

Connect Productions – Corporation Initial Public Offering

Draft Document

V1a

About Connect Productions

Connect Productions are a small-scale manufacturing corporation, run solely by **Mensagemiro Cai**. **Connect Productions** has limited financial backing from a friendly corporation, and they have provided a small start-up fund, which will be grown to a value of 500,000,000ISK (500 Million ISK) prior to launching the initial public offering. This start-up fund has no liabilities in terms of repayment, and has been accepted as a gift. Thus initial value of 500,000,000ISK will consist of 100% ISK.

Connect Productions specialise in T1 construction, and currently have Blueprint assets worth 20,000,000ISK and a T1 Industrial Ship worth a total of 90,000,000ISK including Rig enhancements. These assets will not be included in the start net asset value of the corporation although future purchases will be included in the net asset value of the corporation.

The T1 items being produced are high volume low cost items, selling many thousand per day at an approximate profit of 15%. Due to production limitation and desirability of the product, no additional capital is required by this initial public offering. Instead, this initial public offering is offering investors to be a part of something that is already established, hopefully reducing the investment risk of potential investors.

Executive Summary

This investment opportunity offers the following key benefits:

- Investment in an established business model;
- Secured investment (assuming the full 50% stake is sold);
- Low-value investment should translate to lower exposure to risk;
- Continual buy-back option;
- Dividend issues;
- Continual share price growth;
- Scheme designed to promote stock trading; and
- Monthly accounting statements / business announcements via a web blog / forums.

If any of the above interests you, please read on. The following sections outline the financial details of the proposal.

Initial Public Offering (IPO) Details

Total Number of Shares: 20,000

Number of Available Shares: 10,000

Number of Retained Shares: 10,000

Corporation Net Asset Value (NAV): 500,000,000.00ISK (500 Million ISK)

NAV / Share: 25,000.00ISK (25 Thousand ISK)

Details of Share Sale

A total of 10,000 shares out of the 20,000 shares total in **Connect Productions** (known as The Corporation hereon) will be made available by **Mensagemiro Cai** (known as The Broker hereon), totalling 250,000,000.00ISK (250 Million ISK). Shares will be made available in blocks of 400 shares, making the minimum purchase 10,000,000.00ISK (10 Million ISK). There is an upper limit of 5 blocks of shares per investor (2,000 shares), totalling 50,000,000.00ISK (50 Million ISK).

All 20,000 shares belong to **Mensageiro Cai** at present, and thus you will be purchasing these shares off Mensageiro Cai personally. Income from the initial public offering will not be used for growth and expansion.

Upon The Broker transferring shares to the investor The Broker is no longer responsible for the volume of shares held by each individual. Investors are therefore free to trade said shares on the open market, and are actively encouraged to do so.

Details of Cycle Definition

One Cycle consists of a period of one calendar month. Each new cycle will begin on the 1st of the month.

Details of Dividend Schedule

Dividends will be paid within 24 hours of a Cycle close, barring unforeseeable circumstances which include server maintenance, computer failure, illness and any other event deemed of high importance.

Dividends will be paid out at 75% of the total net profit for the closing Cycle, resulting in a reinvestment of 25% per cycle.

Details of Profit Retention

From each Cycle's profit 25% will be retained within The Corporation to aid expansion and grow markets.

Details of Share Buyback Scheme

The Corporation operate a share buy-back scheme through The Broker. At all times, The Broker will offer 85% of the current NAV / Share per share in circulation. The current NAV / Share will be taken from the last Cycle to close, and will not include any transactions completed during the current Cycle.

Funding for this buyback will be guaranteed by The Broker and is financed by any original investments, plus dividends on 50% of the total shares in The Corporation.

The share buy-back procedure will be published once the initial public offering is announced, but at present it is envisaged that this will be a standard "EVE-Mail of intent to sell" and the transfer of shares to The Broker.

Sustainable Profit

It is expected that The Corporation can maintain a minimum non-compounded net profit level of 15% (75 Million ISK) based on IPO price per cycle. This profit yields 56,250,000.00ISK (56.25 Million ISK) dividend total per cycle, the equivalent of 2,812.50ISK (28 Hundred and 12.5 ISK) per share in circulation. This represents a net return on investment (ROI) of 11.25% per Cycle. It should be noted that this is a projected value, and thus cannot be 100% guaranteed.

Share Value Forecasting

Projected NAV will be published on a 14-day basis, or ½ of one Cycle. A forecast share price will be published on this day, along with a forecast dividend and buy-back amount.

This information will be provided for indicative purposes only, and should not be acted upon. This information will have no effect on the current buy-back offer.

Asset Depreciation

To ensure that assets are not over-priced, a certain level of depreciation will be applied to each asset that The Corporation has purchased over time. In general this will only apply to high value ships in use, Player Owned Structures (POS) and Blueprints.

It is proposed that each high value ship, for instance a Freighter, POS component or Blueprint immediately loses 25% of its current market value, effectively meaning The Corporations 'books' will depict an overpayment of 33% for the freighter. Thus an Obelisk Gallente Freighter would have an initial book value of 690,000,000.00ISK (690 Million ISK) compared to a purchase price of 920,000,000.00ISK (920 Million ISK).

Each Cycle will see this value depreciate by 3%, so for example after 8 Cycles the Obelisk would only be worth 540,000,000.00ISK (540 Million ISK).

As a result of this depreciation, it will be prohibited for The Corporation to trade in these items, as they would create artificial profits.

In the event that a high value ship, Blueprint or POS component is required to be sold, The Corporation will dividend the difference between the 'book' value and the sale price as to not affect profits for the ongoing Cycle. This may undervalue The Corporation in the long term but will provide a certain level of stability to profitability.

Loan Agreements

The Corporation may loan Blueprints, POS equipment and high value ships from allies and friends. These items will not be included in The Corporation's NAV, thus any loss will not impact on NAV or profits. A one-off rental charge may be payable to the property owner, but this will be arranged on a per-case basis and will be listed under the Liabilities section of the Cycle statement.

Appendix 1 – Sample Cycle Report (contains fictitious numbers)

The Corporation
Cycle 17
Date A to Date B
Financial Summary Report

Cycle 17 Report (Current Closed Cycle) **- Introduction**

Cycle Start NAV: 775,000,000.00ISK

- Liabilities

Office Rental Fees: 10,000,000.00ISK
POS Fuel: 50,000,000.00ISK

- Expenditure

Orders: 40,000,000.00ISK
Broker Fees: 10,000,000.00ISK
Taxation: 10,000,000.00ISK

- Income

Orders: 170,000,000.00ISK
Contracts: 14,000,000.00ISK
Agreements: 26,000,000.00ISK

- Summary

Pre-Dividend NAV: 865,000,000.00ISK
Cycle Profit: 90,000,000.00ISK
Authorised Dividend: 67,500,000.00ISK
Retained Profit: 22,500,000.00ISK

Cycle End NAV: 797,500,000.00ISK
Dividend Paid: 67,500,000.00ISK
Dividend per Share: 3,375.00ISK
Return on Investment (ROI): 13.5%
Shares in Circulation: 20,000
Cycle Close Share Price: 39,875.00ISK
Buy-Back Offer for Cycle 17: 33,893.75ISK