

Chapter

7

The Business Plan

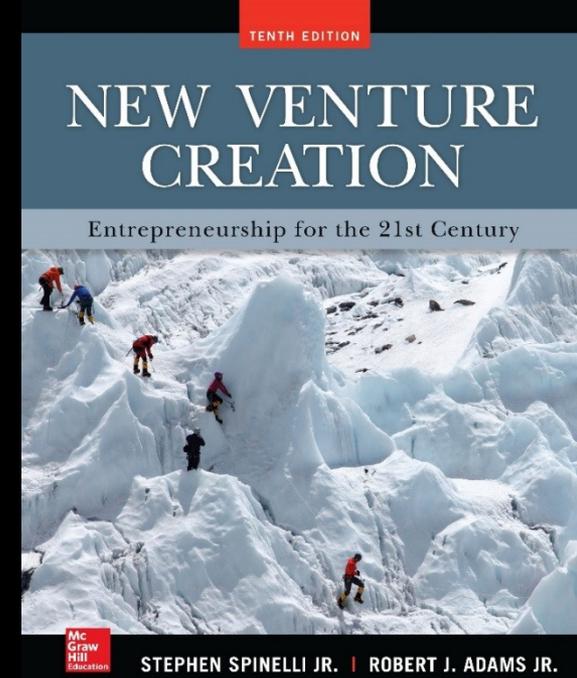


EXHIBIT 7.1**Business Plan Table of Contents**

<p>I. EXECUTIVE SUMMARY Description of the Business Concept and the Business Opportunity and Strategy. Target Market and Projections. Competitive Advantages. The Team. The Offering.</p> <p>II. THE INDUSTRY AND THE COMPANY AND ITS PRODUCT(S) OR SERVICE(S) The Industry. The Company and the Concept. The Product(s) or Service(s). Entry and Growth Strategy.</p> <p>III. MARKET RESEARCH AND ANALYSIS Customers. Market Size and Trends. Competition and Competitive Edges. Estimated Market Share and Sales. Ongoing Market Evaluation.</p> <p>IV. THE ECONOMICS OF THE BUSINESS Gross and Operating Margins. Profit Potential and Durability. Fixed, Variable, and Semivariable Costs. Months to Breakeven. Months to Reach Positive Cash Flow.</p> <p>V. MARKETING PLAN Overall Marketing Strategy. Pricing. Sales Tactics. Service and Warranty Policies. Advertising and Promotion. Distribution.</p> <p>VI. DESIGN AND DEVELOPMENT PLANS Development Status and Tasks. Difficulties and Risks. Product Improvement and New Products. Costs. Proprietary Issues.</p>	<p>VII. MANUFACTURING AND OPERATIONS PLAN Operating Cycle. Geographical Location. Facilities and Improvements. Strategy and Plans. Regulatory and Legal Issues.</p> <p>VIII. MANAGEMENT TEAM Organization. Key Management Personnel. Management Compensation and Ownership. Other Investors. Employment, Other Agreements, Stock Options, and Bonus Plans. Board of Directors. Other Shareholders, Rights, and Restrictions. Supporting Professional Advisors and Services.</p> <p>IX. SUSTAINABILITY AND IMPACT Issues of Sustainability of the Venture. Impact on the Environment. Impact on the Community and Nation.</p> <p>X. OVERALL SCHEDULE</p> <p>XI. CRITICAL RISKS, PROBLEMS, AND ASSUMPTIONS</p> <p>XII. THE FINANCIAL PLAN Actual Income Statements and Balance Sheets. Pro Forma Income Statements. Pro Forma Balance Sheets. Pro Forma Cash Flow Analysis. Break-Even Chart and Calculation. Cost Control. Highlights.</p> <p>XIII. PROPOSED COMPANY OFFERING Desired Financing. Offering. Capitalization. Use of Funds. Investor's Return.</p> <p>XIV. APPENDIXES</p>
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Developing The Business Plan

- Is the culmination of a usually lengthy, arduous, creative and iterative process.
- Will carefully articulate the market, business model, investment requirements, risk, and returns on the opportunity.
- Is obsolete as it emerges from the printer but is an important work in progress - which must be completed to raise outside capital, attract key advisors, directors, and team members.

Writing a Business Plan

- Steps outlining the process by which a business plan is written
 - Segmenting information
 - Creating an overall schedule
 - Creating an action calendar
 - Doing the work and writing the plan

Business Plan

I. EXECUTIVE SUMMARY

- Description of the business concept and the business opportunity and strategy
- Target market and projections
- Competitive advantages
- Costs
- The team
- The offering

Business Plan

II. THE INDUSTRY AND THE COMPANY AND ITS PRODUCT(S) OR SERVICE(S)

- The industry
- The company and the concept
- The product(s) or service(s)
- Entry and growth strategy

III. MARKET RESEARCH AND ANALYSIS

- Customers
- Market size and trends
- Competition and competitive edge
- Estimated market share and sales
- Ongoing market evaluation

Business Plan

IV. THE ECONOMICS OF THE BUSINESS

- Gross and operating margins
- Profit potential and durability
- Fixed, variable, and semivariable costs
- Months to breakeven
- Months to reach positive cash flow

V. MARKETING PLAN

- Overall marketing strategy
- Pricing
- Sales tactics
- Service and warranty policies
- Advertising and promotion
- Distribution

Business Plan

VI. DESIGN AND DEVELOPMENT PLAN

- Development status and tasks
- Difficulties and risks
- Product improvement and new products
- Costs
- Proprietary issues

VII. MANUFACTURING AND OPERATIONS PLAN

- Operating cycle
- Geographical location
- Facilities and improvements
- Strategy and plans
- Regulatory and legal issues

Business Plan

VIII. MANAGEMENT TEAM

- Organization
- Key management personnel
- Management compensation and ownership
- Other investors
- Employment and other agreements and stock option and bonus plans
- Board of directors
- Other shareholders, rights, and restrictions
- Supporting professional advisors and services

Business Plan

IX. SUSTAINABILITY AND IMPACT

- Issues of sustainability of the venture
- Impact on the environment
- Impact on the community, nation

X. OVERALL SCHEDULE

XI . CRITICAL RISKS, PROBLEMS, AND ASSUMPTIONS

Business Plan

XII. THE FINANCIAL PLAN

- Actual income statements and balance sheets
- Pro forma income statements / forma balance sheets
- Pro forma cash flow analysis
- Breakeven chart and calculations
- Cost control
- Highlights

Business Plan

XIII. PROPOSED COMPANY OFFERING

- Desired financing
- Offering
- Capitalization
- Use of funds
- Investor's return

XIV. APPENDICES

EXHIBIT A

Résumé: Sarah Choi Foster

Education

2002–2004	F.W. OLIN BUSINESS SCHOOL AT BABSON COLLEGE M.B.A., May 2003, cum laude, Babson Fellow. <ul style="list-style-type: none">• Consulted with Boston Scientific, Inc.; competitive analysis and e-commerce initiatives.• Entrepreneurship Intensity Track program, Hatchery company.	Wellesley, MA
1996–1997	STANFORD UNIVERSITY M.S. degree in Mechanical Engineering, Design, June 1997. Concentration: Mechatronics (Mechanical Electronics) & Design for Manufacturability. <ul style="list-style-type: none">• Design projects: 3M-sponsored portable overhead projector, smart tag–playing robot, automated 3D foam facsimile machine, automated paper palm-tree maker.	Stanford, CA
1992–1996	MASSACHUSETTS INSTITUTE OF TECHNOLOGY B.S. degree in Mechanical Engineering, May 1996. Minor in Music.	Cambridge, MA

(continued)

EXHIBIT A (continued)**Résumé: Sarah Choi Foster****Experience**

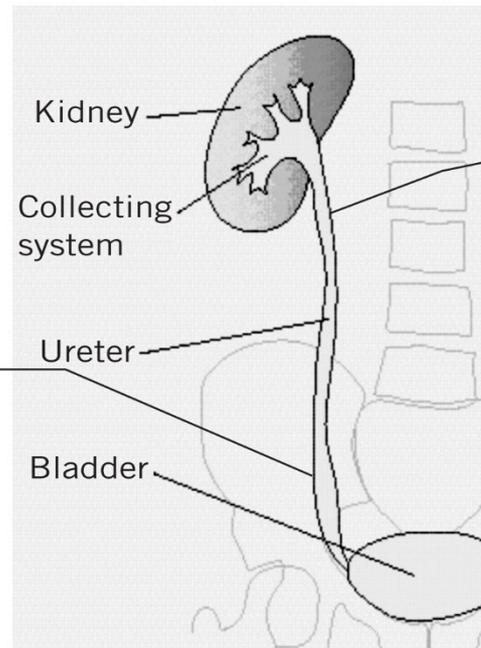
2003–present	NEWLAND MEDICAL TECHNOLOGIES, INC. President and Founder <ul style="list-style-type: none"> • Raised \$600 K to bring an FDA-approved patented product to market. • Built team; currently running the business. 	Boston, MA
2002	PERCEPTION ROBOTICS, INC. Kauffman Intern, Product Manager Intern <ul style="list-style-type: none"> • Analyzed potential e-commerce partners for an interactive retail software system. • Helped develop new product value proposition for Web cameras. 	Waltham, MA
1999–2002	THE GILLETTE COMPANY Design Engineer, Shaving and Technology Lab <ul style="list-style-type: none"> • Managed design process and testing of high-volume plastic packaging for various toiletries. • Designed Economy Gel antiperspirant container from market requirement to mold production. 	Boston, MA
1998–1999	JOHNSON & JOHNSON PROFESSIONAL, INC. Project Engineer, Hip R&D <ul style="list-style-type: none"> • Served as lead engineer to design hip implant products; two patents granted, three pending. • Launched the Bipolar and Calcar Hip instrumentation systems, developed with customers. 	Raynham, MA
1997–1998	DEFENSE INTELLIGENCE AGENCY/PENTAGON Analyst, Strategic Industries Branch.	Washington, DC
1995	MISSILE & SPACE INTELLIGENCE CENTER Intern, Surface to Air Missile Division	Huntsville, AL
<u>Other:</u>	Unigraphics, ProENGINEER, SolidWorks ANSYS, C, working knowledge of Korean and German. Interests include symphony playing, triathlons, downhill skiing, cycling, and woodworking.	

EXHIBIT B

Anatomy and Stone Removal Procedures

Ureteroscopy

- Stone in lower ureter
- Scope often requires dilation first
- Laser lithotripsy very expensive
- Basketing
- Definitive removal
- Labor intensive/specialized
- High equipment costs



ESWL (Shockwave)

- Stone in upper ureter or kidney
- Least invasive
- Equipment expensive (only 7% of hospitals have them)
- Shattered fragments created must be passed

EXHIBIT C

The SRS: Insertion and Expanded Forms

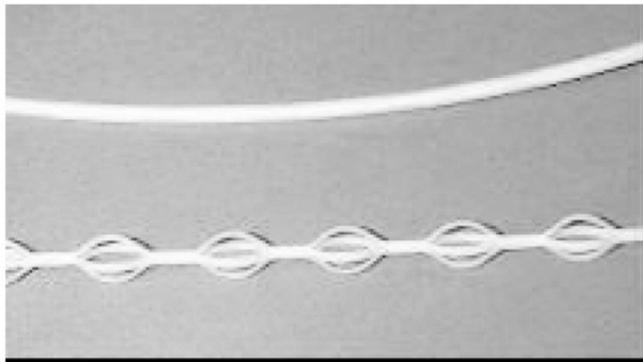
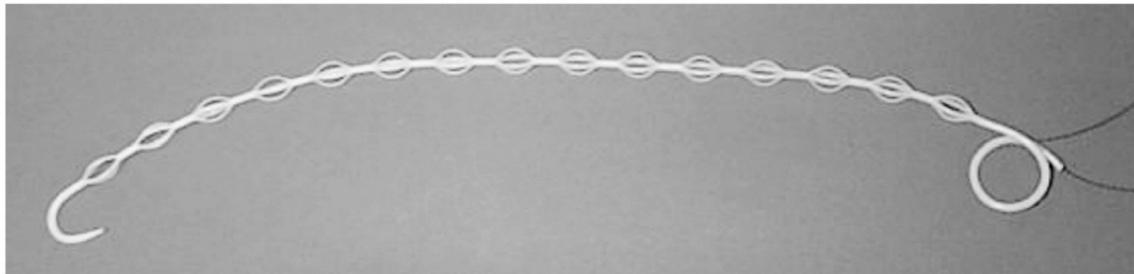


EXHIBIT D

Procedure Market Tree

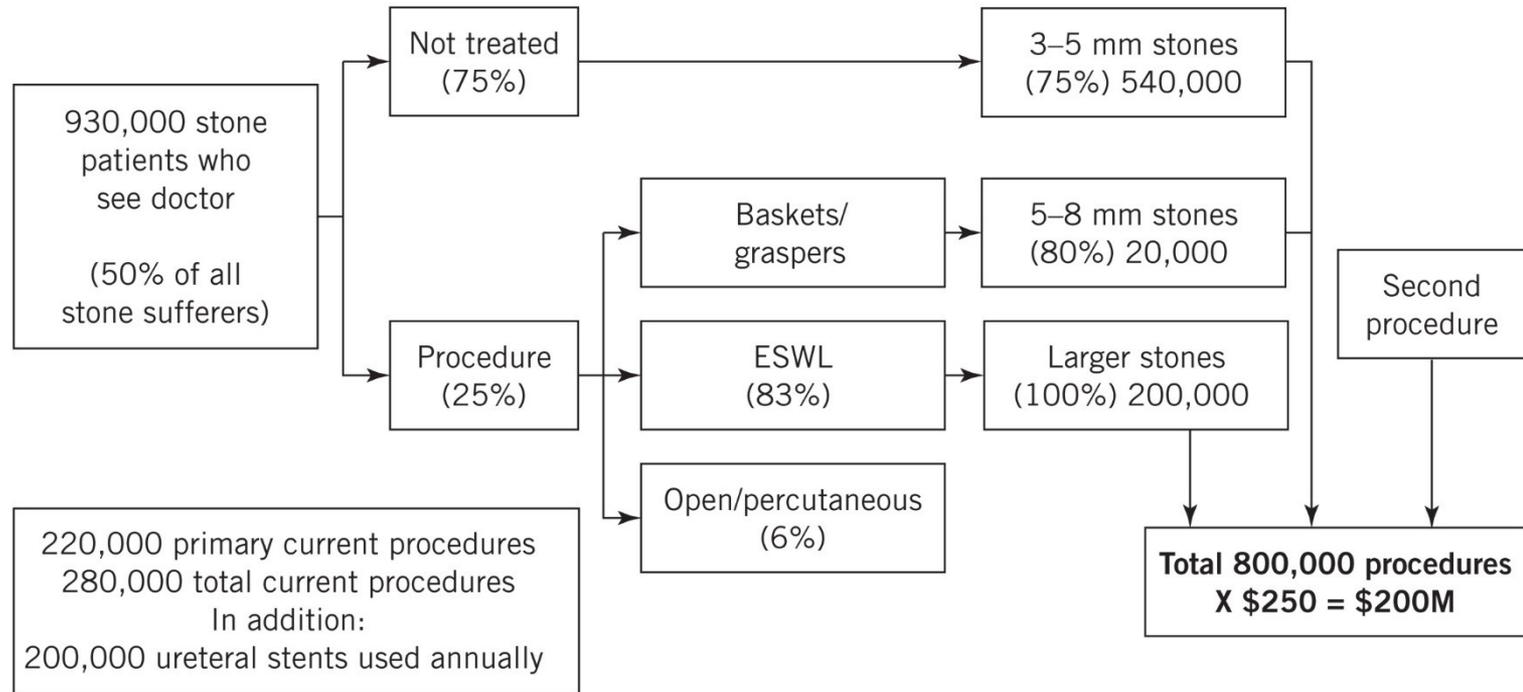


EXHIBIT E**Competitor Profiles**

	Location	Employees	Revenues	Products	Price Points	Perception
Cook Urological (private)	Spencer, IN	300, incl mnf (4,000 all Cook)	\$25.1M	Stents, baskets, wires, and other lithotrippers	Medium	Good products and innovative— strong company (#1 in biliary market)
BARD (urological)	Covington, GA	8,100 (all BARD)	\$95M w/out Foleys (\$360M total) 1999	Stents, baskets, laser, and other lithotrippers	Low-end	Slow, no innovation
Microvasive (Boston Scientific)	Natick, MA	14,400 (all BSC)	\$143M \$133M (stones) 1999	Stents, baskets, laser, and other lithotrippers	High-end	Innovative (with acquisitions), good sales force, good products
Surgitek (ACMI) (private)	Southboro, MA (HQ); Racine, WI (Urology)		\$17M stents	Stents, baskets, scopes, lasers	Low-end	Based on quantity, but no innovation, hungry for new products
Applied Medical	Rancho Santa Margarita, CA	375, incl mnf	\$31M (all three divisions) 2001	Various dilators and specialty items	High-end	Interesting, good, clever products, not full product line

EXHIBIT F**Newland Pro Forma Income Statement**

	2004	2005	2006	2007	2008
Net Revenues	0	721,000	8,380,000	22,327,000	34,811,625
Total Cost of Goods Sold (see below)	0	335,160	2,692,135	6,620,487	9,434,219
Percentage of Revenues	—	46.5%	32.1%	29.7%	27.1%
Gross Profit	0	385,840	5,687,865	15,706,513	25,377,406
Percentage of Revenues	—	53.5%	67.9%	70.3%	72.9%
Operating Expenses	—	—	—	—	—
Sales & Marketing	166,200	939,900	1,573,016	2,379,059	2,858,596
Research & Development	225,240	448,795	600,140	947,216	1,105,338
General & Administrative	153,800	315,700	680,055	1,057,531	1,398,100
Total Operating Expenses	545,240	1,704,395	2,853,211	4,383,806	5,362,034
Net Earnings before Taxes	(545,240)	(1,318,555)	2,834,654	11,322,707	20,015,372
Taxes	0	0	498,899	4,529,083	8,006,149
Net Earnings	(545,240)	(1,318,555)	2,335,755	6,793,624	12,009,223
Cost of Goods Sold Breakdown (e.g., 2005)					
Direct Costs					
Average Material Cost per Unit	8				
Average Labor Cost per Unit	14				
Sterilizing and Packaging per Unit	8				
Manufacturer per Unit Markup (20%)	6				
Total per Unit Direct Costs	36				
Direct Costs: 6,200 Units (2005)	223,200				
Indirect Costs					
Salaries and Benefits	84,750				
Facility; Shipping	7,210				
Depreciation	20,000				
Total Indirect Costs	111,960				
Cost of Goods & Services	335,160				