



49 Technology Drive  
Bedford, NH 03110

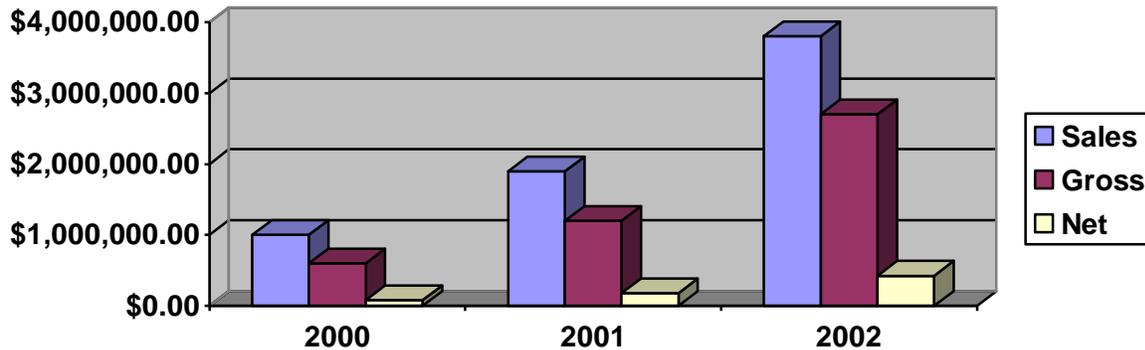
## **International Business Venture Plan**

### **I. Executive Summary**

Rigdon Emprise, Inc. is an engineering controls educational development company that intends to design, patent, and market engineering educational devices related to controls in international niche markets. One device has already been designed and one patent is initially incorporated. The company projects \$1.9 million in sales in 2001 and \$3.8 million in 2002. Patent applications on the first market entry have already been accomplished using a top patent law firm.

The goal is to take Rigdon Emprise, Inc. to the next level. Rigdon Emprise is a profitable S-corporation based in Bedford, New Hampshire. It has grown from a one-man consulting company started in 1996 to a \$1 million engineering controls educational company. The main product "Tune Tutor & Tools", is sold primarily through Internet and trade magazine advertising, and strategic distribution companies. Growth has come from patience, hard work, and quality of product and service.

## Rigdon Emprise Current Sales & Future Forecast



The company has never had outside investment. It has been financed by owner house equity, sweat equity, profits, and small bank lines of credit.

As we grow, we want to grow right. For example, we have to recognize the unique capital requirements of a successful niche product provider; our business is working-capital-intensive. We will always have to support two and three months' worth of sales as receivables, because that is the nature of the channels we deal with. Also, we need to build our management team correctly. We need the right people in the right place at the right time. We also need to develop our team so that our people can grow as the company grows.

Objectives:

- To increase sales to \$1.9 million in 2001 and \$3.8 million in 2002.
- To increase gross margin to 70% and net profit margin to more than 11%.
- To hold personnel to 1 full-time person for every \$250K in revenues.
- To maintain at least 30% market share of product "Tune Tutor & Tools".

### Keys To Success:

- Marketing power. We need to have our products remain highly visible with attractive advertising and enough marketing power to maintain a 30% or more market share.
- Product quality and customer satisfaction. Everything we sell is guaranteed, so the product has to do what we promise and well.
- Long-term customer satisfaction is critical to our survival.
- The right management team, with strong foundations in marketing, management, finance, and product development. Enough working capital to survive in the working-capital-intensive advertising and distribution channels.

Rigdon Emprise is a niche player in the engineering controls educational business, focusing on value-added products which are not widely or readily available in the United States or the international market. Our distributors and our customers have given us an opportunity to provide products beyond our present capability. We need to add equipment, increase our inventory, and establish marketing and support activities. We are seeking adequate capital to enable us to expand our operation and become a major factor in the production of educational products in both the industrial and academic markets, with an international focus. Our signature product “Tune Tutor & Tools” is unique in the sense that it provides a truly “hands-on approach” to controls education. While it is our goal to continue inventing new and innovative products, our market research shows that the demand for this product alone justifies the expansion of our facilities.

## **II. Mission Statement**

The mission of Rigdon Emprise, Inc. is to design, develop, and market new patented educational tool technologies in the engineering controls device field. The technologies will fill market niches that each account for millions of dollars in potential sales. Each technology will fill a current need in teaching engineering control procedures by improving upon an existing technology or device, or by designing a device to serve an educational need that is clearly defined and acknowledged by engineering professionals. Each product shall be priced to appeal to these niche markets.

## **III. Company Information**

### Summary:

Rigdon Emprise, Inc. was founded in 1996 by Gerald T. Rigdon to market his “Tune Tutor & Tools” product. It was originally installed in a home office, but moved into its present location in 2001.

### Ownership:

Rigdon Emprise, Inc. is now a subchapter S Corporation owned entirely by founder Gerald Rigdon and his wife Mari Rigdon. It elected to go subchapter S at the beginning of the 1997 tax year, after having previously been subchapter C from its founding until then. Its fiscal year is the calendar year. The Florida corporation was established with 100 shares issued, 51 to Gerald Rigdon and 49 to Mari Rigdon.

## History:

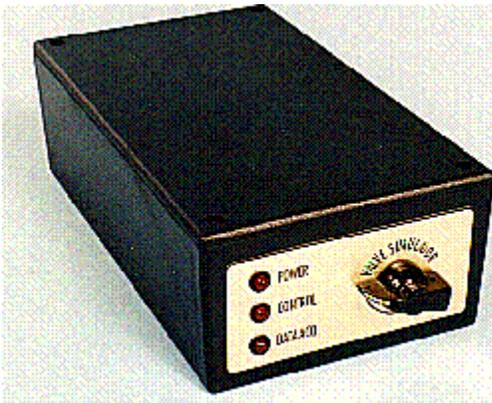
For most of its existence, this was a one-man consulting company supporting a product company. It kept a very conservative stance on products, advertising with very slim budgets, with marketing depending mainly on published reviews and direct sales, until the market grew. In 1998, Rigdon Emprise introduced a new, break-through educational Product “Tune Tutor & Tools”, that was the first effective PID control educational toolkit packaged along with hardware for a “hands-on approach” to control loop training.

## Location:

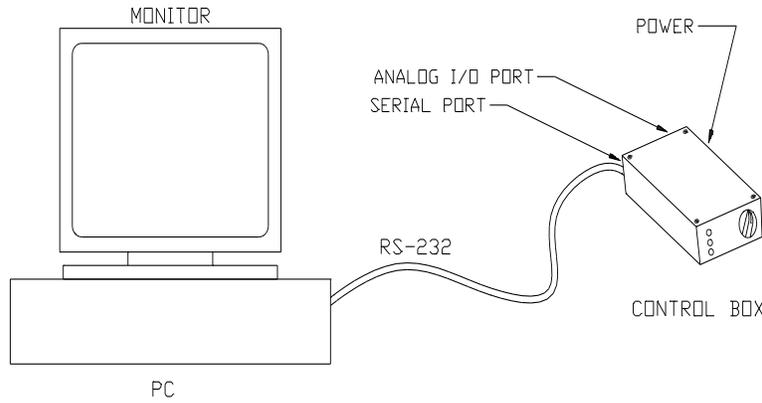
The company is located in Bedford, New Hampshire with offices at 49 Technology Drive. The company was started in a home office in Florida, and recently moved to the present location in 2001. Currently, the company rents 1,200 square feet for \$2,800 per month.

## IV. Product Description

### TT&T Hardware Module (Control Box)



1. It consists of a PID Control Loop Tutorial and Simulator



As shown in Figure 1, a PID simulator is available in the form of a hardware module that attaches to a PC serial port. The hardware module simulates a control loop by using a dc motor and a potentiometer connected via a pulley-belt system.

Figure 1

The software is designed to run on a host PC under the Windows operating system and consists of user friendly mouse driven pull-down menus with extensive use of graphical illustrations. The software contains a built-in PID tutorial which uses easy to understand terminology and graphics to introduce the concepts of PID control as well as a glossary of PID control terminology for quick review purposes.

The PID control output drives the dc motor which turns the potentiometer to provide feedback for the simulated control loop. Also, a knob attached to the potentiometer shaft is located in the front of the hardware module to indicate the movement of the motor and is intended to demonstrate how a control valve would open and close to achieve a process control set point. This approach was chosen above a “software only” simulator to provide

something physical for a more “hands-on” means to convey tuning concepts. The PC software communicates with powerful software embedded in the hardware module to allow the user to experiment with different operating parameters to see their effects in a control loop. The visual effects are demonstrated by means of a real-time graph on the host PC which shows the process or controlled variable in relation to the set point. The host PC software also provides formulas and detailed instructions on how to perform both open and closed-loop tuning, as well as options to simulate control loop problem areas such as disturbances, valve hysteresis, and dead time. All of this is intended to teach control through use and experimentation.

## *2. It is a Real PID Controller*

In addition to being a simulator, the hardware module can also be used to control an external real world process. This is accomplished by the powerful host PC software and the Analog I/O port located in the back of the hardware module. The Analog I/O port is a nine pin male connector that provides a control signal output and allows a control signal feedback via pins 6-9 of the I/O connector. The control signal output can be configured in either voltage or current mode to output 0-10 volts or 4-20 ma, and the control feedback is expected as a 0-10 volt signal, which can be calibrated to fit the control loop operating parameters. The signal feedback is graphed on the host PC and takes the place of a chart recorder thus eliminating the need for additional external hardware.

### 3. It consists of PID Software Library Tools

This feature is intended to assist the user in developing custom PID software. Instead of having to start from scratch, control programs can be developed quickly using the PID software library which contains C language compatible functions that provide the calculated PID control output signal in digital format. Extensive documentation is provided so that the user can determine what parameters need to be given to the library routines so that the PID output can be returned with accuracy. The libraries are compatible with Microsoft C, Borland C, and Watcom C compilers.

As a bonus, the libraries also contain serial port routines that allow PC interface with the hardware module. To the delight of the programmer, he can test his custom PID software by using the hardware module simulator as a test bed. Thus, the programmer will have the ability to both create and test his PID software with these powerful tools. Example source code C language software is also provided to assist in facilitating the development process.

### 4. It is a Data Acquisition System

The hardware module Analog I/O 9 pin male connector pins 1-5 provide a means for acquiring 4 channels of 0-10 volt input. Data is sampled via a 12 bit A/D converter in the hardware module at 10 Kilohertz and averaged data is sent to the host PC via the serial port at 18 Hertz. All channels of analog input can be graphed simultaneously on the host PC and data logged for future use. All data that is logged can be retrieved and graphed to show historical trends. This includes the feature of graphing in point, mean, and standard

deviation format for statistical purposes. The data log file can be easily imported into other spreadsheets if desired, and all logged data that is graphed can be printed for hardcopy output.

#### Future Products:

The most important factor in developing future products is market need. Our understanding of the needs of our target market segment is one of our competitive advantages. It is critical to our effort to develop the right new products. We also have what we call a "core product engine" that we own, and should be the foundation of future products.

### **V. Industry Analysis**

The software industry is frequently segmented according to product type. The important division between designs and systems software is only the beginning. Some analysts split software into leverages, types of designs, and so on, ad infinitum. We prefer segmentation by economics and buying patterns. This incorporates some of the product type differences, but in a more practical sense:

- OEM software Development: software sold through others. A lot of systems software and communications software are sold by hardware manufacturers or bundled together into packages. The economic model is like custom consulting or engineering; buying decisions are major events, made by committee, covering significant amounts for significant lengths of time.

- Mainline packaged software: software sold at \$50-\$700 through direct sales to large buyers, direct response via advertising or direct mail promotion, catalogs, and retail stores. Whether it's systems or design software, the economic model is essentially the same. It's an industry still settling down to realistic prices.
- Specialty or vertical market software: sold outside the main software channels with careful target marketing, often through trade shows and magazines.

Another useful segmentation divides the market by the various buyer / user types:

- Small business: some 10 million businesses in the United States alone, plus several million professionals and home offices in the U.S. and abroad. Companies may be segmented by revenues, employee size, or some other category. The division between small business and large business is more a matter of buying patterns and product needs than a specific division between categories.
- Large business: The key distinctions between large and small business include:
  - Product needs: large business needs are much more complex.
  - Buying patterns: large business demands different channels.
- K-12: elementary and middle schools.
- Higher education: universities, colleges, teacher training, junior colleges, etc.

## **VI. Strategy and Implementation Summary**

Our sales strategy is outlined below in two phases.

- Phase One is to accommodate our existing customers and to make sure that current orders and subsequent orders are maintained.

- Phase Two will commence when our facilities are expanded. We will then be able to accept new customers and contact companies who have shown interest in our products and be able to accommodate their orders. We plan to hire high-quality sales persons to assist in defining our international marketing program.

Our strategy is based on serving niche markets well:

- What begins as a customized version of a standard product, tailored to the needs of a local business, can eventually become a niche product that will fit the needs of similar businesses across the country and across the world.
- We are building our marketing infrastructure so that we can eventually reach specific kinds of businesses across broad geographic lines.
- We focus on satisfying the needs of small and medium business.

Strategy Pyramids:

Our main strategy is to position ourselves at the top of the quality scale, featuring our combination of superb hardware technology and fine old-fashioned programming, for the buyer who wants the best quality regardless of price. Tactics underneath that strategy include research and development related to new designs and new technology, choosing the right channels of distribution, and communicating our quality position to the market. Programs mainly include new design programs, new equipment to keep up with design, channel development, channel marketing programs, our direct sales, and our continued presence in high-end catalog channels.

## **VII. Marketing**

One important trend is the one toward greater international sales in personal computing products. Although the U.S. market is still the biggest, all the major manufacturers are recording more gains in the non-U.S. market than in the U.S. market. This is true for the main CPU lines, and related lines including peripherals, software, and accessories. Another important trend is the one toward greater use of specialized and focused consultants, instead of in-house resources. Companies are looking for more out-sourcing and, in general, a preference for variable costs instead of fixed costs.

### **Market Growth:**

The market for non-U.S. personal computers has been growing at approximately 22 percent per year during the last three years, according to a study by InfoQuest published in the Wall Street Journal in late 2000. This level of growth presumably applies to related products as well. It is considerably higher than growth in the U.S. market. It is harder to gauge the more important growth rate, which would be the growth in specialty international marketing consulting. Bill Phillips, an expert in marketing-related consulting, estimated the growth in focused marketing consulting at 40 percent per year, according to a report published in the San Jose Chronicle. In our market analysis, we suggest growth in the number of potential customers between 6 and 7 percent per year.

### **Marketing Strategy:**

Our marketing strategy emphasizes focus. This is the key. We are a small company with limited resources, so we must focus on certain kinds of products with certain kinds of

users. More specifically, we focus on the kind of product quality that produces good, quotable reviews, which can then generate sales at the retail level. We must always have a relatively heavy PR component to our marketing, because reviews are critical. Gerald Rigdon has always been active in maintaining personal relationships with the key writers in the field, which is easier for him than for his counterparts because his background includes years in journalism. He is very involved in our relationship with the trade and business press.

#### Strategic Alliances:

- Product development: the emphasis in this plan is getting products developed and into the market, especially the new versions of “Tune Tutor & Tools”.
- Marketing: we need to watch sell-through and performance very carefully, to measure the results of our 2000 marketing push. Our first sales review seems to indicate a successful launch, but we need to keep watching.
- Finance: we are also looking to enhance our capital structure and management team.

#### Marketing Objectives:

- We need to establish ourselves as experts. This means being quoted in major trade press, speaking at industry events, and gaining recognition. Our measurable and specific objective is to be introduced in three major events as established experts in the field of international market entry.

- We need brand-name reference customers. By the end of this year, we need three major brand names we can cite as customers. We need to be able to reference by name and contact phone number.
- We need customers in each of three main regions. United States and Europe for sure, and also either Latin America or Asia.

#### Services Offered:

The service itself is a key component to our marketing mix. Our service should be our best advertisement. In this case even more so than with many other similar businesses, because when we specialize on channels for international product marketing it means we develop contacts with people who can recommend our products. We need to fulfill the promise we make; we take a product across national boundaries into new markets, explore channels, guide our customer through the maze, and establish the relationships the customer needs. This is a very focused deliverable.

#### Promotion:

Our 3 key areas for promotion are as follows:

1. Getting recognized and quoted as experts.
2. Word of mouth and reference sites. This goes back to our core value, the importance of a quality product.
3. The Internet. We need to dominate the Internet, search terms, placement in searchers, etc.

Further Marketing Research:

We need to cover two main elements of market research:

1. Manufacturers - We need to know the market of manufacturers in all target continents, including market trends and developments related to manufacturers of personal computers, peripherals, connectivity and Internet, and software.
2. Channel marketing - We need to know the trends in channel competition, emergence of new channels, economics, major competitors, new technologies, and major players in all target continents.

At this stage of our development, our research is mainly secondary research generated by keeping up with the media, including trade press and the Internet. We should quickly establish a strong filing system so that we can use the information that appears in secondary sources and catalog and organize for effective use later on.

### **VIII. Organizational Structure**

Gerald Rigdon, President, is responsible for overall business management. Our managers of finance, marketing, and sales report directly to Gerald. Jim Dattalo, programmer, is responsible for product design and development. As co-owners, Gerald and Mari jointly develop business strategy and long-term plans. Gerald is strong on product know-how and technology, and Mari is strong on management and business know-how.

Management Team:

- Gerald Rigdon: President and founder. Gerald worked for 11 years in designing software / hardware systems for process control instrumentation before founding

Rigdon Emprise. MBA with honors from Regis University, BSCS magna cum laude from Regents College University of New York. Thirty seven years old, married, two children.

- Mari Rigdon: Consultant, general manager. BA in Business Administration, University of Florida.
- Bill Calhoun: On board of directors. Well-known and respected public relations and advertising consultant.
- Richard Smith: Attorney and secretary of board. Founding attorney of Smith and Fish, Inc., and other start-ups.
- Karen Jones: Marketing Coordinator. 25 years old. BA in Marketing from the University of Indiana.

#### Management Team Gaps:

- The present team is very weak on professional sales.
- The present team, though strong on how to market at a high level, is short on practical front-line marketing experience.
- Product development requires a stable of entrepreneurial inventors willing to work for royalties.

#### Personnel Plan:

Compensation includes complete HMO health care for the employee and all dependents, plus a dental plan, plus a 401K with generous profit sharing, plus two weeks of vacations.

The atmosphere at work is enhanced by team building activities including skiing, roller

skating, pizza parties, etc. We do expect to increase personnel significantly as sales increase.

<b>Personnel Plan</b>			
	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Production Personnel</b>			
Technical support Mgr.			
Technical Support			
Other			
Other			
<b>Subtotal</b>	<b>\$33,300</b>	<b>\$62,000</b>	<b>\$91,000</b>
<b>Sales and Marketing Personnel</b>			
Marketing Manager			
Name or title			
Name or title			
Other			
<b>Subtotal</b>	<b>\$48,000</b>	<b>\$53,000</b>	<b>\$58,000</b>
<b>General and Administrative Personnel</b>			
President			
Office Mgmt			
Name or title			
Other			
<b>Subtotal</b>	<b>\$90,000</b>	<b>\$99,000</b>	<b>\$109,000</b>
<b>Other Personnel Development</b>			
Name or title			
Name or title			
Other			
<b>Subtotal</b>	<b>\$30,300</b>	<b>\$50,000</b>	<b>\$100,000</b>
<b>Total Headcount</b>			
<b>Total Payroll</b>	<b>\$201,600</b>	<b>\$264,000</b>	<b>\$358,000</b>
<b>Payroll Burden</b>	<b>\$19,656</b>	<b>\$25,740</b>	<b>\$34,905</b>
<b>Total Payroll Expenditures</b>	<b>\$221,256</b>	<b>\$289,740</b>	<b>\$392,905</b>

## **IX. Financial Plan**

Ideally, we would want to bring in as much as \$1 million of equity investment from investors compatible with our growth plan, management style, and vision, in return for some equity ownership. We are not going to talk about specifics of a deal until we have met the right partners. We want compatible investors or no investors at all. Compatibility means:

1. A fundamental respect for giving our customers value, and for maintaining a healthy and happy workplace.
2. Respect for realistic forecasts, and conservative cash flow and financial management.
3. Cash flow as first priority, growth second, profits third.
4. Willingness to follow the company carefully and contribute valuable input to strategy and implementation decisions.

Of these, only the last two are flexible. We want to establish a mechanism for employees to acquire fair stock options that can become valuable as the company grows.

### **Important Assumptions:**

The financial plan depends on important assumptions, most of which are shown in the following table. The key underlying assumptions are:

- We assume a slow-growth economy, without major recession.
- We assume of course that there are no unforeseen changes in technology to make products immediately obsolete.

- We assume access to equity capital and financing sufficient to maintain our financial plan as shown in the tables.

<b>General Assumptions</b>			
	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Short-term Interest Rate %</b>	10.50%	10.50%	10.50%
<b>Long-term Interest Rate %</b>	11.00%	11.00%	11.00%
<b>Payment Days Estimator</b>	40	40	40
<b>Collection Days Estimator</b>	75	75	75
<b>Inventory Turnover Estimator</b>	7.00	7.00	7.00
<b>Tax Rate %</b>	25.00%	25.00%	25.00%
<b>Expenses in Cash %</b>	10.00%	10.00%	10.00%
<b>Sales on Credit %</b>	60.00%	60.00%	60.00%
<b>Personnel Burden %</b>	9.75%	9.75%	9.75%

#### Break-even Analysis:

Our break-even analysis is based on our cost and price structure at present. As we grow, the fixed costs will grow in proportion to our employee numbers.

<b>Break-even Analysis:</b>	
<b>Monthly Units Break-even</b>	520
<b>Monthly Sales Break-even</b>	\$29,019
<b>Assumptions:</b>	
<b>Average Per-Unit Revenue</b>	\$55.78
<b>Average Per-Unit Variable Cost</b>	\$7.73
<b>Estimated Monthly Fixed Cost</b>	\$25,000

#### Projected Profit & Loss:

The following table shows that we expect to maintain gross margin but increase net profit margin during the next two years. The single most important factor in the improving profit margin is the economies of scale in our general and administrative expenses. These expenses should decline as a percentage of sales, from more than 15 percent of sales in 2000 to less than 9% in 2001.

We don't expect to decrease sales and marketing expenses as a percent of sales. The packaged educational hardware / software business requires heavy marketing expenses. We also intend to maintain and increase the percent of revenue spent on development. By 2002 we'll be spending almost 7% of sales on product development. This is the key to our future. The bottom line should increase from 5% to about 10% on sales by 2002. The following table shows just the annual numbers.

<b>Profit and Loss (Income Statement)</b>			
	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Sales</b>	\$1,032,920	\$1,975,500	\$3,852,000
<b>Direct Cost of Sales</b>	\$143,051	\$305,468	\$564,060
<b>Production Payroll</b>	\$33,300	\$62,000	\$91,000
<b>Freight</b>	\$20,547	\$29,000	\$33,800
<b>Fulfillment</b>	\$20,333	\$17,578	\$19,064
<b>Royalties</b>	\$103,292	\$197,550	\$385,200
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<b>Total Cost of Sales</b>	\$320,522	\$611,596	\$1,093,124
<b>Gross Margin</b>	<b>\$712,398</b>	<b>\$1,363,905</b>	<b>\$2,758,876</b>
<b>Gross Margin %</b>	68.97%	69.04%	71.62%
<b>Operating expenses:</b>			
<b>Sales and Marketing Expenses</b>			
<b>Sales and Marketing Payroll</b>	\$48,000	\$53,000	\$58,000
<b>Advertising</b>	\$210,000	\$400,000	\$770,000
<b>Sales commissions</b>	\$61,975	\$118,530	\$231,120
<b>Graphics and collateral's</b>	\$35,000	\$70,000	\$140,000
<b>Printing</b>	\$28,700	\$57,000	\$114,000
<b>Public relations</b>	\$14,400	\$29,000	\$58,000
<b>Research</b>	\$2,000	\$4,000	\$8,000
<b>Tollfree Telephone</b>	\$6,000	\$12,000	\$24,000
<b>Trade Shows and Events</b>	\$6,000	\$12,000	\$24,000
<b>Meals</b>	\$4,300	\$9,000	\$18,000
<b>Travel</b>	\$12,800	\$26,000	\$52,000
<b>Miscellaneous</b>	\$12,000	\$24,000	\$48,000
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<b>Total Sales and Marketing Expenses</b>	<b>\$441,175</b>	<b>\$814,530</b>	<b>\$1,545,120</b>
<b>Sales and Marketing %</b>	42.71%	41.23%	40.11%
<b>General and Administrative Expenses</b>			
<b>General and Administrative Payroll</b>	\$90,000	\$99,000	\$109,000
<b>Payroll Burden</b>	\$19,656	\$25,740	\$34,905
<b>Depreciation</b>	\$1,000	\$1,250	\$1,563

Online services	\$3,600	\$4,500	\$5,625
Contributions	\$300	\$375	\$469
Dues and subscriptions	\$600	\$750	\$938
Insurance	\$6,000	\$7,500	\$9,375
Maintenance and repairs	\$1,800	\$2,250	\$2,813
Office supplies	\$1,200	\$1,500	\$1,875
Postage	\$2,400	\$3,000	\$3,750
Professional fees	\$6,000	\$7,500	\$9,375
Telephone	\$9,000	\$11,250	\$14,063
Rent	\$10,800	\$13,500	\$16,875
Other	\$3,000	\$3,750	\$4,688
<b>Total General and Administrative Expenses</b>	<b>\$155,356</b>	<b>\$181,865</b>	<b>\$215,311</b>
<b>General and Administrative %</b>	<b>15.04%</b>	<b>9.21%</b>	<b>5.59%</b>
<b>Other Expenses</b>			
Other Payroll	\$30,300	\$50,000	\$100,000
Product Development	\$1,200	\$15,000	\$100,000
<b>Total Other Expenses</b>	<b>\$31,500</b>	<b>\$65,000</b>	<b>\$200,000</b>
<b>Other %</b>	<b>3.05%</b>	<b>3.29%</b>	<b>5.19%</b>
<b>Total Operating Expenses</b>	<b>\$628,031</b>	<b>\$1,061,395</b>	<b>\$1,960,431</b>
<b>Profit Before Interest and Taxes</b>	<b>\$84,367</b>	<b>\$302,510</b>	<b>\$798,445</b>
Interest Expense Short-term	\$1,820	\$245	\$245
Interest Expense Long-term	\$0	\$0	\$0
Taxes Incurred	\$20,637	\$75,566	\$199,550
Extraordinary Items	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$61,910</b>	<b>\$226,698</b>	<b>\$598,650</b>
<b>Net Profit/Sales</b>	<b>5.99%</b>	<b>11.48%</b>	<b>15.54%</b>

#### Projected Cash Flow:

The following chart is most important for illustrating our cash projections for the next 12 months. Because of our dependence on sales through channels, and the channels' tendency to pay slow, there are wide variations that must be supported with working capital acquired through short-term credit on receivables and inventory.

<b>Pro-Forma Cash Flow</b>			
	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Net Profit</b>	\$61,910	\$226,698	\$598,650
<b>Plus:</b>			
<b>Depreciation</b>	\$1,000	\$1,250	\$1,563
<b>Change in Accounts Payable</b>	\$3,978	\$93,439	\$127,504
<b>Current Borrowing (repayment)</b>	(\$20,000)	\$0	\$0
<b>Increase (decrease) Other Liabilities</b>	(\$9,487)	\$0	\$0
<b>Long-term Borrowing (repayment)</b>	\$0	\$0	\$0
<b>Capital Input</b>	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$37,401</b>	<b>\$321,387</b>	<b>\$727,716</b>
<b>Less:</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b>Change in Accounts Receivable</b>	(\$10,187)	\$103,910	\$206,866
<b>Change in Inventory</b>	(\$20,323)	(\$390)	(\$615)
<b>Change in Other Short-term Assets</b>	\$0	\$0	\$0
<b>Capital Expenditure</b>	\$0	\$50,000	\$100,000
<b>Dividends</b>	\$0	\$0	\$0
<b>Subtotal</b>	<b>(\$30,510)</b>	<b>\$153,521</b>	<b>\$306,251</b>
<b>Net Cash Flow</b>	<b>\$67,911</b>	<b>\$167,867</b>	<b>\$421,465</b>
<b>Cash Balance</b>	<b>\$68,536</b>	<b>\$236,403</b>	<b>\$657,868</b>

Projected Balance Sheet:

This table shows the annual balance sheet results, with a healthy projected increase in corporate net worth.

<b>Pro-forma Balance Sheet</b>			
<b>Assets</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Short-term Assets</b>			
<b>Cash</b>	\$68,536	\$236,403	\$657,868
<b>Accounts Receivable</b>	\$113,870	\$217,780	\$424,646
<b>Inventory</b>	\$8,299	\$7,910	\$7,295
<b>Other Short-term Assets</b>	\$431	\$431	\$431
<b>Total Short-term Assets</b>	<b>\$191,136</b>	<b>\$462,523</b>	<b>\$1,090,239</b>
<b>Long-term Assets</b>			
<b>Capital Assets</b>	\$35,577	\$85,577	\$185,577
<b>Accumulated Depreciation</b>	\$25,247	\$26,497	\$28,060
<b>Total Long-term Assets</b>	<b>\$10,330</b>	<b>\$59,080</b>	<b>\$157,518</b>

<b>Total Assets</b>	<b>\$201,466</b>	<b>\$521,604</b>	<b>\$1,247,757</b>
<b>Liabilities and Capital</b>			
	<b>1998</b>	<b>1999</b>	<b>2000</b>
Accounts Payable	\$40,535	\$133,974	\$261,478
Short-term Notes	\$2,336	\$2,336	\$2,336
Other Short-term Liabilities	\$16,040	\$16,040	\$16,040
<b>Subtotal Short-term Liabilities</b>	<b>\$58,911</b>	<b>\$152,350</b>	<b>\$279,853</b>
Long-term Liabilities	\$0	\$0	\$0
<b>Total Liabilities</b>	<b>\$58,911</b>	<b>\$152,350</b>	<b>\$279,853</b>
Paid in Capital	\$76,960	\$76,960	\$76,960
Retained Earnings	\$3,686	\$65,596	\$292,294
Earnings	\$61,910	\$226,698	\$598,650
<b>Total Capital</b>	<b>\$142,556</b>	<b>\$369,254</b>	<b>\$967,904</b>
<b>Total Liabilities and Capital</b>	<b>\$201,466</b>	<b>\$521,604</b>	<b>\$1,247,757</b>
<b>Net Worth</b>	<b>\$142,556</b>	<b>\$369,254</b>	<b>\$967,904</b>

#### Business Ratios:

Standard business ratios are included in the following table. The ratios show a plan for balanced healthy growth. One of the more important indicators is the increase in working capital, which is critical to our channel sales strategy and our financial health.

The ratios for collection days and inventory turnover are different than the ones in the assumptions table, because those are used as estimators to project balance sheet items for every month, while the ratios shown in this table are calculated on annual basis, using the same formulas used by our accountants, after the fact.

<b>Ratio Analysis</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Industry Profile</b>
<b>Sales Growth</b>	148.59%	191.25%	194.99%	0.00%
<b>Percent of Total Assets</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Industry</b>

				Profile
Accounts Receivable	56.52%	41.75%	34.03%	0.00%
Inventory	4.12%	1.52%	0.58%	0.00%
Other Short-term Assets	0.21%	0.08%	0.03%	100.00%
Total Short-term Assets	94.87%	88.67%	87.38%	100.00%
Long-term Assets	5.13%	11.33%	12.62%	0.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
Other Short-term Liabilities	7.96%	3.08%	1.29%	0.00%
Subtotal Short-term Liabilities	29.24%	29.21%	22.43%	0.00%
Long-term Liabilities	0.00%	0.00%	0.00%	0.00%
Total Liabilities	29.24%	29.21%	22.43%	0.00%
Net Worth	70.76%	70.79%	77.57%	100.00%
Percent of Sales	2000	2001	2002	Industry Profile
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	68.97%	69.04%	71.62%	0.00%
Selling, General & Administrative Expenses	62.98%	57.57%	56.08%	0.00%
Advertising Expenses	20.33%	20.25%	19.99%	0.00%
Profit Before Interest and Taxes	8.17%	15.31%	20.73%	0.00%
Ratios	2000	2001	2002	Industry Profile
Current	3.24	3.04	3.90	0.00
Quick	3.10	2.98	3.87	0.00
Total Debt to Total Assets	29.24%	29.21%	22.43%	0.00%
Pre-Tax Return on Net Worth	60.46%	81.99%	82.52%	0.00%
Pre-Tax Return on Assets	42.78%	58.04%	64.01%	0.00%

## X. Social Factors

Among many business people, there is the common belief that "Business is business wherever you are." Yet, our corporate philosophy is that it is more accurate to say "Business is different wherever you are, and there are bottom line costs to ignoring the differences." Cultural gaffes and blunders often lead to broken deals and lost opportunities. Unfortunately, in the world of international business American companies

in particular fail to focus adequate attention on the areas of cross-cultural and language training. This is a surprise, considering other countries' dedication to education in general and America's long experience in international business.

Global competition is too great to "wing it" when you go abroad. Savvy business people learn about the specific cultural differences for each country where they do business. Thus, at Rigdon Emprise our goal is to implement effective cross-cultural and language training which are essential building blocks in educational programs that create success in international business.

## **XI. SWOT Analysis**

The SWOT analysis covers strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are generally internal attributes, which we can address by changing our business. Opportunities and threats are generally external. Overall, the mix is exciting. We live in an age of growth, change, and business revolution. The Internet offers us opportunities and threats. We need to make our dealing with it one of our biggest strengths, to minimize our weaknesses.

Strengths:

- *Expertise* - All of our principals know this area very well. Our experience and expertise is better than anybody we know of in this particular niche area.
- *Communications technologies* - We have an excellent website, secure File Transfer Protocol (FTP) facilities with password protection for sending and receiving documents from clients, major bandwidth, and an automatic link to

training allies to help clients come up to speed with the products and services we offer. We can even hold Internet meetings with shared interface and visuals.

- *Contacts* - Years of industry experience means a lot of word-of-mouth marketing, contacts, and networking.

#### Weaknesses:

- *Marketing* - As a group, we are good at the direct sales involved in making a close, but we don't have the resources required to do much general marketing.
- *Staff* - Without the overhead of staff, we can't leverage on people to develop documents and presentations, research in detail, and fill in the blanks.
- *Brand* - We are a new entity, we can be perceived as an innovative -- and therefore risky -- choice.

#### Opportunities:

- *Internet growth* - Companies are being dragged into worldwide marketing, like it or not. Growth rates are very high, opportunities are obvious.
- *International market growth* - Europe and Latin America are booming. Asia has suffered a bit but is recovering. Manufacturers are anxious to take their new technologies across borders.

#### Threats:

- *The Internet is a threat as well as an opportunity* - Our expertise is about crossing borders, managing multiple markets, and the problems we solve are being reduced in importance by the growing availability of information. Specific example:

software companies used to charge huge premiums for software available in the different smaller markets, but their potential customers are now much more likely to see available prices elsewhere and buy over the net.

- *Niche recognition* - The larger, branded competition may recognize our niche. They may begin to compete in our area.
- *New competitors are developing in new markets* - Particularly as the European market grows, competitors developing in that area become more significant.

## **XII. Business Principles**

The following is our business and technology managers' checklist for a long-term successful business:

- View the organization as a human community capable of providing diverse meanings to information outputs generated by the technological systems, instead of the traditional emphasis on command and control.
- De-emphasize the adherence to the "way things have always been done" so that such prevailing practices may be continuously assessed from multiple perspectives for their alignment with the dynamically changing external environment.
- Encourage diverse viewpoints by avoiding premature consensus on issues that need deeper analysis of underlying assumptions. Often, viewpoints of persons with differing backgrounds and expertise can provide a much broader focus that is essential for completely grasping the essence of the core issues, particularly when

the changing context demands a fresh look at what was yesterday defined as a "benchmark" or a "best practice."

- Encourage greater proactive involvement of human imagination and creativity to facilitate greater internal diversity to match the variety and complexity of the environment.
- Give more explicit recognition to tacit knowledge and related human aspects, such as ideals, values, or emotions, for developing a richer conceptualization of knowledge management.
- Implement new, flexible technologies and systems that support and enable communities of practice, informal and semi-informal networks of internal employees and external individuals based on shared concerns and interests.
- Make the organizational information base accessible to organization members who are closer to the action, while simultaneously ensuring that they have the skills and authority to execute decisive responses to changing conditions.