

Eighteen Ventures' Business Plan Review Service

Client Analysis Report

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Client: MedSoft Information Systems

Assignment: Business Plan Review

Confidential Statement

Information, data, and recommendations contained in this analysis report are strictly confidential and are supplied on the understanding that they will be held confidentially and not disclosed to third parties without the prior written consent of MedSoft Information Systems.

Client Profile

<i>Company Name:</i>	MedSoft Information Systems
<i>Business Description:</i>	A software development and information systems firm which designs and implements IT solutions for hospitals and healthcare providers.
<i>Product:</i>	Software application.
<i>Product Utilization:</i>	The software application enables different databases to interface with one another.
<i>Targeted Market (Buyers)</i>	For-profit and non-profit US community-based hospitals with 300 or more beds.
<i>Investment Needs & Use :</i>	\$2.5 million in equity funding that will be used for product launch, marketing & promotion, hire new personnel and expand internal operations.
<i>Exit Strategy:</i>	Be acquired by a larger corporation.

Business Plan Review Service Objectives

MedSoft, the client, engaged Eighteen Ventures to perform a comprehensive review of its company's business plan. The project's objectives included:

1. Helping MedSoft identify the business plan's strengths and weaknesses;
2. Helping MedSoft produce a strategic document that is clear, concise and realistic.
3. Helping MedSoft develop a presentation document that demonstrates to potential investors the company's plans for inventing innovative products, exploiting a designated target market, generating consistent revenues, reducing and/or maintaining operational costs and earning substantial profits.

Service Implementation

Starting with the document's executive summary and ending with the financial section, a thorough analysis was conducted to ensure that MedSoft's business plan contained the traditionally accepted elements that comprise an effective business plan.

EXECUTIVE SUMMARY SECTION

Strengths

Described the unique features and benefits of the innovative software product.
Specified how much money the company needs and how the funds will be used.
Described product's uniqueness.
Described business model, which indicates how the company intends to make money.
Identified the market problem; and described how the company's software product helps to solve an identified market problem.
Identified target market: consumers who are mostly likely to buy the software product.
Described the product development stage.
Provided a summary of financial projections.

Weaknesses

Format: It needs to be re-arranged.
Does not provide a brief business description.
Does not identify the company's legal status.
Does not identify management team or the management team's direct industry experience.
Does not mention or identify industry's leading companies.
Does not identify company's main competitors.
Does not describe or detail why the company was formed.
Does not identify the product's intellectual property protection status.
Does not identify the company's business growth stage.
Does not include number of employees working for the company.
Does not mention the company's exit strategy.

Discussion & Suggestive Changes for Improvement

As the most critical section of the business plan, the executive summary represents the initial impression potential investors receive of MedSoft. Therefore, the summary must perform two distinct roles simultaneously: (1) answer key questions about the company and its compelling investment business opportunity and (2) stimulate potential investors to seek additional information (i.e., request a full copy of the business plan and/or request a meeting with the company's management team).

Unfortunately, the executive summary falls short of performing any significant role in answering key questions about the company and the business opportunity or stimulating the reader to move beyond reading the two page document.

The executive summary leaves too many questions unanswered, especially about the company's management team, the company's exit strategy, the company's business growth stage and legal status as well as the company's intellectual property protection situation.

Information about these business areas is vital in helping investors make an informed evaluation regarding MedSoft as a good prospective candidate for investment funding.

In terms of appeal, the executive summary failed to make a persuasive case why investors should take action, such as request a full copy of the company's business plan or request a meeting with the company's management team, after reviewing the document.

Typically, investors receive nearly five hundred, or more, business plan executive summaries each year. Ninety-five percent, approximately, of these summaries are rejected immediately. Thus, MedSoft's executive summary must grab and hold the attention of potential investors while preventing the two page document from being discarded.

Suggestive Change: New Business Plan and Business Plan Executive Summary Format.

- I. Business Description
- II. Product Description
- III. Market Analysis
- IV. Marketing Strategy
- V. Management & Operations
- VI. Financials

Suggestive Change: Include Business Description, Business Legal Status, Business Growth Stage, And Number Of Employees In A Sentence.

Incorporated in Delaware since May 2000, MedSoft is an early stage software development and information technology company with five full-time and two part-time employees.

Suggestive Change: Intellectual Property Protection Status Statement.

MedSoft maintains an aggressive policy of protecting all of its research and development results through the use of patents, trade marks and copyrights. The company, through legal assistance, continuously monitors the marketplace for any violators of MedSoft's issued patents, trade marks and copy rights.

Suggestive Change: Management Team Statement.

MedSoft is guided by four talented, knowledgeable professionals with more than 40 years of combined direct healthcare industry experience. James Knox, MedSoft's President & CEO, past experience as Vice President of business development at (former healthcare company) included increased product sales for three consecutive years. Paula Marshall, MedSoft's Vice President of Operations, directed a staff of sixty-nine employees at (former healthcare company) and instituted an innovative employee productivity program, which substantially reduced the company's absentee rate.

Suggestive Change: Funding Request, Use of Funds and Exist Strategy Statement.

Requesting \$2.5 million in common stock for a 35% ownership. Funding will be used for staff augmentation, internal operational expansion and product launch & marketing. Being acquired by a major medical information technology corporation is the company's exit strategy.

PRODUCT DESCRIPTION

Strengths

Described the software product in non-technical language.
Described the problem the product is designed to solve.
Described how the product solution solves the identified problem.
Provided proof that the product is technologically feasible.
Identified product's unique features and benefits to end users.
Included discussion on anticipating future related products.
Identified how the product satisfies targeted product users.
Discussed the company's product pricing strategy.
Discussed how the product is being used on a limited basis under real world conditions.

Weaknesses

Did not include a drawing or diagram illustrating how the product works.
Omitted discussion about the company's product intellectually property protection strategy.
Does not provide a product comparison chart.
Does not mention how government's regulatory requirements will impact design, development production or marketing.

Discussion & Suggestive Changes for Improvement

This section is the strongest part of MedSoft's business plan. It clearly demonstrates that company has developed a technically feasible product solution that actual meets an identified market problem. Moreover, the section shows how the company has done it is due diligence in terms of (1) understanding product user needs and designing/developing a product that meets the product user needs, (2) testing the product under real world conditions, (3) differentiating the product's features, benefits, and price from existing competing technology solutions and (4) anticipating the future development of related products.

While the strengths clearly out number the weaknesses, there are a few, significant glaring weak points that standout. For example, there is no mention of what specific action (i.e., file for either a patent, a trademark, or a copyright) the company has taken , or will take, to protect its intellectual property. Also, the section does not present a product comparison chart, which is required to illustrate key differences between MedSoft's product versus existing or proposed competing products. Finally, the section fails to acknowledge what impact, if any, governmental regulations would have on the company's ability to produce and/or sell the product in the hospital marketplace.

Suggestive Change: Correct Identified Weak Points.

The identified weak points can be easily corrected by (1) stating the company's position on its intellectual property protection status, (2) addressing the government regulatory requirements (3) using collected market research data to create a simple product comparison chart and (4) including a drawing or diagram illustrating how the product works.

MARKETING PROGRAM

Strengths

- Identified potential target market.
- Identified potential target market size.
- Identified industry leaders and product segment competitors.
- Illustrated how the product fills the gap of an unmet need in the marketplace.
- Included a market analysis with key statistics about the potential target market.
- Discussed potential product distribution channels.
- Provided a detailed sales plan.

Weaknesses

- Failed to develop a comprehensive marketing strategy.
- No profile of the identified target market.
- Industry market trend data is very weak.
- Does not contain a product pricing comparison chart.
- Does not explain the Barriers to Entry.
- Does not provide information or discussion on product launch strategy.
- Did not identify or acknowledge any governmental regulatory requirements that may influence regarding developing, selling or distributing the product.
- Does not include a price comparison chart.
- Does not indicate whether the industry is growing, stable or declining.

Discussion & Suggestive Changes for Improvement

Investors typically inspect a business plan's marketing section for clues on how a company is preparing to reach, communicate with and stimulate an identified target market segment (i.e., a customer base) to buy a product or service. More importantly, the capital investors are interested in learning how the company intends to capture market share, especially in a competitive market, from other firms already offering a similar product.

After reviewing this business plan's marketing section, it appears an investor would find it difficult to determine how MedSoft will effectively reach, communicate with and stimulate its identified market to buy the product. The company, in addition, does not clearly articulate how it will actually capture market share from its competitors.

Although MedSoft's market research demonstrated that there is a real customer-driven need for its product, the market plan fails to address how the company intends to connect with the buyers and convince them to purchase MedSoft's product. Nor does the market plan express what competitive advantage the company will use to beat its competitors.

Besides failing to address marketing communications and market share issues, the section falls short in other significant areas such as presenting information on industry conditions, product pricing comparison, and product launch strategy.

Suggestive Change: Develop A Comprehensive Promotional Mix Strategy.

In addition to a direct sales approach, the company needs to broaden its communications efforts to create awareness and stimulate product sales. Such promotional activities should include:

- Public Relations
- Trade Shows
- Media Relations
- Direct Mail Campaigns
- Email & Internet Promotion
- Industry Conference Sponsorships & Workshop Participation

Suggestive Change: Present A Targeted Market Profile.

Below is a sample target market profile that can be included in the marketing section.

MedSoft's primary service users are urban & suburban hospitals with 200 beds, or more, that have a high usage rate of information technology and spend a significant amount of their budgets on information technology.

Targeted Market Profile

Industry:	Healthcare (Hospitals)
Size:	200 or more beds
Location:	Urban & Suburban Areas
IT Spending Level	\$1 million to \$5 million
Type:	For Profit
Service Needs:	Providing physicians and hospital staff access to critical and multiple sources of data, thereby improving their efficiency in caring for patients.
Primary Client Contact:	Chief Information Officer (CIO)

Suggestive Change: Product Pricing Comparison Chart

The company needs to develop a product pricing chart like the one below.

<u>Competitors Vs MedSoft</u>	<u>Price</u>
MedSoft	72,000
Sky-High Software	75,000
Delrich Information Systems	68,000
Bluing Software & IT, Inc.	80,000

MANAGEMENT PROGRAM

Strengths

Listed and described key management team positions.
Established credibility of management team.
Projected personnel future needs.

Weaknesses

Does not mention or provide names company's board of directors or advisory board.
Omitted an organizational chart.
Failed to discuss the process for recruiting and hiring additional personnel.
Failed to list outside advisors (i.e., consultants, accountants, legal, etc.).

Discussion & Suggestive Changes for Improvement

Nearly ninety-ninety percent of the time, the first section investors' review is the business plan's management section. Investors consider this section significant because it reflects on management team potential abilities to successfully execute the plan, achieve the stated operational goals, as well as turn the company into a profitable business.

Although this section provides a good impression that MedSoft's management team can achieve its stated operational goals and produce profits, there are a few things that can leave investors with other questions about the management section.

For instance, the section does not mention and/or identify a board of directors, who can offer valuable advice, as well as introduce management to their industry contacts. A board of directors, especially ones with past industry experience, are viewed as a valuable asset to the company's chances of generating new business/contracts.

Other shortcoming of the management section includes, the failure to present an organizational chart, the omission of what process the company will use to recruit and hire additional professionals, the oversight of not providing a list of outside advisors (i.e., consultants, accountants, legal) who are contributing to the company's growth.

Suggestive Change: Indicate How The Company Will Establish A Board of Directors And Recruit Members.

A simple board of directors recruitment statement, like the following one, would suffice:
Understanding the valuable advice and professional contacts that a board of directors would bring to our company, MedSoft is working diligently with (ABC agency, located in New York) to establish a board of directors that can contribute to the company's immediate and long term success.

Suggestive Change: Provide A List Of Outside Advisors.

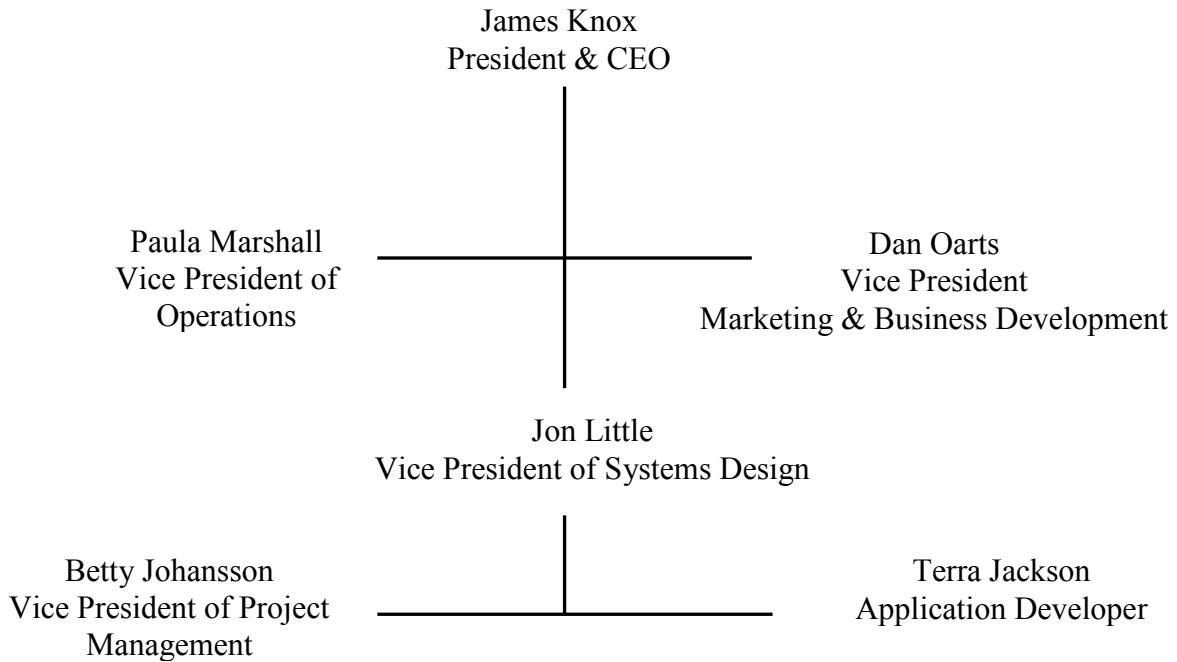
Below is an example of a list of outside of advisors chart.

MedSoft's Professional Outside Advisors

Legal:	ABC Legal Partners, Los Angeles CA
Financial & Accounting:	Brown & Associates, Inglewood, CA
Personnel Recruiting & Staffing:	Jones and Rogers, Beverly Hills, CA

Suggestive Change: Included An Organizational Chart

Below is an example of an organizational chart indicating positions of the management team.



Financial Program

Strengths

Provided a detailed sales forecast.

Pro forma statements (i.e., Income, Balance Sheet and Cash flow) are included.

Indicated when the company expects to be profitable.

Weaknesses

Revenue stream breakout table not included.

Fund request, use and exit strategy statement not included.

Discussion & Suggestive Changes for Improvement

The financial section is solid and provides potential investors with significant information about the company's financials. At the same time, there are two things missing that could enhance the financial section. A revenue stream breakout table and a fund request statement, which includes use of funds and exit strategy, are needed.

Suggestive Changes: Add Revenue Stream Breakout Table And Fund Request Statement

Below are examples of a revenue stream breakout table and a fund request statement.

Revenue Stream Breakout Table

<u>Type of Earned Revenue</u>	<u>Percentage of Earned Revenue</u>
Installation Service	50%
Consulting Service	35%
Research & Development Contracts	15%

Fund Requested, Use & Exit Strategy Statement

Requesting \$2.5 million in common stock for a 35% ownership. Funding will be used for staff augmentation, new technology development, product launch and marketing/promotion. Being acquired by a major medical technology corporation is the company's exit strategy.