Part I

When a new or existing venture needs to raise capital to expand operations, management has two options. They can either try to obtain loans, or they can sell partial ownership (equity) in the business. The former option is sometimes difficult and typically more risky, as it places pressure on the business to pay fixed payments on the debt, including a hefty interest rate. For an expanding business with delayed revenue, this can be problematic. For this reason, companies will sometimes resort to selling partial ownership in the business to investors. And because investors are literally buying a piece of the business, they'll want to know something about it.

Purpose:

The investor prospectus provides a description of the business, the challenges it will face, and the opportunities that lie ahead. And because the readers are diverse, the prospectus will have two purposes: to finalize a sale, and to prompt an investor to dig deeper. It attempts to meet these goals by building a desire for gain while quenching the fear of loss.

Writers/Readers:

Under the Securities Act of 1933, investment into private companies was effectively closed off to the non-affluent in order to protect small investors from high risk investments. The small investor is still allowed to invest his life savings on a penny stock on margin, but he cannot legally buy equity in a functional taco stand, because the taco stand isn't audited and reviewed by the SEC, the way public companies are. Therefore, the audience is made up entirely of "accredited investors". As defined by the SEC, an "accredited investor" includes a natural person who:

- earned income that exceeded $200,000 (or $300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, or

- has a net worth over $1 million, either alone or together with a spouse, excluding the value of the person's primary residence (Eliminating).

In reality, most accredited investors will only meet one of the two criteria, because most high income earners (doctors, dentists…) are notoriously bad at accruing net worth, and high net worth individuals try to minimize their taxable income by rarely selling equity positions*. Therefore, it is beneficial to describe, in general, the two kinds of investors separately (Stanley).

High income investor (in general):	High net worth investor (in general):
• Not good at accruing wealth	• Very careful with money
• Low net worth in relation to earnings	• Low spender
• Big spender	• Good investor
• Not-so-good investor	• Has high tolerance for bad years
• Low amount of free time	• High amount of free time
• Expects a good return every year with little tolerance for bad years	• Realizes that investments should have at least a 5 year time horizon to pay off
• More likely to take risks without realizing how risky they are	• Willing to take big risks if she understands those risks well
• May not know that private equity is illiquid	• Knows that private equity is risky and illiquid
• Less interested in financial statements and more interested in grandiose predictions	• More demanding of financial statements

*Since corporations are already taxed on their earnings, the owners aren't taxed unit they sell and incur a "capital gain." Otherwise, they would be double-taxed.

Since these two types of investors are so different, the investor prospectus must be written very carefully to appeal to both types. It must be exceptionally optimistic about growth while being very realistic about risks. It must have an underlying tone of both safety and excitement, prudence and charge. It also must have a perfect balance of ethos, pathos, and logos in order to build the desire for gain while minimizing the fear of loss. In fact, the performance of this document is so crucial to the future of the business, that a good president will always take the responsibility to write it himself - sometimes with help, always with oversight.

Context:

Until 2013, entrepreneurs and anyone else wanting to sell equity shares in private companies to investors were forbidden from advertising/soliciting to find prospective investors. All investors had to be found through networking, friends, and family. After an eighty year ban on advertising private equity sales, the JOBS act required the SEC to lift the ban in order to boost the economy from the recession with added investment into the private sector. On July 10, 2013, the SEC adopted amendments to Rule 506 of Regulation D, allowing advertising and solicitation for private equity.

Therefore, I'm imagining that sometime in the future it will be in the best interest of my company to solicit to potential investors in order to raise capital for expansion. Let the following scenario be assumed as the context for the investment prospectus:

1. Accredited investors are solicited by direct mail with an offer to attend a free luncheon/ investment seminar.

2. Attendees are given an investor prospectus at the end of the seminar.

Rhetorical Conventions:

An investor prospectus is typically 20-30 pages. So I will only focus on the cover page and company profile. The layout should look something like this:

Cover Page (statements)

Table of Contents

Executive Summary

Company Profile

Situation Analysis

Market Analysis

Growth Strategy

Competitor Analysis

Industry Analysis

Marketing Strategy

Sales Strategy

Strategic Positioning / Competitive Advantage

Business Development / Partnership Strategy

Product / Technology Strategy

Competitive Strategy

Marketing and Sales Plan

Financial Plan

Business Process / Operations Plan

Appendix

Cover Page Conventions

The cover page should introduce the company and tease the investor with a short positioning statement. Every page, including the cover page, should include in the footer section a notice of confidentiality (Manning).

Company Profile Conventions

The company profile is a statement of a company's identity and objectives. Two of the most important parts of a company profile are the mission statement and elevator pitch. The elevator pitch is supposed to quickly answer, "What does your company do?" The mission statement is supposed to explain why your company exists - what value your company gives to the marketplace, the goals of the company, and the direction the company plans to take. In my opinion, part of any good company's mission statement will include the goal to increase shareholder equity with a long-term perspective. After all, that's why companies exist.

Additionally, a company profile will typically include basic company information such as date of incorporation, type of entity, headquarters location, annual revenue, names of and backgrounds of founders / key management, and number of employees. It can also include brief descriptions of the product / service offering, company history, a summary of notable recent activities, or a short list of core business objectives. It should be written formally and without paragraph indents, and it should be about one page long (Eilers).

Part II - Bibliography

I learned much of this information from reading throughout my life, but I also did some research. Here are the sources.

Eilers, Scott M. "COMPANY PROFILE." VP of Strategy LLC. N.p., n.d. Web. 20 Apr. 2014.

"Eliminating the Prohibition Against General Solicitation and General Advertising in Rule 506 and Rule 144A Offerings." : A Compliance Guide for Small Entities and Others. Securities and Exchange Commission, 20 May 2013. Web. 19 Apr. 2014.

Manning, Drake. "Write a Winning Prospectus to Get Your Start-up Funded. Here's How." ECHOGY by Drake Manning. N.p., 24 Feb. 2012. Web. 19 Apr. 2014.

Stanley, Thomas J., and William D. Danko. The Millionaire next Door: The Surprising Secrets of America's Wealthy. Atlanta, GA: Longstreet, 1996. Print.

Introduction to Echols Enterprises, llc.

A Value-Seeking Company with a Growth Mindset

Echols Enterprises, llc.

Main address	555 E Drake St., Salt Lake City, UT 84121
Contact	[redacted]r
Phone, fax	555-555-5555, 555-555-5555
Email	[redacted]
Website	[redacted]
Annual Sales	$0,000,000
Total Employees	00
Primary Line of Business	High-end Interior Design
Year Incorporated	2009

[redacted], President and Founder
[redacted] a California-born natural entrepreneur, started his first company when he was sixteen and never looked back. An avid reader, he became obsessed with investing after learning of Warren Buffett and the beauty of compound interest. At age 20, he started a family business with his brother, [redacted] which turned a $00,000 initial investment into $000,000 per year in cash flow in only five years. Throughout his early twenties, [redacted] found himself interested in interior design and high culture eccentricities, which eventually inspired him to start an interior design firm. He grew this firm from zero to $000,000 in cash flow in only three years. In his free time, [redacted] enjoys hiking, camping, taking college courses, and traveling throughout the U.S. and bey[redacted].

Business
Echols Enterprises is a holding company that has only one main goal: To increase long-term shareholder value while avoiding loss. While that is our main focus, we also take pride in providing quality products and services to customers worldwide and in providing employment to many wonderful people. We have created an outstanding company culture centered on hard work, prudence, fun, and growing cash flows.

Subsidiaries
- All-Booked-Up, llc. is a book buyback company that has seen excellent and steady growth since inception. We have a proven business model that is streamlined, efficient, and poised for more growth. Above all, we take pride in providing quality books to readers worldwide. We currently hold a 33.3% share of this company.
- Echols Fine Interiors, llc. is a wholly-owned subsidiary that provides tasteful interior design services to discerning clients. Alongside the design service, we also provide furniture, art, decor, and area rugs, giving our customers a truly effortless, one-stop-shop experience. When customers need renovations, we subcontract these projects out to contractors and collect a commission for referral.
- Echols Investments, llc. contains our portfolio of public stock ownership. We are happy to say that since inception, we have received a greater return than the market average by following timeless value investing principles taught by greats such as Benjamin Graham, Warren Buffett, Joel Greenblatt, and Peter Lynch.

Planned Acquisition
We are currently planning to expand operations to achieve an even greater competitive advantage by acquiring XYZ Renovators, llc. Acquiring this renovation company will allow Echols Fine Interiors to better serve their customers. We also expect this acquisition to increase our overall profit margin by removing another middle man in the complete design process.

Part IV

Purpose

The purpose of this company profile was to provide basic information about Echols Enterprises while convincing people to invest in the company. I did this by painting all the information in good light. The description of me uses ethos by only stating my positive qualities and achievements. For example, the sentence, "At age 20, he started a family business with his brother, Jared Echols, which turned a $00,000 initial investment into $000,000 per year in cash flow in only five years." builds trust in my ability to grow businesses and says that I value family relationships. I omitted the part about me dropping out of college, because some people frown on that sort of thing.

Under the "Business" section, I built a desire for gain while minimizing the fear of loss. "Echols Enterprises is a holding company that has only one main goal: To increase long-term shareholder value while avoiding loss." Notice how I didn't say, "I will make you rich overnight!" While this might work well for Las Vegas casinos, it would have scared prudent investors away. We'll go over this more in the writer/reader section.

Because the company profile is supposed to provide basic information, it is hard to use much logos. Logos, in an investor prospectus, is usually found in numbers and detailed analysis of the different aspects of the business, all of which usually have no place in the company profile. However, I did include a bit of logos in the "Planned Acquisition" section when I said, "We also expect this acquisition to increase our overall profit margin by removing another middle man in the complete design process." This is a bit of logical reasoning that I felt was an appropriate way to explain why we want to raise capital.

Writer/Reader

In the context of the situation, I did not know most of the readers personally. I simply had a chance to meet them briefly and shake their hands. Because of this, it was important for me to use quite a lot of ethos. Besides the personal ethos I mentioned previously, I also incorporated ethos by mentioning others from whom I have learned. I mentioned Benjamin Graham, Warren Buffett, Joel Greenblatt, and Peter Lynch, all of whom are very famous investors. Every good investor respects at least a couple of these men immensely. By knowing that I am familiar with them, it builds trust.

But as explained in part one, not all investors are experienced. For these investors especially, I made sure to use some tempered pathos. The prospect of earning money quickly builds deep and powerful emotion in people. I took advantage of this fact when I mentioned that I "turned a $00,000 initial investment into $000,000 per year in cash flow in only five years." And talk of "high culture eccentricities" always helps people to focus on improving their social status. Also, most people get starry-eyed when they think about world travel. This is why I mentioned that I enjoy "traveling throughout the U.S. and beyond." Subconsciously, the readers' minds only hear, "quick money, high culture, world travel." This is a powerful combination that would be flat-out manipulation if it weren't true.

Rhetorical Conventions

The two most important things to include in the company profile are the mission statement and the elevator pitch. The mission statement, seen in the "Business" section, thoroughly explains why my company exists, what value my company gives to the marketplace, and the main goal of the company. My elevator pitches are found in the "Subsidiaries" section. For each company, it quickly states what they do.

In addition, this company profile gives background information about the key executive, introduces a planned acquisition, and successfully provides all the necessary basic information, such as number of employees, annual sales, etc. While accomplishing all this, it does so in a formal manner with good grammar and from a third person perspective. It does not have paragraph indents and is exactly one page long.