

PofR Questionnaire and “5 Most Important Questions”

“5-Questions” is part of a work and operating process design tool called GateKeeper™, which inspired John Deere Credit and PaineWebber to provide tens of millions of dollars of cash and securities and to become engaged with a total start-up. When we meet I will share a sample of an actual GateKeeper™ schematic corporate map. Deere called the process behind this diagram a “map to success.” The process works for both new and well-established companies.

The GateKeeper™ process starts with a simple interview of every employee; from the CEO to the person on the loading dock.

On the next page four questions are asked of each employee about themselves *and* about their organization. The fifth one is about just the organization itself. Experience teaches that, if you want to rapidly and accurately identify both the problem and the solution, in any company, the best information comes not from an army of expensive outside consultants but from *the people who actually do the work*.

Some of the answers are truly enlightening. There is often a major disconnect between what *you* think the challenge is and what your employees perceive it to be, and what to do about it.

Point-of-Reference’s Business Planning Process

In a nutshell, Point-of-Reference’s principal business planning philosophy and the manner in which it approaches any project, workout or turnaround can be summed up as follows:

1. Identify your business opportunity’s *critical success factors* (i.e., what you need to do for the venture to be successful);
2. Determine how your organization *processes information*. The best way to understand a business or complex system (or even a living organism) is to understand how it processes information;
3. Identify its *driving economic factors* (i.e., what is the financial environment in which you must operate and what will affect your business);
4. Find the *people* who can satisfy those factors; and
5. Simultaneously create a *business model and corporate structure that rewards them* for doing so.

The attached Questionnaire will help you accomplish all of the above.

P-of-R INFORMATION QUESTIONNAIRE

(Portions of Part I were excerpted from JOSEPH MANCUSO's book:
"How to Prepare and Present a Business Plan")

This two-part questionnaire is to be used as background for the development of a business plan and financing document. Not all questions may apply to your organization. If a question does not apply, please mark it "N/A", signifying thereby that it was not overlooked.

Do not be overly concerned about the detail associated with this exercise. Upon your request, a P-of-R Advisor will gladly guide you through each question.

"Part I" asks basic details needed to define your Company or venture either **as it is** or **as you envision it to be**. "Part II" helps incorporate those details into a narrative description, which will then be employed to review or develop your business plan and related financing documents.

Each key executive should respond to # 8: "The 5 Most Important questions." One person can fill out the rest, but ALL should review and sign off.

IMPORTANT: Please type in your answers **directly below** each question. Make the font **blue** or some **other distinguishing color**. Please use Microsoft Word but please **DO NOT use Microsoft Word's "Tracking Changes" tool**.

PART I

Operational and Financing Analysis

1. What is the present name of the company?
2. Is the company a corporation, partnership, sole proprietorship or Limited Liability Company?
3. If the company is a corporation, please set forth the date and state of incorporation.
4. Please furnish the names of the persons who formed the company.
5. Was the company originally organized as a corporation, partnership, or sole proprietorship?
6. Please furnish the names of the initial shareholders and/or providers (present or contemplated) of funds (debt and equity) of the company. Supply dates of each sale of securities, number of shares issued and what the means as a percentage of total equity, and the consideration received for the shares. If no cash consideration was received, indicate the dollar value ascribed to each consideration.
7. Please describe the nature of the company's business. Has the nature of the company's business changed or evolved since its inception? Is it intended to place future emphasis on different areas?
8. **The 5 Most Important Questions:**

Please answer each in 100 words or less

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| 1. What do you do? | 1. What does your organization do? |
| 2. Why do you do it? | 2. Why does it do it? |
| 3. How do you do it? | 3. How does your organization do it? |
| 4. Why do you do it that way? | 4. Why does it do it that way? |
| 5. How does your organization process information? | |

More than Answers or Money: a Better Way

9. What is the nature, size, scope (e.g. geographical, vertical, horizontal etc.) and potential of the market(s) you intend to serve? Please list any unusual characteristics, or limitations. What is the "pain that a prospective customer is experiencing currently?"
10. Does the company conduct business under names other than its own? If so, please set forth the names and places where they are used.
11. Does the company utilize any trademarks or trade names? If so, submit copies.
12. What geographical area does the company serve? Are there any limitations on what markets can be reached; e.g., freight, duties, service, maintenance, patent licenses, tariffs, government regulations, qualification or registration requirements, etc.? Does the company intend to enlarge its present areas of distribution or service?
13. Please describe the major products or services of the company.
14. In which states and/or countries other than its state of incorporation is the company licensed or qualified to do business?
15. Please furnish a listing plus a physical description of all offices, plants, laboratories, warehouses, stores, outlets, studios, or other facilities (include size of plot, square footage of enclosed space, etc.).
16. Please describe the method or methods of distribution and sales, including current or prospective distribution channels and **written selling and marketing plans**. Please provide your Website address or plan for a Website. If any contractual arrangements are involved, please describe and/or furnish copies.
17. Please list and describe to the degree relevant, all patents, technical information, trademarks, franchises, copyrights, patent and technical information, licenses owned and/or used.
18. Please furnish a detailed five-year breakdown of sales, earnings, income, or losses of the company's major divisions, departments, and product categories. Give the percentage of total income or loss attributed to each.
19. Please furnish a detailed breakdown of major suppliers of raw materials, goods, etc. Give their names, addresses, and volume of purchases. Are other sources readily available or is the company dependent to any degree on any one supplier? What would result if the product or products of said supplier or suppliers were no longer readily procurable? Does the company have any long-term contracts with its suppliers?
20. If the company utilizes the services of subcontractors and/or processors of its products or components of subassemblies, please describe the work done and the availability of any subcontractors or processors. Does the company have any long-term contracts with such persons?
21. Please furnish a three-year record of names, addresses, and volume of purchases of major customers or outlets for the company's products or services. The prospectus or offering circular will list names of customers who account for more than 10 percent of the company's business. Could this in any way be deleterious to the company?
22. Please furnish names, addresses and phone numbers of the company's major competitors; describe the nature and area of their competition -- is it direct or indirect? What is the company's approximate rank in the industry? Are there numerous competitors? What is the degree of competition? Barrier-to-entry: Can new companies readily enter the field? Do the company's competitors possess greater financial resources? Are they longer established and better recognized?
23. Please furnish a complete list of all officers and/or directors plus the following data:
 - a. Age
 - b. Education
 - c. Title and function--responsibilities

- d. Length of service with company
 - e. Posts held and functions performed for company prior to present post
 - f. Compensation
 - g. Past business associations and posts held
 - h. Special distinctions
 - i. Other directorates or present business affiliations
24. Please furnish a copy of all stock option plans.
25. Please furnish a copy of or describe any bonus and profit-sharing plans.
26. Please furnish copies of or describe any other employee fringe benefits; including health insurance.
27. Please furnish copies of any pension plans.
28. Please state the total number of employees, full and part time, the major categories of employees and number within each. If the company is to any degree dependent on technology or other expertise, please give details; e.g., number of Ph.D.s, MBAs, engineers, technicians, medical personnel, etc.
29. Are your employees represented by one or more unions? Please list each union by name or number. Please furnish copies of the union contracts.
30. Please furnish a copy of all employment agreements, non-disclosure documents, and non-circumvention or non-compete agreements.
31. Please furnish a general description of labor relations, past strikes, handling of grievances, etc. Has the company experienced any difficulties in obtaining qualified personnel? Has the company had any problems with respect to personnel turnover? Have there been any layoffs or reductions in force in the past three years? Please furnish the names, addresses and phone numbers of all former employees who terminated within the last twelve months.
32. Please describe all current assets and acquisitions of other companies, assets, personnel, etc., made by the company, or any intended acquisitions. Please furnish copies of all acquisition agreements.
33. Please describe any major dispositions of subsidiaries, divisions, assets, equipment, plants, etc., made by the company.
34. Has any officer, director, or major stockholder ever (a) had any difficulties of any nature with Securities and Exchange Commission, the National Association of Securities Dealers, or any state securities commission or agency, (b) been convicted of a felony, or (c) been under indictment, investigation, or threatened by the SEC, NASD, a state commission, or public agency with prosecution for violation of a state or federal statute? Within the past ten years, has any such person, or company related to any such person, ever been adjudicated to have violated their fiduciary responsibility or been adjudicated a bankrupt?
35. Has the company made (a) any private placements of its equity or debt securities, or (b) any public sale of its equity or debt securities? If so, please furnish complete details including copies of documents used in the placement and/or sale.
36. Furnish a specimen copy of all outstanding and authorized equity and debt securities.
37. Furnish the following data regarding the distribution of the company's voting stock:
- a. classes of stock and number of shares of each outstanding;
 - b. total number of shareholders plus a shareholder list;
 - c. names, residence and addresses of ten largest shareholders of each class, or anyone owning five percent (5%) or more of any class;
 - d. relationships of major shareholders to each other or to the officers and directors of the company; and
 - e. details of any voting trust agreements, shareholder agreements or other arrangements to vote stock jointly.

38. Are there any options to purchase stock or other securities or warrants outstanding other than employees' stock option plans? If so, please furnish copies or describe such plan.
39. Does the company have any long term or short term debt, secured or unsecured, or has the company guaranteed such debt on behalf of others? Please furnish copies of the documents creating the debt or guarantee, or describe the debt or guarantee.
40. Please furnish detailed audited statements for the last five years if available.
41. Please furnish interim statements covering the period subsequent to the last audited financial statement.
42. Please furnish comparative figures of earning and net worth for five years or the time in existence.
43. Please furnish an explanation of any and all abnormal, non-recurring or unusual items in earnings statements or balance sheets.
44. Please furnish a statement of cash flow if materially different from statement of earnings.
45. Please furnish a statement as to any contingent or possible liabilities not shown on balance sheet. Please include guarantees, warranties, litigation, etc.
46. With respect to the company's inventories, please state (a) major categories, (b) method of valuation, LIFO, FIFO, other, and (c) control systems. If your "inventories" are distinctive in any fashion, e.g., film libraries, promotional displays, etc., please state how they are handled on your books.
47. What is the company's policy regarding depreciation, depletion, and amortization? Which items are capitalized and which expensed? Are there any deferred write-offs?
48. Are your company's methods of accounting similar to the rest of the industry? If not, please describe the differences and the reason for such differences.
49. Please state the status of federal and state tax examinations. When was your last examination, and are there any open questions?
50. Please describe all bank relationships and credit lines. Are factors involved?
51. Please describe any pending or threatened claims and litigation, by identifying the parties, the amount involved, the names of those involved and copies of all documents with respect thereto.
52. Please describe all insurance coverage; e.g., plants, equipment, properties, work interruption, key employees, other.
53. Please describe your company's projection of sales and earnings for the next three years, including explanations with respect to any increase or decrease.
54. Please furnish lists of all real estate owned by the company, including, without limitation, the following: (a) the improvements on the property, (b) the assessed valuation and amount of current real estate taxes, (c) any mortgages, including amount, rate of interest and due date, (d) any liens or encumbrances, and (e) the estimated present value.
55. Please furnish a list of all real estate leased by the company, including without limitation, the following: (a) the amount of space, (b) the rent-fixed and contingent, (c) the term of lease, (d) the renewal options, (e) the purchase options, (f) the minimum annual gross rentals, and (g) the minimum total gross rental obligation to expiration of all leases in force.
56. Please list all equipment leased by the company if aggregate annual rentals exceed \$5,000 or if the company is dependent on the equipment. If any other property is leased at a sizable aggregate annual rental, please furnish details of the lease including, without limitation, the terms, options to renew and/or purchase, etc.

57. Please describe all depreciable property owned by the company including, without limitation, the following: (a) the original cost to company, (b) the depreciation to date, in addition to a statement as to the method employed, (c) the remaining cost, and (d) the aging of items listed (remaining depreciable life).
58. Please furnish copies of all brochures, catalogs, mailers, publicity releases, newspaper or magazine articles, literature and the like distributed by the company or concerning the company, its products, personnel, and services.
59. Please describe the company's research and development activities.
60. Please give a complete description of any unusual contracts relating to the company, its business, products, or services.
61. Please describe how you plan to fund your business initially and as it expands. Please describe all levels and classes of funding e.g., debt; various forms of leases; equity; various forms of limited partnerships; cashless transactions or exchanges, etc. Will there be other funding vehicles that are distinct from how your core corporation/operating entity will be funded?
62. Please describe exactly how the net proceeds (after underwriting commission and all expenses), of any currently contemplated financing, are to be used by the company.
63. Please describe the company's plans for expansion or growth. Please provide an implementation schedule on a **timeline basis** that shows progressive development and growth.
64. Please set forth any information not previously disclosed in your answers that an investor would use in making a decision as to whether he or she should invest in the company.
65. Please furnish copies of the following:
 - a. Certificate of Incorporation and all amendments.
 - b. By-laws and all amendments.
 - c. Employee agreements, if any.
 - d. Corporate minutes.
66. Has the Company, its products, or any of its personnel, received any awards directly or indirectly related to the business at hand?
67. What Percent of each of your senior executive officer's time is spent outside the office? How do they spend it?

PART II
Strategic Analysis

68. What is your mission?
69. What's different about your product or service? What is its Unique Selling Proposition?
70. What are the broad objectives of your venture?
71. What are the present approaches/strategies?
72. What are the broad factors (*e.g., economic, technological, governmental*) shaping the needs/opportunities for your business?
73. What are the regional, national or international factors?
74. Who are your customers?
75. What are their needs?
76. How are their needs changing?
77. How are your venture's needs changing?
78. Who else serves your customers/market with similar services?
79. Who are your strategic allies?
80. Do you cooperate with these entities and, if so, how?
81. How is the competition responding to the market's changing needs?
82. How are your allies responding to the markets changing needs?
83. What are the key factors for success in your business?
84. How do your strengths and limitations match up to these necessary success factors?
85. How do the strengths and limitations of others serving this market match up?
86. Who is impacted by your activities and programs?
87. Who are your supporters and critics? (*note: supporters other than strategic allies in #76*)
88. How do you anticipate that your competition will react to your activities?
89. What are the critical issues that affect your current strategy or attainment of key objectives?
90. What are the strategic options to address these critical issues?
91. What is the optimal approach?
92. What are alternative approaches?
93. What is the recommended approach?
94. How do these strategies tie in to your mission?
95. What key programs/projects arise from these strategies? Another way to pose this question is: Please break down the individual programs/projects needed to execute your strategy and complete your mission. See question #62.