

LIV BOOKKEEPING

Executive Summary

Please be advised, this summary and its companion business plan and proforma cover only Phase One of our business life cycle. Phase One is projected to last only through the end of our second full calendar year of operation. Although we describe our intentions for Phase Two and beyond in limited detail, given the nature of this rapidly changing and developing market, it is our opinion that running financial projects out beyond that point will provide little real value to potential investors.

LIV Bookkeeping, LLC is a company that provides outsourced accounting services to CPA's, CFO's, and small businesses. As such, we have had hundreds of conversations with CPA's in recent weeks. What we have learned is surprising to many. In market research, depending on the area, upwards of 90% of CPA's have told us that they are **not interested in growing their practice**. A handful have told us they plan to sell and/or retire in the near future. The fact that our value proposition involved allowing CPA's to grow without increasing their overhead but the vast majority aren't interested in growing presented an interesting challenge.

Enter: K & A. Kellogg and Andelson is a large (and getting larger) CPA firm that has been quietly acquiring other practices and then taking the work and outsourcing it to India. And while we don't outsource to India, the business model is extremely sound. This model presents the perfect solution to our challenge. It is a simple "growth through acquisition" strategy combined with a new business process that will result in a highly profitable new practice combined with profitable, predictable company growth. The only thing limiting our initial growth is the amount of cash we have and the number of practices that meet our criteria that are available for sale at any given moment. After acquiring ten average-sized practices, however, our high profit margins will allow us to continue to acquire practices without additional outside capital.

We will be raising a significant amount of money for acquisition and operation of these practices. In light of our cost-reducing business process, these practices will require little money for operation after the first month. That's because we will reduce overhead for these practices by an average of 60%. This will result in these practices providing immediate positive cash flow.

The money raised will benefit shareholders¹ in the following ways:

- Our business model will immediately and dramatically increase the profitability of these practices, thereby increasing our ability to grow them and their value in our portfolio of assets.
- Our marketing expertise will allow us to take more market share in the area surrounding what was a stagnant practice, providing an additional increase in asset value.
- A significant portion of business development firm Level IV will be acquired by LIV Bookkeeping, and business development services will be offered to practice clients. This will increase the value of Level IV shares and in turn increase the net asset value of company shares.
- In light of our "growth through acquisition" strategy, we will hire an attorney with M&A experience to manage those acquisitions. Having in-house counsel means we will also be able to offer basic legal services required by business owners, e.g. entity creation (incorporation). This is an additional profit center that will benefit shareholders.
- The shares being offered in this round of funding are a Preferred class of shares. These shareholders will be paid first in the event of dissolution or liquidation of company assets. And since essentially every dollar invested will be leveraged to control five dollars in assets, these shareholders will enjoy a highly secure position.

¹ *Note: Since the company is structured as an LLC and taxed as a partnership, the terms "shares" and "shareholders" are used for familiarity only. Shares are actually Membership Units, or shares of interest. Shareholders are owners of shares of interest in the LLC. The classes of shares, including Preferred Membership Units, are defined in the Operating Agreement.*

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- And last but not least, applying our business processes to these practices will make LIV Bookkeeping profitable immediately, thereby freeing up cash to pay the 8% minimum guaranteed dividend to Preferred shareholders. Remember, since the average accountant bills out time at between \$80 and \$140/hr, and our average cost of labor is around \$10/hr. (for full fledged accountants and CPA's), the potential for significant returns on this investment should be obvious.

Target Market Value Proposition

First, we provide outsourced accounting services performed by experienced accountants and CPA's to businesses (including CPA firms) at a cost equal to or, in most cases, less than what they would pay for an experienced bookkeeper.

Second, we deliver accounting services at or below market rates through company owned accounting practices. We also deliver business development and legal services to small business clients through those practices.

Investor Value Proposition

As of the writing of this plan, the average accounting practice in Southern California is selling for \$560,000, which represents a multiple of 1.22 times gross revenue². This average represents the sales of 20 practices and a price range of \$70,000 to \$1.05 million. Ten of these sold for less than \$300,000.

Since a typical purchase scenario involves a 20% down payment, we should be able to acquire ten practices with a cash outlay of only \$600,000. And since these practices are valued as a multiple of gross revenues, not profits, they will retain their value in our asset portfolio. Put another way, a \$600,000 investment made by investors will, in effect, be secured by assets valued at roughly \$3 million, or 5:1 assets to investment.

Applying our marketing expertise to practices that have avoided growth will allow us to grow the revenues of these practices, thereby increasing their value in our portfolio.

The balance of the financing is often paid out in 20% increments in the ensuing 4 years. Since the largest expense for practices of this size is accountant salaries, eliminating this expense, or at least 90% of it, will provide ample cash for the annual installments. This reduction in overhead along with the elimination of unnecessary office staff will generate immediate profits for LIV.

This strategy will simultaneously generate profits for additional acquisitions and build equity for shareholders.

It will also generate the cash needed for the 8% annual dividends, which are guaranteed in the Operating Agreement (OA).

Last, LIV will acquire a 40% share of Level IV. With a steady source of referrals generated from accounting clients, the profits and value of Level IV shares will increase, providing additional value for LIV shareholders.

Collectively, these strategies will provide high levels of security for investors along with immediate profits.

² For source and data see Appendix A in the Business Plan