Sample Business Plan
Eye Biometrics*
Confidential Business Plan
&
Descriptive Memorandum

http://www.eye-biometrics
2017

* Data & Information Contained Herein Are For Illustration Purposes Only & Are Not Intended To Be Considered Accurate

Question Relating To This Document Should Be Addressed To:

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Note: This Sample Plan was developed from a Business Plan developed by The Values Group, LLC. Its Early Stage Client had failed to raise capital on its own for 18 months. After the Business Plan, a closing was held within 5 months.

This Confidential Business Plan and Descriptive Memorandum (the "Memorandum") is being furnished to certain parties who have expressed an interest in entering into a transaction with Eye-Biometrics, LLC (the "Company"), knowing that the Company is seeking $1.5 million for working capital.

Each recipient of this Memorandum has agreed to be bound by the terms of a Confidentiality Agreement, which has been signed and returned to the Company prior to receiving this Memorandum. Each recipient agrees that all of the information contained herein is confidential and subject to the terms of the previously executed Confidentiality Agreement. The recipient will treat all of the information contained herein, in a confidential manner in accordance with the terms set forth in such Confidentiality Agreement, and that it will not, directly or indirectly, disclose or permit its affiliates or representatives to disclose any information contained herein to any other person or reproduce this Memorandum, in whole or in part, without the prior written consent of the Company.

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In furnishing this Memorandum, the Company and its agents undertake no obligation to provide the recipient with access to any additional information. The Company reserves the right to terminate, at any time, further participation in the investigations and proposal process by any party and to modify data and other procedures without explanation.

ALL INQUIRIES OR REQUESTS FOR ADDITIONAL INFORMATION SHOULD BE DIRECTED TO THE COMPANY:

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Table of Contents

Executive Summary

The Company's Mission: Eliminate critical electronic medical record problems that endanger patient safety and privacy using an iris ID system.

The Company, founded in 2014, designs, manufactures and markets the patent-pending GauranteedMatch® biometric iris identification system ("GauranteedMatch") to healthcare facilities across the country. GauranteedMatch instantly identifies any patient who glances into the camera, preventing medical and recordkeeping errors by accurately matching patients to their records, medications, and procedures. GauranteedMatch also provides rapid log-in for nurses, doctors and other hospital staff to secure medical records, e-prescribing, and other key applications.

The Company's objective is to dominate the medical biometric identification market. Its ID products (hardware and software) are completed and in full production; moreover, it has sales orders and paying customers.

Market Opportunity

Healthcare facilities in the last 7 years have spent $millions for Electronic Medical Record ("EMR") and E-prescribing systems; moreover, they are project to spend another $millions over the next decade. The Company projects cumulative spending of almost $6 billion for accompanying healthcare security systems. This projection may be conservative; for example, the premier healthcare market research firm, F&S, projects that such facilities will spend almost $6 billion <u>per year</u> over the next 10 years for security applications related to access control to those records.

Market Problem

As patient databases increase in size, it becomes virtually impossible to avoid making mistakes using current record locating methods. With hundreds of thousands or millions of records in a hospital database, there will be hundreds of John Smiths and other common names with the same or similar birthdays. Efforts to network patient records so they are available to other doctors and facilities makes the problem of matching records to patients even bigger. With a paper record, only one person can access the record at a time and finding the record requires manual review and concentration. With electronic records, all it takes to put test results into the wrong record or use the wrong record for diagnosis and treatment is a very small movement of the mouse pointer.

The incidence of errors in selecting the right record will continue to expand in proportion to the growth in the number of records, producing errors that inhibit efficiency and threaten patient safety. Medical errors kill an estimated 98,000 patients at hospitals and 47,000 more at nursing homes, emergency rooms and in doctors' offices every year. One and a half million people a year suffer from adverse reactions to medication errors. Positive ID in the patient care process will significantly reduce these medical and medication errors.

In addition, annually, private insurers and government programs pay billions of dollars each for benefits fraud, including sharing of benefits cards among friends and relatives and organized criminal identity theft. Iris ID systems can eliminate these losses entirely.

Further, positive ID is needed to control staff access to patient records and e-prescribing functions to comply with HIPAA, and to provide an audit trail to track any misuse of records.

20th century identity technology like passwords and security cards do not support 21st century medical security requirements. Biometric ID is the only approach that can identify people without errors. Between the available biometric technologies (iris, palm reading, and finger print), U.S. government studies have determined that iris ID is the most accurate.

Existing iris ID systems designed for government security applications are expensive (compared to the GauranteedMatch camera with an introductory price of $149) since each location uses a camera costing $2,000 or more. Recognizing that these products were unsuitable for hospitals and clinics needing hundreds of ID stations, the Company designed a premier technology system that meets the processing and economic needs of healthcare facilities.

Product/Solution

GauranteedMatch provides an iris ID system that includes an inexpensive proprietary handheld camera and powerful, patent-pending image processing and control software that stabilizes, controls, and selects output images to make this inexpensive hardware work better than current market offerings. The system has a patent-pending universal interface that links to any medical software.

Management

The Company's founders have worked together in the biometric field since 1999. They were responsible for developing and implementing successful staff and frequent flyer iris ID security systems in airports such as Frankfurt, Heathrow, and Charlotte.

The Company's primary co-founders are these experienced business and technology experts:

- **Inventor Eye** (B.S. in Electrical Engineering, MBA, JD, MD.), Chief Executive Officer, served as a senior executive in another biometrics company, is an experienced business executive and strategist, and was a successful practicing physician.

- **Handy Engineer,** Executive Vice President, is a veteran international marketing executive in the iris ID industry, and has served as a project leader for iris system installations around the world.

- **Xani Yu**, (B.S., M.S., and PHD in Computer Science), Chief Technology Officer, directs the overall design and development of the Company's software and hardware systems. A pioneer in developing iris ID systems, "Xani is recognized as one of the world's foremost experts in commercial iris identification implementation.

The Company's executive team is supported by a distinguished advisory board of healthcare and business experts.

Target Marketing: Direct Sales & Channel Partner Sales

A recent Healthcare Information and Management Systems Society ("HIMSS") survey reports that over one third of hospital CIOs expect to install a biometric ID system in the next two years. The Company's initial targets are hospitals and clinics at an advanced stage of EMR implementation ("Early Adopters"). These direct targets are 5,170 hospitals and 1,000+ federally qualified clinics. The Company has also targeted the nation's 635,000 small medical practices (8 or fewer physicians) through channel partners.

Within a year, as these initial reference sales and attendant publicity build the product's reputation, the Company expects the market to reach a tipping point where channel partner sales volumes overtake direct sales. Partner categories include companies specializing in master patient indexing, bar coding systems, medication verification, portable computers, claims processing, credentialing, patient kiosks, electronic access management, and medical error management.

The Company will also pursue sales in non-healthcare vertical markets through channel partners.

Customers

Today, the GauranteedMatch solution is in full production, with high-volume capacity, and in daily use by paying healthcare customers:

- City Health Plan, the multi-site clinic that was the model for EMR installation throughout public clinics in Y City, uses the system and has ordered cameras for every exam room and patient service location in its clinics. 35 cameras are in operation and 65 more are on order.
- Elm Hospital Center in Y City has initiated a pilot program that is expected to transform into a full-scale installation in the summer of 2017.
- The National Institute of Health is testing GauranteedMatch; the Company anticipates a favorable report and additional purchase order at the conclusion of the NIH evaluation.

The Company has also has paying customers outside the healthcare industry.

Business Model

The Company's revenue stream from sales to hospitals and clinics includes:

- Charge per camera ($149 Introductory Price through December 31, 2009)
- Setup Fee (range $1,000-$50,000)
- Monthly subscription fee based on the number of patients (range: $200-$15,000/month)

In addition, the Company is establishing channel programs to market the GauranteedMatch solution to small medical practices, producing revenues from camera sales and a flat monthly service fee for each provider using the system.

The Company will also partner with established vendors in other vertical markets.

Market Strategy

The Company's primary strategies to accelerate sales include:
- Targeting Early Adopter Hospitals. The Company is contacting selected facilities that are in the most advanced 1% of EMR installations. These facilities drive IT selections of the remaining hospitals—"DWOHD" (Do What Other Hospitals Do).
- Establishing Channel Partners.

- Launching a PR campaign to publicize the early adopter facilities.

Customer acquisition strategies include web marketing, press and publicity generation of client case studies, demonstrations at trade shows and conferences, government relations efforts, retaining industry opinion leaders as consultants and advisors, and direct sales to significant potential customers.

Competition

Based upon its superior, proven technology, favorable pricing structure, and a referral customer base, the Company is positioned to dominate the hospital and clinical ID industry. While there are six companies (including the Company) worldwide that design and manufacture complete iris ID solutions, Eye-Biometrics is the first and only provider with a solution specifically for the institutional healthcare market.

The other five iris ID companies are primarily focused on high-end government markets; their systems were designed from the ground up to meet needs very different from those in healthcare. Additionally, since each ID station in competing systems costs thousands more than a GauranteedMatch station, realistically, they cannot compete in the healthcare and/or other commercial markets where a huge number of stations are required. Moreover, the Company has an 18-month development and marketing lead over any future potential direct competitor. Finally, the Company's pending patents will make it difficult for future competitors to match system price and performance.

Indirect competition includes card-based systems and palm-vein and fingerprint biometrics. GauranteedMatch delivers superior features, performance, hygiene, and patient safety at the same price point as these less-attractive options. Additionally, the National Institute of Standards & Technology has published a study concluding that iris identification is the most accurate of all biometric systems.

Financial Projections

The Company previously raised $1.2 from founders, friends, and family. It now is seeking $4.5 million in additional capital from Angel Investors to fund the ongoing rollout of its completed product, including an augmented field support team and sales force, development of strategic partnerships for channel marketing, expanded international patent and sales strategies, and additional camera inventory to support accelerating sales.

Year	2017	2018	2019	2020	2021	TOTALS
Gross Revenue	$3,309	$24,866	$66,783	$133,483	$202,847	$483,288
Expenses	$3,016	$14,288	$36,186	$70,142	$102,792	$2011,425
Net Revenue w/o regard to taxes	$292	$10,578	$30,597			

II. The Business Opportunity

Overview

Iris identification uses proven technology that is capable of distinguishing between every iris on the planet with virtually no errors. The iris contains more pattern information than competing biometric features such as fingerprints, palms, and faces. This higher level of information means that iris systems can search very large databases and identify a person in seconds, with no information other than the iris pattern. Fingerprint, palm, and face systems have significantly less effective search capacity.

The Company Mission: To eliminate critical electronic medical record mistakes that endanger patient safety and privacy through an iris ID system.

The Company was founded in 2014 to develop and market an inexpensive biometric iris[1] identification system for healthcare facilities. Previously, the founders were pioneers in developing iris ID systems for airport staff security and for expediting air passengers through immigration procedures.

GauranteedMatch is an inexpensive proprietary handheld camera and powerful, patent-pending image processing and control software that stabilizes, controls, and selects output images to make this inexpensive hardware better than the more expensive iris identifications systems on the market. The system has a patent-pending universal interface that links to any medical software.

The GauranteedMatch system adds a new level of sophistication to core iris technology. The portable USB camera is easy to use and inexpensive to manufacture, supporting applications where ID must be accomplished at many locations.

Attempts by other companies in the biometrics industry to make an effective handheld camera failed because their cameras were too difficult to use.

The camera hardware is tightly integrated with control software that scans the camera field of view to locate the eye. The camera electronically zooms and then dynamically controls the camera to provide easy-to-understand distance positioning feedback to the user. An inventive automatic focusing algorithm allows image capture within a larger range of distances from the eye. In addition, the software uses sophisticated proprietary image analysis methods to select the most accurate image data from a large number of images in the video stream.

The total package provides a true breakthrough, delivering rapid registration and almost instantaneous identification from the first and only iris ID station package that can be distributed at low cost.

In October 2015, the Company released the first commercial version of the camera/software and began delivering professionally manufactured products to paying customers, making the transition from a startup to an operating company.

Factors Driving the Hospital and Clinic Market for Biometric Identification

1. Patient Safety & Compliance

To comply with governmentally imposed medical and e-prescribing requirements, meet the public's demands for better protection of sensitive personal information, and reduce critical errors, hospitals, clinics, and other medical facilities throughout the U.S. must accelerate their efforts to implement EMRs and electronic prescription systems ("e-prescription")[2]. Concurrently, for these systems to be effective, they must be integrated with a biometric patient and staff identity system. Theoretically, the growth of EMRs and e-prescribing is unlimited; practically, without a patient and staff identification system, they will only be half as effective as intended. The Company's biometric iris recognition technology solves the problem.

The market for positive identification in the U.S. medical field alone is measured in the billions. In terms of compliance, Federal and state laws and regulations require secure authentication for access to electronic medical patient records and prescription systems; in terms of patient safety, records must be accurately matched to the patient at each stage of care. In addition to statutory and regulatory mandates, there is a medical industry consensus that electronic tools are required to reduce inefficiency in the economically troubled health care system--twentieth century identity systems such as passwords alone are inadequate to secure patient databases against the threat of medical identity theft.[3]

Electronic medical record integrity and correct diagnoses depend on getting the patient's right record, every time. In addition to bringing hospitals into regulatory compliance, GauranteedMatch will decrease hospitals' exposure to negative publicity and wrongful death litigation—hospital medical record errors kill 44,000 to 98,000 Americans a year[4], other medical record errors kill another 47,000 people outside of hospitals,[5] and 1.5 million people suffer from adverse drug interactions, incorrect doses, and other medication errors. "Many of these deaths and injuries could be avoided if the full medical records of patients were available to their treating physicians."[6]

The Company's central target is the U.S. healthcare industry. This industry has a critical need to accurately find and display the right medical record among many with identical or similar names, match patients to the correct medication, confirm identity for lab test and medical procedures, identify clinical staff for access to sensitive data, payroll, time and attendance, and access control, and improve patient processing to save time and money.

The 5,170 hospitals and 1,000+ Federally Qualified Community Health Centers in the US are targets of opportunity for direct sales. In addition, there are 635,000 small medical practices (8 or fewer physicians) which are targets of opportunity for biometric ID systems through Channel Partnering. Currently, among the hospitals, over 70% have systems in at least part of their facilities that use a clinical data repository (CDR) for physicians to retrieve and review test results. About half of these also have full clinical documentation capabilities. While EMRs installations will continue to grow over the next few years, there is already a solid and growing installed base that the Company's system can support. Twelve percent of US physicians have full scale EMRs.

2. Government Healthcare Payment Policy

The Federal Government's payment policy concept associated with healthcare reform is to pay for performance, i.e., payments for medical services based upon how well the patients do. Thus,

without regard to size, medical facilities and practices will have to acquire technology systems (EMRs and e-prescribing) that allow the Government to link into their patients' records.

To expedite the pay for performance policy, beginning in 2011Medicare has been penalizing doctors (3%) for the failure to use e-prescribing.

Medicare has a documented history of implementation progression. Additionally, the Obama Administration believes that EMRs are one, a part of healthcare reform, and two, a cost savings investment. Accordingly, the Company CMS has adopted a reward/penalty reimbursement availability schedule for physicians having EMRs.

Over time, the private insurance carriers followed the reimbursement availability positions implemented by Medicare; because it is cost effective, and the industry has to recognize the new standard of care. Private insurers such as Blue Cross Blue Shield of Rhode Island and United Healthcare are already offering direct financial assistance and enhanced fee schedules to physicians that implement EMRs.[7]

3. The American Recovery & Reinvestment Act of 2009 ("Stimulus Bill")

The Act authorizes approximately $36.5 billion to provide grants to doctors ($44,000 to $64,000 in increased Medicare and Medicaid payments) and hospitals (several million dollars) to acquire EMRs and ancillary equipment. After 2016, doctors and hospitals without EMRs will face Medicare and Medicaid penalties.

Congress justified its action on the basis of government and private studies finding,"… that much of the $2.5 trillion spent on health care each year is wasted on duplication of tests and unneeded procedures." Further, Congress accepted the Center For Information Technology Leadership's study, concluding that a national network of EMRs would save $78.8 billion, annually, in healthcare costs.

Congressional projections indicate that the Federal grants for EMRs will result in 75% of hospitals and clinics and 50% of small medical practices adopting EMRs by 2018. These targets seem viable since prior to the Stimulus Bill, physicians and healthcare facilities were already moving in that direction.[8]

III. Leveraging Market Opportunity

Target Early Adopter Hospitals. Much of the industry subscribes to the DWOHD (Do What Other Hospitals Do) philosophy concerning new technology and innovation. The Company plans to target the industry's early adopters of clinical IT technology and the several hundred additional hospitals and clinics that are recognized as the top 1% in implementing electronic medical records. Approximately 10% of the 5,171 Hospitals and 1,000 clinics or 617 healthcare facilities are estimated as the Company's immediate targets. Twenty percent (20%) of the Early Adopters are expected to be prime targets.

The Company has identified the top 100 early adopter hospitals and those that are assessing biometric identity management, validated by HIMSS Analytics. These are well-known, large organizations within the hospital community, such as Kaiser Permanente, with more than 7,600 beds.

As part of the early adopter strategy, the Company will target the ten 2015 HIMSS Davies Award recipients. These healthcare facilities are recognized nationally for outstanding operations and innovations. The HIMSS organization offers mailing lists for rent which we will acquire and use in outbound marketing campaigns.

In addition, the Company will initiate relationships with the leading trade associations and organizations representing the hospital market. These include: American Hospital Association (AHA), American Health Information Association (AHIMA), Healthcare Information Management and Systems Society (HIMSS), College of Healthcare Information Management Executives (CHIME) and various state and local hospital associations.

Launch a PR Campaign to Accelerate Market Adoption. Presently, the Company projects a sales agreement within 90-120 days from first contact. If the prospective customer requires a phased installation (Pilot Program), the timeline increases. The financial projections are built on sales at 25 of the 123 facilities (20%) to close within the 90-120 days through promotion and publicity surrounding the current clients.

Developing client case studies of the early adopters and promoting these within industry trade magazines and industry conferences will accelerate market adoption. The Company will focus highly targeted PR efforts to place these case studies in major trade publications such as *Healthcare IT News, Healthcare Informatics, Health Management Technology, CIO Magazine,* and *CIO Insight*.

The Company has retained Advocacy Medical Technology, a New England-based public relations firm, to create a media campaign to publicize GauranteedMatch installations. This effort will be led by Dr. Laura, a principal of the firm who was formerly Director of Public Relations and Strategic Communications for AHIMA. PR efforts will focus on publicizing the clients and the value of the GauranteedMatch solution in key industry publications, websites and IT research reports.

Other key hospital industry publications that will be targeted include: *Hospitals & Health Networks, American School & Hospital Facility Magazine* and their website **FacilityManagement.com, AHA** *News, eHealthcare Strategy & Trends,* and *Managed Healthcare Executive.*

In biometrics, the International Biometric Group ("IBG") is the industry gold standard or maven. IBG is renowned for its Comparative Biometric Testing ("CBT") which measures the accuracy and usability of biometric systems; because CBT conforms to published US and International standards, its results are accepted the world over. The Company has a contract with IBG for $40,000 to test GauranteedMatch, comparing it to all biometric systems, including other iris identification systems. The test results will be published in January 2017 and mailed to hundreds of governments and regulatory agencies, international organizations, and domestic corporations.

Develop a Channel Partner Program

The Company will speed market adoption by collaborating and establishing channel relationships with one or more key Electronic Medical Record providers. It will initiate contacts with such EMR vendors as E-Clinical Works, AllScripts/Misys Healthcare, GE, Meditech, Cerner, McKesson Eclipsys, and Epic Solutions CPSI. We will also target the VA Hospital System, which is considered on the leading edge of IT innovation.

In addition, the Company has begun dialogue with web-based EMR providers that sell to small physician practices. These are defined by the American Medical Association as practices from one to 8 physicians. In total, there are 637,000 thousand such practices. This sector will be served by the EMR providers that offer low cost "SaaS" (software as a service) solutions. These include The Quantum Group (Waiting Room Solutions), Vipa Health Solutions, Allegiance MD, Medical Office Online, Soventus (Aquifer, EMR), and Medical Solutions.

The small medical practice is a viable market to reach via third party partners rather than direct sales. The Company will charge Channel Partners $199 for each camera ordered for each small practice physician and a Service Fee in the range of $8 per month per physician.

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The Team

The founders' successful track record in developing iris ID products includes pioneering airport iris ID systems in 1999. In the last ten years, this team has developed custom-specific iris ID systems for airports and immigration services around the world and was responsible for an unbroken string of successful installations. They founded the Company with the objective of revolutionizing ID functions first in healthcare and then in other industries by creating a cost-effective commercial implementation of this powerful high-end airport security technology.

Management

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OUTSIDE DIRECTORS
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Advisory Board

In addition to its executive team, the company has assembled a board of experienced and respected health care advisors (as well as advisors with other backgrounds) whose knowledge helps guide the company's legal, financial, product, and marketing strategies.

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IV. Pro Forma: Financial Projections

Use of Proceeds: The $4.5 million will be used for working capital, facilitating the Company's ability to staff, advertise, and obtain inventory, allowing rapid penetration into the market.

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These projections are based on a confidential Pro Forma financial model and an accompanying detailed set of assumptions which are available upon request and execution of an NDA. The Company will sell GauranteedMatch directly to large healthcare facilities (hospitals and clinics). Usage will be for both facility staff and/or facility patients. The revenue model is based on a sliding scale for a number of categories. The chart below summarizes the Revenue Model Components:

GauranteedMatch Service Pricing Examples – Recurring Revenue Model

Central System Pricing

Active Record Allowance	One-Time Setup Fee	Basic Monthly Service Fee	Typical Installation and Training Charge
100	$995	$199	$500
500	$3,995	$299	$3,000
1,000	$5,995	$499	$4,000
2,000	$8,995	$799	$7,000
5,000	$10,995	$899	$7,000
10,000	$12,995	$999	$7,000
20,000	$14,995	$1,099	$10,000
50,000	$16,995	$1,199	$10,000
100,000	$21,995	$1,499	$12,000
200,000	$29,995	$1,799	$12,000

Camera Hardware/Software Pricing

Camera $149.00 till 12/31/2017, thereafter $199.00
Monthly Station Fee is $4.00 per Camera in all cases

IV. EXIT STRATEGY

The Company will seek a Liquidity Event at the end of three years unless a super-majority of the shareholders elect otherwise.