receives financing and/ commences operations. The plan will describe a company's products and/or services, introduce the reader to the values and benefits of the products and/or services and provide a brief summary on the evolution and future of the products and/or services.

Market Strategy

A clear and concise marketing strategy is critical to the viability of any business plan. It must explain how you plan to generate sales. Questions to consider include:

- Is there a real need or demand for the products and/or services?
- Do the products and/or services have market appeal?
- How will sales be generated?
- Has independent market research validated your market strategies and assumptions?
- Are sales forecasts realistic and attainable?
- Who is the competition and how do they stack-up against your products and/or services?
- Are your products and/or services easily duplicated?
- Will external influences (government regulations, international events, etc.) negatively impact the success of your plans?
- Can you implement the market strategy and supporting plan?
- Have you maintained focus on your core products and/or services?

Remember that a business plan is a dynamic document. It should be revisited and updated regularly to reflect new information such as shifts in consumer demand, changes in the competition, new or refined sales forecasts, etc.

Operations Plan

The operations planning section focuses on how the business will produce products and/or deliver services. This section will focus on the operations of the company and provide information and insight that the financial community needs to feel comfortable and confident in the operational aspect of the business. The following question will help you prepare this section:

- What resources (people, places, and things) do you need to produce products and/or deliver services?
- How will you produce products and/or deliver services?
- Will you use suppliers, vendors and business partners, if so how?
- Are ongoing staff training and education required to grow market share?
- Based on sales projections, when will you need to expand your resource (people, places and things) requirements?
- Will you build your business through the acquisition of similar or complementary companies?
- Are there external influences that can negatively impact the production of products and/or the delivery of services?
- Can you successfully implement the operations plan, if you receive the funding you are requesting?
- Have you maintained focus on the information needs of the target audience?

Quality products and/or services are expected; however, you should comment on your company's commitment to quality, quality standards and measurement techniques.

Management and Organization

In this section, you will introduce your company's key executives – those critical to the success of the business. Depending on the company, industry and stage of growth, the executive management team may include: the founder, Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer (a.k.a. Chief Information Officer), Chief Marketing Officer or anyone that will be a significant contributor to the company's success. Company ownership percentages, salaries and hiring timing estimates should also be provided.

- For ongoing companies, an objective assessment of each member of the current executive management team may be required. Changes to the team may be necessary.
- The financial community places a high degree of confidence in the capabilities and track records of the key executives. In some cases, a strong success-oriented executive management team will be the most critical factor in securing financing.
- Prepare an organization chart reflecting key executives and their organization responsibilities. A picture is worth 1,000 words.
- Your objective in the management and organization section is to instill a sense of confidence within the financial community.

Major Milestones

It is imperative to prepare a simple timeline chart with an emphasis on major activities, actual completion dates (for completed activities) and projected completion dates (for in-process and future activities). Major milestones can include: venture start-up, securing financial commitment(s), delivering first products and/or services, financial break-even point, new acquisitions and going public.

Legal Structure

Identify your company's current legal form of business and present any anticipated changes to the legal form as a result of securing financing. The choices include, but are not limited to: sole proprietorship, general partnership, limited liability partnership, limited liability company (LLC), S corporation and C corporation.

Capitalization Requirements

<u>This is where the rubber meets the road</u>. What do you need to fund your business?

Because of the significance of this section, you should consider working with professional financial and business advisors on the development of your capital requirements. It is very difficult to forecast future cash flow; therefore, when in doubt, over estimate your capital requirements.

Some key points to consider include:

- How much capital do you need?
- Does the capital you are requesting meet your projected cash flow needs?
- Have you included any provisions for future growth capital?
- Is the capital requirement consistent throughout the business plan?

The capitalization requirements section is backed-up by a variety of company financials, financial projections, statistics, and financial performance indicators in the Attachments section of the business plan.

Business Plan Attachments

The business plan is supported by a variety of documents that provide business plan details. The most common attachments include:

- Financials
- Executives Resumes
- Market Analysis
- Sales Projections

Introduction

Raising capital requires a significant commitment of time and effort. Most founders, owners and business executives find it very difficult to raise capital and run a demanding high-growth business at the same time. Rainmaker Consulting is focused on helping you find the capital you need to grow and expand your business. Working together, we can help you raise the capital your business needs.

Venture Capital

One of the most promising approaches to raising capital is through the venture capitalist. As the name implies, there is typically a high degree of risk, i.e., the venture. For this reason, the venture capitalist model is relatively simple to understand: the higher the risk of the specific investment, the more money the venture capitalist expects to get out of the deal. To secure venture capital, you will need a clear sense of where you are going with the company and in most cases, you will need a written business plan.

As your partner, the venture capitalist will probably take an active interest in your company's management, finances and operation. For some young companies and some entrepreneurs, the management and financial expertise provided by the venture capitalist will be greatly appreciated and may make the difference between success and failure.

To secure their position, venture capitalist will typically purchase equity securities and do not require a cash repayment schedule; however, keep in mind that the venture capitalist will want to cash-out eventually. The average venture backed start-up does not generate significant revenues during the first couple of years; therefore, you should discuss the venture capitalist's exit strategy and timing before you reach closure.

In consideration of their investment in your company, the venture capitalist will probably want 40% to 60% equity in your company. As your business advisors and financial intermediaries, Rainmaker will guide you through the venture capital process and help you find the venture capital you need.

All things considered, it is probably better to have a modest percentage in a financially successful company then to own 100% of a company that has failed to achieve its full potential.

Private Placement

Private placement financing may be your best method for raising capital if your company does not have a successful financial track record or if your company lacks the notoriety or an innovative idea that would attract a venture capitalist. Private placement can range from a simple arrangement to a complex transaction. A simple arrangement may consist of getting money from a relative in exchange for stock (ownership) in your company.

A complex transaction may involve high-net-worth individuals, investment bankers, public accounts, attorneys and state regulators. Whether you go simple or complex, you are trading stock (ownership) in your company for money; therefore, you should have a good idea of your company's value.

As a rule, private placement involves only a few investors and is used to raise a limited amount of capital, in short period of time, at a relative low cost. Unlike a commercial bank loan, you do not pay back the money, and if done correctly, you will not lose control of your company to outside investors. Another plus for private placement is that it does not require filing a registration statement with the SEC. This can save you significant time, money and effort. However, while the Securities Act of 1933 and the Small Business Investment Act of 1980 provided Federal exemptions, you may not be exempt from state registration requirements.

To secure private placement capital, you will need a clear sense of where you are going with the company. In almost every instance, you will need a written business plan. Private placement can be a viable alternative if you need to raise between $25,000 and $25 million. In some cases private placement capital is used to prepare and refine the company for a public offering. As your business advisors and financial intermediaries, Rainmaker will guide you through the private placement process and leverage our relationships with public accounting firms, law firms, investment bankers and underwriters, as necessary, to expedite closure.

Going Public

Going public is perhaps the most significant event in the evolution of any growing company. You will need a successful financial performance track record. In most cases, the investment community is looking for at least three years of sustained growth and net after tax profitability. There are exceptions. If you have the latest technology widget or something "really neat," you may get the attention of an underwriter and the investment community.

From a financial perspective, your company should have more than $1 million in annual net income with an annual projected growth rate of more than 25% per year. Remember, the investor is putting money into your company to make a profit, and they expect better than average financial performance.

There are many advantages to being a publicly traded company for instance:

- It can provide needed capital to grow and expand your company.
- You can use company stock to acquire other companies.
- Your employees compensation packages can contain stock incentives
- The image and recognition of your company will improve.
- For stockholders, increased net worth and liquidity are big advantages.

On the other hand, going public carries some disadvantages that include:

- Loss of privacy and control – you must comply with SEC reporting requirements.
- Additional management responsibilities for the Board of Directors.
- The costs of going public, and new costs associated with being a public company.

Before you go public you need to take into consideration the following:

- Is your business in order and do you have a business plan?
- Are your executives, managers and employees prepared to operate in a public company environment?
- Can your company's current infrastructure support the SEC's reporting requirements?
- Can you, your CFO or your investor relations manager maintain the confidence of the investment community?

The Initial Public Offering (IPO)

Rainmaker believes the IPO is the optimal goal of the high-growth company. It provides financing for business expansion and the drawbacks are of little concern to the well-run business. As your business advisors and financial intermediaries, Rainmaker will guide you through the IPO process and leverage our relationships with public accounting firms, law firms, investment bankers and underwriters to quickly move you to completion.

What Are the Federal Securities Laws?

In the chaotic securities markets of the 1920s, companies often sold stocks and bonds on the basis of glittering promises of fantastic profits – without disclosing any meaningful information to investors. These conditions contributed to the disastrous Stock Market Crash of 1929. In response, the U.S. Congress enacted the federal securities laws and created the Securities and Exchange Commission (SEC) to administer them.

The two primary sets of federal laws that come into play when a company wants to offer and sell its securities to the public are:

- The Securities Act of 1933 (Securities Act), and
- The Securities Exchange Act of 1934 (Exchange Act)

Securities Act

The Securities Act generally requires companies to give investors full disclosure of all material facts - facts investors would find important in making an investment decision. This Act also requires companies to file a registration statement with the SEC that includes pertinent information for investors. The SEC does not evaluate the merits of offerings, or determine if the securities offered are "good" investments. The SEC reviews registration statements and declares them "effective" if the company has satisfied all disclosure rules.

Exchange Act

The Exchange Act requires publicly held companies to disclose information about their business operations, financial conditions, and management. Public companies, and in many cases their officers, directors and significant shareholders, must file periodic reports or other disclosure documents with the SEC. In some cases, the company must deliver the information directly to investors.

Go Public?

When your company needs additional capital, "going public" may be the right choice. It is very important, however, to weigh your options carefully. If your company is in the very early stages of development, it may be better to seek loans from financial institutions. Other alternatives include raising money by selling securities in transactions that are exempt from the registration process.

There are benefits and new obligations that come from raising capital through a public offering registered with the SEC. While the benefits are attractive, be sure you are ready to assume these new obligations:

Benefits

- Your access to capital may increase
- Your company may become more widely known.
- You may obtain financing more easily in the future if investor interest in your company grows enough to sustain a secondary trading market in your securities.
- Controlling shareholders, such as the company's officers or directors, may have a ready market for their shares, which means that they can more easily sell their interests at retirement, for diversification, or for some other reason.
- Your company may be able to attract and retain more highly qualified personnel if it can offer stock options, bonuses, or other incentives with a known market value.
- The image of your company may be improved.

New Obligations

- You must continue to keep shareholders informed about the company's business operations, financial condition, and management, incurring additional costs and new legal obligations.
- You may be liable if you do not fulfill these new legal obligations.
- You may lose some flexibility in managing your company's affairs, particularly when shareholders must approve your actions.
- Your public offering will take time and money to accomplish.

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