The Bear's Business Plan Pet Peeves

A Dozen Business Plan Practices That Drive Steven Crazy

Steven J Roy Management

10153 ½ Riverside Drive, PMB 106
Toluca Lake, CA 91602

[Telephone] (818) 489-4228
[Fax] (818) 450-0426
Steven@StevenRoyManagement.com
www.StevenRoyManagement.com

Drafted and Reviewed by:

- Nastaran Motiei MBA
- Steven J Roy MS, MST, EA

Revised: 04/2019

Table of Contents

Those of you who know our sweet-lovable-docile Bear (Steven Roy) may find it hard to believe, but there are some things that make him cranky.

High in the ranks of those things are business plans that do their promoters more harm than good.

Boring, stodgy, academic, or just plain silly – Here are a dozen ways entrepreneurs shoot themselves in the foot when they develop and present business plans. We couch them in terms of the "looking for outside financing" business plan approach that academicians are so fond of, but they apply equally to plans developed for internal use.

Alphabet Soup

You are talking to people, not typesetters. Bankers and investors, by and large, are not familiar with the technical abbreviations you use to impress (or overwhelm) your industry peers.

Alphabet soup comes in two flavors: Benign idiocy is the most common:

- We are a B2B to B2C PM&DC providing VOIP to MDs via AWS and other ISPs.

Phrases like that leave your associates, investors, and lenders gasping for air and shouting; “I’d like to buy a vowel.” The phrase conveys no information to anyone who is not already familiar with your business, your industry, and its jargon.

A more malign approach exploits the “Dope-ler Effect” (Information sounds much smarter if it comes at you faster or more densely).[1]

- We are looking for a capable SBLC Provider who can issue an MT760 for Monetization, get paid in 5-7 Banking Days and also take advantage of being part of the monetization profit in a JV with the Borrower (if interested in JV).

  Issuing bank: HSBC, Barclays, RBS, Credit Suisse, PNB Paribas or any AAA+
  Lease price: 8% or 12% (commission of 2% included)
  Sale price: 32% or 37% (commission of 2% included)
  Contract amount: 1 Billion euros with extensions up to 5 Billion euros
  Tranches: 500 Million euros

  SELLER ISSUES MT199 AFTER COUNTERSIGN AND WE RESPOND WITH MT199 FOLLOWS BY MT799 ICBPO AFTER PRE-ADIVISE.

Almost everyone, particularly investors and bankers, resent this “if you can’t dazzle them with brilliance, baffle them with BS” approach. More tellingly, investors usually suspect you are trying to conceal something (In the example, the offeror tries to conceal their own, and the offer’s, lack of financial substance. Our example is a sophisticated version of the Nigerian Prince scam – dressed up in acronyms).

“Trust us, we know what we are doing,” is often the raison d’etre for Dope-ler arguments.

---

[1] You experience the Doppler Effect at railroad crossings (the train horn’s apparent pitch changes as the train passes). The Dope-ler effect is its business counterpart.

{C} (818) 489-4228:   Steven@StevenRoyManagement.Com

Boring Executive Summaries

- Most potential stakeholders read the Executive Summary first.
- Make it dynamic, forceful, insightful, and truthful.
- If you don't, it will be the only thing they read.

Grab your Venture Capitalist, lender, angel, or 4F[2] while you have their undivided attention. Capital sources are typically return driven. Use the Executive Summary to tell them about the large, expanding market for your product or service and how you are uniquely situated to bring it to maturity.

Write the Executive Summary last. That is when you have the clearest insight about what makes your service or product unique and valuable. Your product and market perceptions change as you draft your plan. Make the Executive Summary reflect your final-mature vision, not your original-hazy conception.

Save lengthy technical or organizational descriptions for your operations or history section. Don't lead with: "ABC is a California Corporation formed, in April 2017, pursuant to the California Corporations Code. ABC made an S-Election in 2018. We chose the corporate form because…" (Don't laugh! We see that opening line, or a variation of it, in about one-of-five small business plans.) At this point, nobody cares! Besides that - it's boring!

Competition? What Competition?

Back when we were running our private equity firm, we reviewed fifty to sixty business plan-proposals a month. In about a third of them, the entrepreneur made some variation of this statement: "We are unique! No one does what we do. We have no competition."

If I was in a foul mood, I dismissed them and went on my way.

If I was feeling charitable (an admittedly rare occurrence) I would ask two follow-up questions:

- Suppose that is true. Why isn't anyone doing it?
- How, at present, do your clients fulfill the need that your product or service fulfills?

Why are you the only one doing this? Economists say that U.S. financial and capital markets exhibit weak or semi-strong efficiency. (Capital usually goes where the potential risk-adjusted payoff is best.) Profitable niches fill rapidly unless barriers to entry throttle them.

Hence, if you find a niche that you think isn't being exploited it's either: 1. a game changer (steam engines, personal computers, cell phones – each in their day); 2. a short term novelty (Pet

[2] Family, Friends, Fans, and Fools – the most common source of small start-up capital infusions.

Rock); 3. hideously expensive or risky (financially, socially, or legally); 4. a really bad idea (Kitty-U-Wash, Covered Puts); or, 5. you are fooling yourself.

The first puts you on Forbes' list (if your timing is good). The other four land you in bankruptcy court. Take time to determine which you are looking at.

How are your customers meeting their needs right now? Successful products and services fulfill customers' real or perceived needs. If nothing satisfies the customers' need, they find substitutes that come close. Those substitutes (and their complements) are your competitors.

Investors are not impressed by claims that a product or service is unique or competition free. To the contrary, they are likely to conclude that the presenter is hopelessly naïve, a shoddy market researcher, deliberately misleading them, or all three.

Business Plan as Offering Circular

If you talk to business planners enough you will eventually hear; "You need a business plan so you can raise capital for your company." The statement is both true and fraught with danger.

- Truth: Nearly every External Audience wants to see your plan.
- Danger: U.S. and state securities laws impose detailed disclosure requirements on anyone who offers to sell interests in a business to a "passive investor."[3]
- Reality: Most plans do not satisfy those requirements. Business plans typically disclose only obvious business risks and do so in improper form.

Business plans prepared with outside investors in mind are about possibility:

- They convey the merits of your product, service, company, management, and market to garner an enthusiastic reception.
- They are, invariably, optimistic. As one of our favorite lenders observed: "I've never seen a business plan that predicted they'd augur in after a few months."[4]

Disclosure documents, such as a prospectus or private placement memorandum, are about what can go wrong:

[3] "Passive investor:" Any investor who will not directly participate in managing the enterprise. Extremely sophisticated investors (Angels and V.C.s) and institutional lenders (banks, insurance companies, pension funds) are exempt. Your 4Fs are almost always "passive" even if they are very vocal. A special regime (Business Opportunity Laws) applies to Franchisees.

[4] Charles Fenton, CEO and President, Tomato Bank. Though we have never seen that variation, we have seen plans that say (in essence); "We have no idea what we are doing here. Give us your money; we'll find a way to spend it. Then we will ask for more."

- They warn investors of vulnerabilities in your business plan: supply, production, marketability, taxes, international incidents, the weather, and the possibility the Mayans were right about when and how the world ends.
- They are, invariably, pessimistic: “Never promise anything;” and “When in doubt, disclose;” are their drafting mantra.

Capital hunting requires both tools.

If your plan addresses an External Audience, include qualified securities council on your planning team. Steven Roy Management will be happy to refer you to several of them.

Cookie Cutter (Form over Substance) Plans

Someone who matters says, “You need a business plan.”

So, you Google “Business Plan Template.” You get roughly a million hits.

- The first several hundred are directly on topic. Each one provides a structured framework you can adapt to develop a “standard business plan.” After all, that’s what templates are for, isn’t it?
- Some provide “standard language” that fills-in-the-blanks to create a presentable plan.
- A few offer to do the work for you: a business plan in a trice for a nominal price.

Most miss the point badly.

If you want to execute, not just write, a plan; much of what standard business plan templates call for is overkill. Maybe because it’s sexier, business plan instructors focus on external audiences (lenders, equity sources, franchisees, etc.). Broadly speaking, internal audiences (you, your boss, coworkers, customers, vendors, and other stakeholders) need more nuts and bolts and fewer flourishes.

Many canned plans ask for “required information” that is pointless regardless of your audience. For instance, does a local professional firm (doctor, lawyer, or accountant) or their lender really need to know the name and size of competitors? Is it likely they can get real data? Do any of them need to know the firms’ market penetrations (global, national, state and local, preferably extrapolated to 4 decimal places)?

- Identifying and quantifying extraneous data impresses naïve readers. Investors often find it irritating. In either event, it serves no practical purpose.
- Good plans identify the firm’s market, targets, and revenue potential. They promote strategies that turn targets into clients.

Cookie cutter plans try to be all things for all purposes. A useful business plan is a guideline for a dynamic process, not a pile of paper that lives in your bottom left hand desk drawer. Good plans guide tactical efforts to achieve strategic objectives. Good plans evolve as your business matures. They evaluate and challenge established practices and industry norms.

Good enough is not good enough for success.

Writing a business plan is about the planning process, not the plan. Business plans are *not:*

- Academic exercises you do for fun or to prove you can follow an outline.
- Immutable; if something works according to plan, improve it and change the plan. If it doesn't work, find out why and change your plan.
- Props (or excuses) for business as usual. Planning is about the future. The world changes; plans should too. View data, benchmarks, statistics, and historical trends skeptically.
- Pretty charts that enshrine industry norms, competitors' performance or market minutia. Data drives your action plan. Establish your action plan to improve your company's performance. Ask yourself: Are "Industry Averages," "Best Practices," and "Standard Operating Ratios" the best we can do? Do you really only aspire to an "Average Company?"

A dynamic, flexible, ongoing, process-oriented planning approach incorporates:

- Customers' or clients' needs and values,
- Scope, objectives, and audience, and
- Teamwork and input from both internal and external stakeholders.

Think about a less formal, more result-focused approach. Don't just "fill-in-the-blanks" Recognize that internal audiences often get greater bang-for-the-buck from the planning process than from the plan.

Extraneous, Superfluous, Inappropriate, Redundant, Unnecessary and-or Inapplicable Modifiers, including Adjectives, Adverbs and Words That End In "-ally" or "-ing"

Need I say more?

The Numbers Speak for Themselves

We sometimes review business plans that include nine pages of narrative (a passive voice Executive Summary, four pages of principals' resumes, and a stunningly pompous or turgid Mission and Objectives Statement) and 40-120 pages of densely packed numbers. Often the GL account name (Office Supplies, Rent, Equipment) is the only hint we get about what those numbers represent.

If we ask for explanation, the plan writer adopts their “Why must I suffer among such inferior beings? attitude and says something like: “It’s all right there if you just look at it!!!”

So, let’s be blunt: your Numbers, of and by themselves, answer only one question; “Can you (or someone you have hired) do arithmetic?”

In case you are wondering – the answer to that question had better be yes! If your Financials and Pro-Forma include clearly erroneous (or absolutely unintelligible) subtotals or totals, or the Balance Sheet can’t be reconciled to the Income Statement and the Statement of Cash Flows without divine intervention… the funding conversation ends before it begins.

You’ve gotten past the third grade arithmetic and the Accounting 101 tests… Here is the unwelcome news – Most investors know how to make up numbers too! Usually, they are much more interested in how you arrived at your numbers than what those numbers are![5]

This is where the narrative comes in: If you want me to “believe in your numbers” you’ll have to tell me where they came from. The numbers follow the narrative – they don’t drive the narrative.

Here are some examples (all related to revenue projections in one way or another):[6]

- If you project radical increasing revenue, tell me how you will do it! (“Revenue will rise by 50% per year from our initial $1MM projection” – sounds like BS to me.)[7]
- Work from the Bottom Up (Market and Product Analytics, by Service or Product Line), not from Top Down (This is how much revenue we need - we will get the revenue we need… no, really, it’s inevitable… “If we build it, they will come.”)
- If you “only need 1% of the market,” tell me how you will grab it! (It’s usually much harder than you think.)
- If your plan requires you to grab market share in a hurry, don’t show me projections that generate first revenue about the time the Enterprise is commissioned.
- Don’t tell me your product needs a massive recognition or branding campaign and then leave advertising and marketing out of the pro-forma.
- Really impress me: simulate the data for a wide range of parameters - identify the critical variables in your model (Monte Carlo Simulation is an effective way to do this).

---

[5] Not, rigorously speaking, true. First, they want to know that your numbers and process make sense. Then, they want investments that meet their investment criteria (ROI, Liquidity, Scalability, etc.). Neither of these answers is an inherent part of “the numbers.”

[6] We could proliferate examples for Expenses, CapX and any other pro-forma; but why gild the lily? BTW: We have seen every one of these at one time or another.

[7] This is the fabulous “Own the world in sixty years” scenario. At a growth rate of 50% per year, your company’s revenue exceeds projected Global Domestic Product in about 62 years. Most investors are understandably skeptical of that possibility.

As long as we are on the subject: Don't impress me with spurious precision – I've seen it before. If you present your ROI to 8 decimal places or you show me penny accurate pro-forma, I'll probably conclude that you're concentrating on the wrong things.[8]

Passive Voice

Which do you prefer to read?

1. "Use passive voice appropriately. Use modifiers sparingly."

2. "It has frequently been suggested to us that business plan writers may not wish to write their plans in such a way that passive voice is used excessively. It has also been suggested to us that we should think carefully about minimizing the number of adjectives, adverbs and other modifiers that we use."

Businesses are do-ers and be-ers. Business plans are action documents. Support that using active voice.

In active voice, the subject does (or is) something and verbs push the sentence forward: "The Management Team grew this business from scratch." Active voice emphasizes that you worked your butt off to achieve success.

In passive voice, an un-named agent acts on the subject: "The business was grown from scratch." Passive voice suggests your project "just kind'a happens" while the management team lies around in its jammies eating bon-bons.

Passive voice doesn't assign or accept responsibility. Politicians, pompous educators, bombastic military retirees, CEOs, and PR people love passive voice. "The battle was lost" sounds so much less damning than "I lost the battle." "The CEO was advised that certain staff members were suspected of behaving inappropriately" lets everybody (the CEO, the advisor, and the misbehaving staff members) off the hook. If things just happen, then no one is responsible. If that is what you want to say, passive voice works admirably.

There is a flip side though. You can't take credit if you aren't responsible (though politicians always try). Passive voice denies credit for your accomplishments as it shields you from responsibility. Tell your audience who's the boss: Use active voice to take credit for your ideas and accomplishments and responsibility for your actions. As a side benefit, your prose is "zippier" and easier to read.

---

[8] In Excel, use +Round, +RoundUp, and +RoundDown functions (not +Truncate) for extended geometric series. (Cost functions often have a linear form somewhat like: Cost(Current) = {Fixed Cost(Initial) x Escalator x Time} ± {Variable Cost Ratio x Revenue} Rounding preserves the integrity of sums that employ the calculation – Truncation does not – or does so only if you chase down all the truncated pieces.)

Scientific journals and textbooks are replete with passive voice. The educated public equates passive voice with gravitas and scholarship – all-the-while deploring the boring presentation. The scientific environment highlights two legitimate uses of passive voice. Use passive voice when:

1. The actor is not important but the process or principle is ("The bolts are partially tightened before being cinched down."), or
2. To draw attention to the person or thing acted upon (The bolt seating can be tested using a torque wrench.)

There is nothing inherently wrong with the passive voice, but it IS usually boring.

(Many thanks to Kelley Karol for giving me this lecture 40+ years ago, and to my long-time business and writing partner, Charlotte Chinovsky, for proving she was right and keeping me on the straight and narrow.)

"Sartre (*No Exit*) Scenarios"

Jean-Paul Sartre's existentialist play, *No Exit,* features three dead characters stuck in a room together forever. Sartre's play sends two messages to business planners: a) Even your 3B (best business buddy) doesn't savor an illiquid investment in your company; b) Venture Capitalists, Angel Investors, outsiders, and lenders won't even consider one.

No Exit plans are non-starters. Outside investors demand an exit strategy and a time limit. Tell them how and when they get their money back.

There are many viable exit strategies; each with advantages and limitations. Research and audience test to find approaches that work for your investors and your industry.

- Liquidation,
- Friendly Buyers,
    - Prearranged external buyer,
    - Internal buy/sell agreements,
    - LBO by officer/shareholders,
- Sale, Merger, or Acquisition
    - brokered sales
    - strategic acquisition by another company,
    - non-strategic acquisition by another company,
    - reverse merger into a public shell,
- Payout provisions that terminate outside interests,

Some of the interesting things you'll find when you do this homework:

- Real estate ventures almost always liquidate. Other ventures: not very often.
- "Friendly buyer" strategies require a valuation formula from the outset.

- Sale/Merger/Acquisition is the most common exit strategy for growing companies. It is hard to sell a company that isn't growing.
- Most investors dislike payout provisions that limit their upside.

Notice that I didn't mention IPOs?

If you believe an IPO is your exit strategy, you probably think the Easter Bunny shares a secret residence with Elvis and Judge Crater. Unsophisticated investors think IPOs are exciting, maybe even sexy. Sophisticated investors think your IPO exit strategy is touchingly naïve.

- The U.S. economy creates about two million businesses each year. Since 2001 there have been about 102 IPOs per year. Probability of joining the club: 0.005%
- There are (roughly) 28 million active businesses in the U.S. right now. Only 7,000 are public. Probability you are one of them: 0.025%

Bottom line: An IPO probably won't happen. So, spare me the "IPO in three years" exit strategy. You probably can't even do the paperwork that fast.

Stealth Principals (Working in Undisclosed Locations)

I don't remember where I heard it first, but I've heard it often: "Our (private equity, venture capital) firm will invest in an average project with a superb management team in preference to a superb project with an average management team."

Note the emphasis: Your management team gets you funded.

Corollary: Tell me

- Who is on your management team,
- What they have done before (and when) (include the good, bad, and the ugly),
- What they bring to this party,
- How long they plan to stay, and
- Where I can validate their assertions

Investors won't just give you a check and go away. The bigger the stake, the more control and oversight they demand. Gain their confidence by presenting your management team in the best possible (true) light. Use investors' insights by giving them access to your management team and asking them as many questions as they ask you. (There is a reason many investors are rich… find out what they know that you don't.)

Sticking to the plan

We decided this material was more appropriate elsewhere, so we took our own advice; we moved it. Here is the essence:

- “There is surely nothing quite so useless as doing with great efficiency what should not be done at all.” *Peter Drucker*
- “There are few things sadder than near flawless execution of a deeply flawed business plan.” *Steven J Roy*

Faithful execution of a deeply faulty plan leads to failure: Basic assumptions you make about your customers, market, and product during the planning process can be wrong. Things change.

- Start small (Minimum Viable Product),
- Define relevant metrics,
- Schedule (and perform) reviews,
- Ask “Why” until you uncover root causes, and
- Develop a pivot strategy.

Many of these principles are drawn from the literature on lean organizations and startup.

Then A Miracle Occurs (Should Facebook Change Its Name to Faceplant?)

Historical Note: When we wrote this piece, in late June of 2012, Facebook’s Initial Public Offer looked like an unmitigated disaster. Facebook recovered and (for the nonce) has prospered, “disproving” our gloomy predictions. Yet, rather than deny we ever said it, we retain our original pet-peeve illustration. Why?

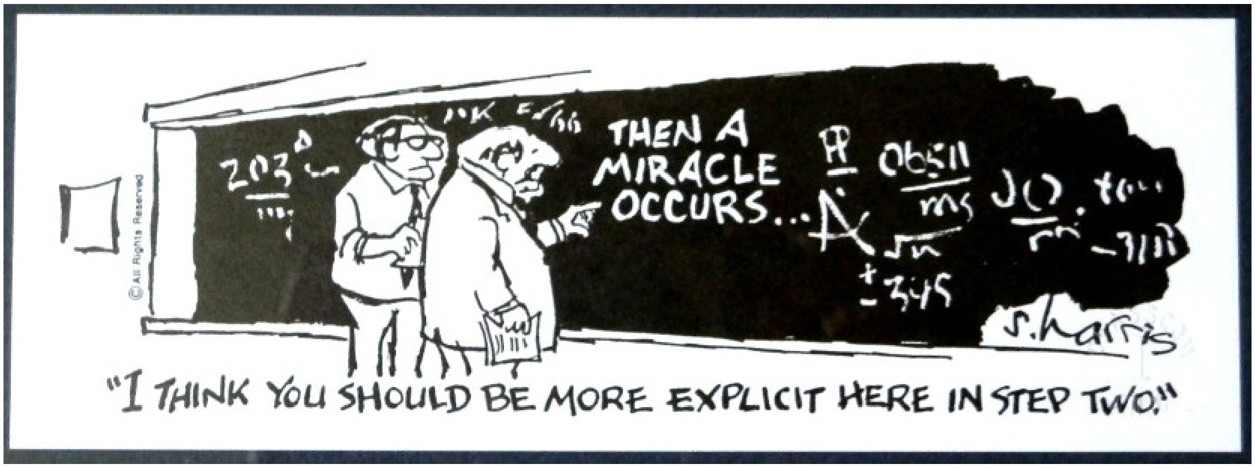
Facebook is the only large scale example of the Miracle Scenario that we’ve seen!

Facebook performed a massive corporate pivot (No doubt, I’m sure, a direct result of our suggestion that just such a pivot would be required. [NOT].). Facebook discarded its initial naïve, arrogant monetization strategy; changed its approach; learned from its mistakes, and justified investors’ “overoptimistic” valuation.

Instead of becoming the smoking ruin the “Miracle” scenario predicts, Facebook surmounted the intellectual-corporate culture barriers that companies and investors must overcome to defeat the Miracle scenarios’ pernicious effect. (Maybe that Zuckerberg kid has a future after all.)

In the interest of intellectual honesty, revised material is italicized below and in the footnotes. The original text is preserved intact, for the most part.[9]

[9] *Some parts of the original narrative have been re-sequenced to improve flow, logic, and readability. We took our own advice and rewrote some material in active voice (rather than passive). This article was edited in 2015. It was altered only slightly for our revised 2019 presentation. Subsequent events make my opinion look even less prescient. Facebook management’s persistent arrogance may yet land it in legal-administrative soup, however.*



"I THINK YOU SHOULD BE MORE EXPLICIT HERE IN STEP TWO."

In business planning, the Miracle scenario sounds like this: "If you invest in my company, I will instantly become a marketing genius. An exponentially growing market for my product or service will miraculously appear. Investor money makes all the difference. Trust me, all we need is more (of your) money."

Purveyors of the Miracle scenario expect investors to ignore some uncomfortable realities:

- The company's market performance has, thus far, been shy of miraculous. There has been little revenue at all, much less the startling revenue growth the business plan projects.
- Management has, up to now, demonstrated no marketing acumen, much less genius.
- There is no evidence that paying customers even want their stuff, and
- *They have no coherent plan to fix any of these conditions.*

Never mind, the outside investors' money remedies all.

If you encounter this kind of hucksterism on the street you beat a hasty retreat, call the bunko squad, or both. Somehow though, it sounds much better when articulated in business plans, offering circulars, or Private Placement Memoranda (complete with color glossies of the hard working staff). One of my early mentors (Patricia Peck of DPS), paraphrased Abraham Lincoln: "You can fool some of the people some of the time... and that is usually quite sufficient." People who use the miracle scenario rely on Pat's cynical observation.

Facebook's Face-plant is both a business planning object lesson and a prime example of the consequences of the "Then a Miracle Occurs" revenue and profitability projection.

If "only dinosaurs don't see Facebook's value," I'm *(I was)* a dinosaur.[10] Facebook's 100 x EBITDA valuation[11] and pathetic 1 for 2000 (0.051%) advertising click-through rate put me off my stride.[12] Facebook's clueless (but arrogant) monetization strategy[13] clinch*(ed)* it for me.

Facebook IPO investors lost 45-55% of their investment before the blackout/lockup period ended.[14] That's close to some kind of record. Absent a corporate-strategy pivot,[15] I predict it will get worse. (Ask and I'll tell you why I think Facebook is worth no more than $12 to $15 per share, and possibly a whole lot less.)[16]

Facebook was the third highly touted Internet IPO that employed the miracle scenario. Linkedin was lackluster ($93 on opening day, $103 a year later after some dizzying ups and downs).[17]

---

[10] *Facebook's revised revenue design makes me merely Neolithic, perhaps. I now see value in FB shares, but I have reservations about their ability to sustain the growth necessary to achieve our projected pricing. See footnote below for more on this subject.*

[11] *Currently, FB Market Cap/EBITDA is ~36 (YE 06/30/14). We project that will drop to the high 20 or low 30 range next fiscal year (ending 06/30/2015). Additional improvement may be required if FB wants to remain a social media darling. See other notes below.*

[12] *Recently reported click through rates average about 1.8% in the on-line newsfeed and 3% in the mobile feed (not sure why there is such a huge discrepancy). The former figure is somewhat lower than traditional media, which approximates the latter figure. Bear in mind, however that FB probably generates several hundred billion impressions per day… so we suspect somebody is making a lot of money from somebody. We have yet to see any reliable studies on how click through translates to seller revenue, however.*

[13] *Loosely and cynically interpreted, Facebook's original monetization plan was "We'll keep giving stuff away, to a bigger and bigger audience, until we finally run out of money. Then we'll ask you for more bucks, OK?" Current FB users complain about intrusive advertising in their feed, but the advertising revenue based model seems to be working for Facebook and their advertisers.*

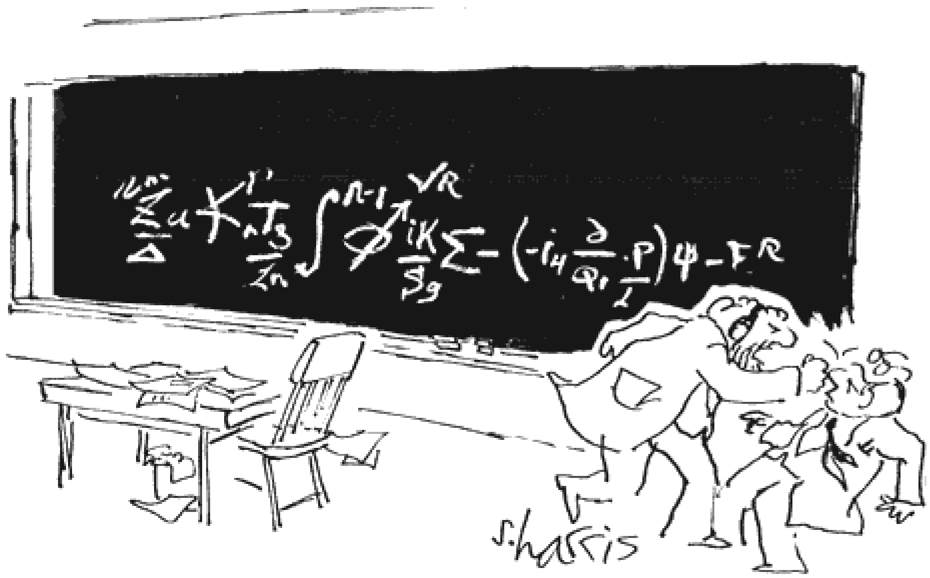
[14] *Shareholders who bought and held FB shares at opening day prices have since realized a 26.5-31.2% annual return. Those who bought at or near the bottom of the market in early September 2012 have realized a 73.5-75.5% return. The market bottomed above the point that we considered an appropriate price for FB's shares (Bottom = 17.02; our pricing ~15.00 max if FB maintained its, then current revenue model). By the time the market bottomed, however, FB had significantly altered its revenue model.*

[15] *Which, as we pointed out above, Facebook successfully accomplished – much to our surprise.*

[16] *Yeah, I really said that – They can't all be winners! Our 2015 valuation ($72-$90 per share) is based on growth assumptions similar to those we used in our previous analysis (without, however, the necessity to sustain the growth indefinitely that led to our earlier qualification ("no more than $12 to $15 per share, and possibly a whole lot less.") and is eerily close to current market price (~76/share). Our valuation is critically dependent on continued improvement in FB's P/E ratio (presently about 86), revenue increases and Market Cap/EBITDA reduction. FB has shown it is capable of responding to those necessities. In the space of two years, Facebook has gone from our "wouldn't touch it on a bet" list to our – "dang it, this stock may actually be undervalued" list. We've never seen that sort of corporate strategy/valuation change before and are looking forward to seeing what FB's management comes up with next.*

[17] *Linkedin share value went on a WAT (wild assed tear), nearly doubling between July and November 2013. It then went back into hibernation. We have not analyzed or determined the rationale for either the WAT or the hibernation. Based on user experience, product differentiation and product improvement were not factors.*

Zynga lost 70% of its IPO price ($10.00), 80-90% of its immediate post-IPO trade price ($14.10 to $31.96).[18]



"You want proof? I'll give you proof!"

We analyze four to six pitches a month, about a third of which rely on the miracle scenario. If we challenge them, offerors usually invoke another Sidney Harris cartoon: "You want proof! I'll give you proof!" complete with waving fist. Oddly enough, we never hear from most of them again.

The rest of us have to work together, create a product that satisfies customers' needs, find or create a market, and make the product more appealing to that market and to even larger markets later.

---

[18] *Zynga continues to trade in the "high twos (currently $2.90)." They apparently do not see any reason to alter their corporate strategy or revenue model. Shareholders may have cause to disagree.*