VENTURE: A MAGAZINE FOR ENTREPRENEURS

$35,000 Limited Partnership Interests: These securities are subject to a high degree of risk. Copy number: 47. Date: October 1977.

Contents:

Summary of Program

This is a plan for a new monthly, general business magazine, called “*Venture* ... the magazine for entrepreneurs." Included in this plan are a description of the editorial concept, a review of the market for readers and advertisers, and operating plans for the magazine.

Venture will be edited for three principal groups of readers:

- existing entrepreneurs-the owners and managers of entrepreneurial businesses.
- potential entrepreneurs-executives and managers of large corporations interested in owning their own businesses.
- corporate entrepreneurs--executives and managers of large corporations who perceive their job function as one that requires them to think and operate entrepreneurially.

These three groups contain over 10 million potential readers. A quality magazine edited specifically for the entrepreneur does not exist. *Venture*'s target audience represents a substantial market for the sale of magazines and advertising for business and consumer products.

Venture's operating plan projects a paid circulation rate basis of 80,000 for the premier issue. The goal of the operating plan is to expand circulation to 320,000 within five years.

The attached exhibits contain projections of management with respect to total investment required and profits. As stated in "Risk Factors," no assurance can be given that these projections will be achieved.

Joseph D. Giarraputo (the "General Partner") offers interests in a limited partnership to be organized under the laws of the State of New York and to be known as The *Venture* Publishing Company (the "Partnership"). Purchasers of such interests will be referred to herein as Limited Partners.

The Limited Partners will contribute the entire capital of the Partnership, and the General Partner will contribute the concept for the magazine. The Limited Partners in the aggregate will receive a 15.0625% profit sharing interest in the Partnership, and the General Partner will receive a 84.9375% profit-sharing interest. Without the consent of any of the other Partners, the General Partner may raise additional capital by selling additional Limited Partnership Interests in the Partnership up to a maximum amount, including the amount subscribed for hereunder, of $90,000. The sale of these Partnership Interests shall not dilute the Partnership Interests of the Limited Partners but only that of the General Partner. Thereafter, the General Partner may not raise capital in excess of such amount by selling additional Limited Partnership Interests without the consent of Partners holding in the aggregate a 50% Partnership Interest in the Partnership.

Each Limited Partner will receive a capital account equal to the amount of his subscription.

The Partnership will be formed for the purpose of developing and conducting a mailing to test the feasibility of founding a business magazine called *"Venture* ... the magazine for entrepreneurs." A positive response to the test mailing in excess of 2% would generally be required before advancing to the next stage of the magazine's development. If the response falls below this, the project will in all probability be abandoned, and no salvage value is anticipated.

If the test is successful, the next step will be to prepare for the start of regular publication of the magazine, which will involve recruiting a staff, selling advertising, establishing relations with suppliers, commencing direct mail promotion, and raising a substantial amount of additional capital (see "Prepublication Phase").

It is projected that the proceeds of the sale of interests in the Partnership will be expended approximately in the following manner.

Direct Mail Test (80,000 pieces)		$24,000
Direct Mail Advertising Agency	$ 4,000	
Office and Travel	$ 2,250	
Magazine Design	$ 1,750	
Legal	$ 3,000	
	$35,000	

Interests in the Partnership will not be registered with the Securities and Exchange Commission. The Partnership is relying on an exemption from registration for the sale of securities which do not involve a public offering. Accordingly, each purchaser will be required to agree that his purchase was not made with any present intention to resell, distribute, or in any way transfer or dispose of his interest in the Partnership, except in compliance with applicable securities laws, and that he meets the suitability standards described herein.

No person is authorized to give any information or representation not contained in this memorandum. Any information or representation not contained herein must not be relied upon as having been authorized by the Partnership or the General Partner.

Risk Factors

Projections. This Prospectus contains certain financial projections. Although no representations can be made that the circulation or advertising levels indicated by the projections will be achieved or that projected costs or cash flow will correspond even approximately to actual costs or cash flow, those projections reflect the current estimates of management of the results that are likely if circulation or advertising can be increased and the costs controlled as reflected herein. These projections are subject to the uncertainties inherent in any attempt to predict the results of operations for the next five years, especially where a new business is involved.

Additional Capital. Assuming the test projections are successful and publication of the magazine is commenced, it is estimated that at least $1 million of new capital will be required before positive cash flow is achieved. There are no commitments for any of these funds, and no assurances can be given that such funds will be available, and if available, no prediction can be made of the terms and conditions of such additional financing. Partners in the Partnership will be given the right to participate in this additional financing. To the extent this right is not exercised, a substantial dilution of the partners' interest will probably result.

Staff. To commence publication of the new magazine, it will be necessary to recruit a new staff. A full staff has not yet been recruited, and no assurance can be given that a qualified staff can be hired on reasonable terms.

Taxation. For the tax treatment of gains or losses to Limited Partners of the Partnership, see "Federal Income Tax Consequences."

General Risk. Starting a new magazine is a highly speculative undertaking and has historically involved a substantial degree of risk. The ultimate profitability of any magazine depends on its appeal to its readers and advertisers in relation to the cost of production, circulation, and distribution. Appeal to readers and advertisers is impossible to predict and depends upon the interaction of many complex factors.

Competition. The magazine business is highly competitive. In promoting the sale of *Venture,* management will be competing with many established companies having substantially greater financial resources.

Suitability. Because of the lack of liquidity of an investment in this program and the high degree of risk involved, the purchase of limited partnership interests of the Partnership should be considered only by persons who can afford a total loss of their investment.

Editorial Concept

Venture will be a magazine for entrepreneurs-real ones, would-be ones, corporate ones. It will illuminate the world of new *Venture*s in all its aspects for the 10 million businessmen who are entrepreneurs or have aspirations to be, and the millions more who in the future increasingly will be "running their own businesses" within larger corporations. It is a discrete assemblage with an identity and common interests that are all but ignored by today's major business publications.

Venture will appeal to an influential, upwardly mobile readership. While "business" has its detractors as well as adherents, the entrepreneur retains an admirable image with almost everyone. As a risk-taker, his business *Venture* is one of the closest approximations of true adventure our civilized society offers. Even his success is seldom envied, for it is a reminder to the rest of the world that rags to riches stories are still possible. Dropouts from the corporate world they may be, but entrepreneurs build new worlds in their own image. They are fascinating subjects.

Furthermore, the time for *Venture is* propitious. There is a growing realization that "big won't work." The efficiencies of scale of large organizations, predicated upon planning the actions of everyone from the top, may have peaked. Today, even workers on assembly lines balk at becoming unthinking robots. It is hardly surprising then that managers want to be creators, not mindless functionaries. It is a time when entrepreneurship will flourish inside the large company as well as in the new *Venture*.

Venture will be the month-by-month chronicle of that world and the personalities who inhabit it. It will be Edwin Land (Polaroid), Ross Perot (Electronic Data Systems), Mary Wells Lawrence (Wells Rich Greene), but *Venture* also will be today's climbers who will be tomorrow's celebrities.

It can be Ken Walker, 35, whose masters degree from Harvard is in architecture, not business, a museum-quality painter turned entrepreneur, whose five-year-old design firm, Walker/Grad, is currently handling $20 million in construction money and who is wondering how fast he should continue to grow.

It can be Jim Sheridan, businessman turned designer. A former vice president of Bankers Trust, Sheridan purchased a design firm (Raymond Loewy) last summer and expects to double its volume by the end of the current fiscal year.

It can be Bruce Westwood, 36, vice-president of a *Venture* capital firm that put $1 million into a Canadian-based soft-drink firm, who then joined the *Venture* as its president and took it to $27 million in sales, with planned expansion just beginning.

It can be Joe Camp, who learned the film business by producing the feature film *Benji* with $550,000 of borrowed money. *Variety* called it 1975's third largest grosser.

Venture will make an impact on the business of its times. It will unashamedly espouse the cause of the entrepreneur as an alternative to corporate giantism. Entrepreneurs will be portrayed realistically, warts and all, but the image of success will never be more than a page or two away.

Venture will be a mosaic of news, gossip, and need-to-know information. Personalities, trends, and "how to" will be interwoven in a fashion that will entertain as well as, instruct.

The core of *Venture will* be its feature articles. The format-appropriate for a monthly-will be flexible enough to allow articles, which will be written with style and wit, to run their proper length, whether one page or ten. But each must justify itself as topical and newsy, not merely instructional and significant. Subjects will include management, financing, how-to-get-started, risks, and rewards.

The relationship between government and entrepreneurial business also will be a frequent area of exploration. Much in the system today mitigates against the fledgling entrepreneur and to the advantage of the large corporation, which often in turn seems to subvert the very nature of a free market system. We will expose attempts to erect unwarranted barriers in the way of new *Venture*s and will speak out strongly against them.

While features will comprise most of *Venture's* editorial columns, each issue will include regular departments, front and back, to give the magazine a familiar look and "feel."

One will be a news section, with a small-column format and staccato news items on: PEOPLE (making it, trying to make it, and going bust); LEGISLATION; TAXES; NEW VENTURES; FRANCHISES.

Other regular stand-alone departments will be BOOKS; LETTERS; REWARDS (a feature showing how to spend the big bucks that our upscale readers will aspire to, and presenting the life styles of successful entrepreneurs);

YOU AND YOUR _____________ (Banker, Consultant, Backer, Accountant, Lawyer, Right-hand Man), a feature on building relationship with the entrepreneur's various associates; CAPITALISTS (a regular feature on what the money men are up to and the kinds of *Venture*s they are looking for); FRANCHISES (a rating of opportunities); and HOW TO START A ________________ (Restaurant, Resort, Tennis Club).

Sample tables of contents of issues show more specifically how *Venture's* concept can be translated into a provocative and entertaining magazine.

CONTENTS: MONTH I

LETTERS

NEWSPAGE

(Sample lead items):

PEOPLE: Clay Felker, sadder but surely wiser, starts over...

LEGISLATION: Going public? The SEC's fuller-disclosure rules could put you at a competitive disadvantage...

TAXES: Backers of Broadway musicals find tax shelter benefits as well as glamour...

NEW *VENTURES*: Former banker Jim Sheridan's design company is booming...

FRANCHISES: The biggest growth will be in recreation, travel, and entertainment...

FEATURES:

Who says technology ventures are passé? Take the case of Frederick Adler, who made $6 million on Data General and is busy incubating a host of companies with names like Lexidata that may make him millions more, Shades of '69?

The second time around. Entrepreneurs don't always make it on their first attempt, but almost 3 out of 4 try again if they fail. Here are 6 who came back from disasters to succeed the second time around.

A Venture Capital Paradise-Santa Clara. In all, some 150 *Venture* capitalists live and work in Santa Clara county, California, a place that offers everything entrepreneurs need to succeed. Already more than 100 company founders have become millionaires there and many are not yet 35 years old.

Seymour Cray: His plans are ambitious. Cray already is famous in his field as the original technical genius behind William Morris Control Data Corporation. Now his own Cray Research Inc. plans nothing less than dominance of the scientific computer market. Cray is contributing his talents-and $1 million of his own money-but he still will be lucky to hold on to II% of this potential giant.

Half-way House. Corporate executives (at General Mills, GE, and Exxon, among others) sometimes have the chance to act more like entrepreneurs than some of the real ones-and occasionally reap the same kind of rewards.

You don't have to go public to make money. A package of subordinated debentures, convertible preferred, and equity will tide you over in a bad-market pinch.

Franchising's golden dozen. Franchise volume is soaring with sales expected to total $179 billion by 1980. On average, however, sales at individual establishments are abysmally low. Still, the winning industries are well worth your attention.

DEPARTMENTS

BOOKS: *The Entrepreneur's Manual,* Richard M. White, Jr. (Chilton, $15)

REWARDS: *The Sporting Life.* Lamar Hunt's professional sports enterprise football, soccer, tennis among others—allow him to live very well indeed. (Who else could have afforded to buy Jim Ling's $3 million chateau?) It also helps that daddy was a billionaire.

YOU AND YOUR *LAWYER*

CAPITALISTS: *Personality Test. Venture* firms have their own ideas about what kind of personality profile an entrepreneur should have. It's okay to be a misfit but, yes, these days to get a stake you have to be a super guy.

FRANCHISES: McDonald's vs. Burger King

HOW TO START A *MAGAZINE*

CONTENTS: MONTH 2

LETTERS

NEWSPAGE

AS ample lead items):

PEOPLE: Donald Cook, who made plenty of waves as CEO at American Electric Power, is running Lazard Freres' *Venture* capital fund his own way ...

LEGISLATION: What you hear is true-the Pension Reform Act is hurting companies without records of success ...

TAXES: The new laws opened as well as closed some loopholes: Shelters today....

NEW *VENTURES*: A California book publisher is making money by breaking all the rules ...

FRANCHISES: Pyramiding, Bait-and-Switch, Sound-Alikes, and other frauds to watch for ...

FEATURES:

Advice to Corporate Minnows: Being swallowed by a whale isn't all bad. In these times a merger with a larger partner may be the easiest way for backers to turn over their investments. A look at some marriages made in heaven.

Ross Perot: Adjusting to a billion dollar paper loss. But before you pass the hat for him, remember he still has a quarter of a billion left.

The 'Entrepreneurial Center." Can these B-School adjuncts-at Wharton, SMU and elsewhere-really show you the ropes in venturing?

The winners are ... Here's a selling point for your *Venture*: A $1,000 flyer in companies going public can produce some startling dividends if you are lucky. Look at the record you could have missed Xerox and still be a winner. A 1955 investment of $1,000 in the first public offering of Gearhart Owens, for example, would be worth more than $1 million today.

The small business administration: getting smaller. Its help for entrepreneurs is shrinking along with everybody else's.

And with the left hand ... Some of the fastest- stepping managers in some of the largest corporations are doing their own thing on the side. Cases in point: Heinz President Tony O'Reilly, who has his ups and downs with his Irish enterprises and City Investing Executive Vice President Peter Huang, who may soon be cashing in some chips.

How to survive in spite Of contract law. Lawyers think every sloppily drawn contract results in a legal battle. Don't you believe it. Remember, as an entrepreneur you cannot always afford the legal protection your lawyer says is "Minimal."

DEPARTMENTS

BOOKS: *Running Your Own Business,* Howard H. Stern (Ward Ritchie, $4.95 paper)

REWARDS: *Working couple.* Does Mary Wells Lawrence really need a house in the south of France, a ranch in New Mexico, a hide-away in Acapulco, a mansion in Dallas and an apartment in New York? No. But with her own ad agency she can afford it. Husband Harding Lawrence, Chairman of Braniff, is no slouch in the take-home-pay department either.

YOU AND YOUR *BANKER*

CAPITALISTS: *Sometimes everything is relative.* Face it-first-stage financing isn't apt to come from *Venture* capitalists. But your family and friends are there for the asking.

FRANCHISES: Rating the muffler shops

The Potential Market for Venture Readers

Venture will attract its readership primarily from these groups:

- existing entrepreneurs
- potential entrepreneurs
- corporate entrepreneurs

All of its readers will not be businessmen, however. Subscribers will include doctors, dentists, lawyers, government officials, educators, students, and foreign readers with an interest in entrepreneurship.

But existing, potential, and corporate entrepreneurs represent in themselves a large enough group to support a magazine the size of *Venture.* The section that follows, The Circulation Plan, will show how management presently intends to market to these groups.

Existing Entrepreneurs. The number of entrepreneurs is inferred from the number of entrepreneurial businesses or those in which the managers have an equity interest.

We shall assume a business with less than $50 million in revenue is entrepreneurial. Although some larger businesses also are entrepreneurial and some smaller are not, most businesses of this size are entrepreneurial. There are several sources of data on the number of businesses by their size.

The Internal Revenue Service reports there are approximately 13 million proprietorships, partnerships, and corporations in the United States. Most of these businesses are very smaller had annual sales of less than $100,000, These very small businesses, while probably entrepreneurial, are not considered a part of the prime market for *Venture* magazine. *Venture will* be too sophisticated for most of this group and it is not the segment of the market *Venture's* advertisers would find most attractive.

Rather than appeal to very small businesses, the existing entrepreneurs *Venture* will seek will be in middle-size businesses. These are businesses with sales of less than $50 million but more than $ 100,000 for proprietorships and partnerships, and more than $500,000 for corporations.

According to the IRS there are approximately 1.1 million businesses in this size range.

If it is assumed each of these 1.1 million businesses has three potential readers (an owner and two management-level employees) *Venture*'s potential market among existing entrepreneurs would total 3.3 million.

U.S. Commerce Department data, which ranks businesses by number of employees, indicates the number of existing entrepreneurs in *Venture*'s prime audience range is closer to 4 million.

That the universe of middle-size and smaller businesses is a potential market for *Venture* circulation may be inferred from data provided by other general-interest publications.

> *Dun's Review* indicates that 55%, or 124,000, of its subscribers are from companies with fewer than 1,000 employees.
> *Forbes* indicates that 54%, or 346,000, of its subscribers are from companies with fewer than 1,000 employees.

Executive Newsweek indicates that 48%, or 239,000, of its subscribers are from companies with sales of less than $50 million.
Fortune indicates that 256,000 of its subscribers are with companies employing fewer than 1,000 people-185,000 are with companies employing fewer than 100 people.

Thus, the total market of entrepreneurial owners and managers is large, and subscription to general business magazines is significant.

The Potential Entrepreneur Market. It is difficult to develop any accurate estimate of the number of potential entrepreneurs. The urge and ambition to become an entrepreneur is wide-spread. Each man's motivation is uniquely his own. One man may be pushed toward entrepreneurship by problems in his present job, while another may be attracted by the chance to make a fortune. Whatever their motivation, potential entrepreneurs undoubtedly outnumber actual entrepreneurs many times over.

However, *Venture* will not attempt to appeal to the entire universe of potential entrepreneurs. Again, the sophistication of the magazine and the reader characteristics advertisers will require preclude this approach. *Venture* will aim at those potential entrepreneurs who are currently executives or managers in large non--entrepreneurial businesses and institutions. These individuals will be equipped to understand the editorial content of *Venture* and, as business decision makers, will be attractive prospects for *Venture* advertisers.

The Corporate Entrepreneur Market. A corporate entrepreneur works in a large corporation as an executive or senior manager. He perceives that success in his job requires him to be able to function entrepreneurially. Specific jobs these corporate entrepreneurs currently fill are varied. Many of them are merger and acquisition specialists, managers who are leading their companies into new businesses and markets. Most profit center managers also envision themselves as entrepreneurs. They are responsible for bringing together many varied resources and orchestrating them into a successful operation. Profit center managers can be presidents of the largest corporations or managers of sales regions.

Many people in the United States fill managerial and executive positions. U.S. census figures indicate that there are more than 9 million people in such positions. The actual number of these managers who will subscribe to *Venture* can only be determined in the direct mail test. However, for editorial and advertising reasons, *Venture will* probably appeal to upper- and middle management corporate entrepreneurs.

Reaching the Market for Readers: Circulation Plan

Circulation marketing tests, which will be conducted during the first phase of operations, will determine the exact course of the circulation program, but a general description of a plan can be presented.

Venture will be marketed through both subscription and single copy, or newsstand, sales. Subscriptions, however, are expected to account for the predominant share of *Venture's* circulation. It is expected that 90% of the magazine's circulation will result from subscriptions. The objective of the Circulation Plan is to attempt to sell approximately 220,000 new subscriptions during *Venture's* first two years of operation. The projected sources of these subscriptions are as follows:

	% OF NEW SUBSCRIPTIONS
Direct Mail	73
Reply Cards	12

Catalogue & School Agents	10
Exchange Advertising	4
White Mail	I
	100%

Direct Mail. During the test phase, a direct mail probe of 80,000 pieces will be made. This probe will determine the most responsive mailing lists, copy, and price offers. The types of lists that will be considered for testing include:

Dun & Bradstreet-particularly those segments of the list selectable by size of business.
Business Week, Nation's Business, and other general interest business publications.
Board Room Reports and other more specific business publications.
Lists of mail order buyers of self-help business books and other business products.
Lists of MBAs, GaAs, and certain attorneys.

Lists of members of organizations such as The Jaycees and National Association of Independent Businessmen.
Lists of owners and managers of specific types of businesses that fall within *Venture's* size requirements, such as auto dealers, business consultants, and building contractors.

Reply Cards. A significant source of subscribers is expected to be from offers in *Venture* magazine itself. Every issue of *Venture* magazine, newsstand and subscription, will contain a bind-in and blow-in offer for *Venture* magazine. Several successful publishers have made these inserts their most profitable source of new subscriptions.

Catalogue and School Agents. Subscription agencies are organizations which, for a fee, sell subscriptions to many magazines. They can be useful in building a new magazine's circulation. Past experience indicates that two types of agents produce better revenue and advertising prospects than others. These are catalogue agents, which sell primarily to libraries, and school agents, which sell primarily through students as a fund-raising device. *Venture* is expected to use both of these types of agencies in its initial years to gain exposure and build circulation levels.

Exchange Advertising. Another significant source of new orders is expected to be through subscription offers in other general business and trade magazines. This can be a relatively inexpensive method of obtaining subscribers.. *Venture* need not pay rate card prices for advertisements in other magazines. Instead of paying cash, it may be possible for *Venture* to trade its own advertising space. (This is a common practice among publishers.) Particularly good sources can be other general business publications. Tests will also be conducted of selected trade publications to determine their responsiveness.

White Mail. Every established magazine receives unsolicited requests for subscriptions. While these will not represent a large portion of the magazine's circulation, they are still very valuable as they require no promotional expenditures.

Several other potential sources of profitable subscriptions for *Venture* have not been included in the projections. All these additional sources have been profitably employed by other publishers. They include the following:

Paid Space. This entails buying advertising in other publications to promote subscriptions.

Airline Distribution. Selected magazines are able to obtain 10,000 to 20,000 subscriptions annually from distribution through airlines. It would appear that *Venture's* editorial content would make it an attractive prospect for this type of distribution.

Co-ops. There are currently. in existence several executive co-op mailings. These are mailings, for a variety of products, to groups of business executives. Obviously a magazine like *Venture* could be included in one of these promotions.

Sponsored Sales. Several magazines have successfully worked with organizations in the sale of subscriptions. *Venture* could enter into arrangements with organizations such as The junior Chamber of Commerce or The National Association of independent Businessmen for the sponsorship of subscription sales.

Shows and Exhibits. Several magazines have been successful selling subscriptions at shows and exhibits related to the editorial concept of the magazine, *e.g.,* a boating magazine at a boat show. Most ma or cities have an annual start-your-own-business show. It is possible that a subscription booth at these shows would be a profitable source of subscriptions for *Venture.*

While subscriptions from these sources are not included in the projections, there will be continuing attempts to create new profitable sources of subscriptions.

Under the Circulation Plan, *Venture will* attempt to attract about 10% of its circulation from newsstand sales. Newsstands can produce profitable sales and newsstand profits can be enhanced by responses to insert offers. *Venture's* operating plan projects total paid circulation of 80,000 for its premier issue-77,000 from subscriptions and 3,000 from newsstand. The goal of the operating plan is to expand circulation to 320,000 within five years-293,000 from subscriptions and 27,000 from newsstand.

General Business Magazines Advertising Pages and Revenue: January–December

	PAGES		REVENUE (000)	
	1975	*1974*	*1975*	*1974*
Black Enterprise	401	373	$ 3,070	$ 2,787
Business Week	3,405	3,698	52,946	51,286
Dun's Review	713	883	3,028	3,321
Forbes	1,464	1,432	14,901	13,775
Fortune	1,432	1,679	21,799	23,113
Harvard Business Review	214	246	706	690

PIB Measured Business Publications*: 1975 Advertising by Classification

	(000)	%
Consumer Services	$ 29,166	29.0
Industrial Materials	20,072	20.0
Office Equip., Stationery, and Writing Supplies	11,936	11.8
Freight	6,349	6.2
Automotive	6,249	6.2
Insurance	4,408	4.4
Travel, Hotels, Resorts	4,357	4.4
Beer, Wine, Liquor	2,904	2.9
Building Materials	2,838	2.8
Publishing, Other Media	2,423	2.4
Aviation, Accessories	2,245	2.2
Gasoline, Lubricants	1,669	1.7
Optical Goods, Cameras	745	.8
Smoking Materials	641	.6
Household Equipment, Supplies	587	.6
Consumer Electronics, TV, etc.	305	.3
Retail and/or Direct by Mail	256	.3
Sporting Goods, Toys	224	.2
Food, Food Products	191	.2
Entertainment, Amusement	122	.1
Apparel, Footwear, Acces.	109	.1
All Other	2,820	2.8
	$100,616	100.0%

Advertising Plan

Efforts to sell advertising will be directed at a wide range of marketers of business and consumer products and services. *Venture's* editorial environment and reader demographics are expected to make it a desirable forum for those companies currently advertising in other general business publications.

The annual advertising revenue in general business publications is substantial and growing. Publishers Information Bureau (PIB) collects information on advertising revenue of most major magazines. According to PIB, advertising revenue for the general business publications it measures increased from $98 million in 1974 to $101 million in 1975. This represented a 3% increase.

The general economy and the magazine industry did not experience a particularly good year in 1975. Total advertising in all types of magazines actually declined during the year. General business magazines, however, were able to show an increase in spite of the industry decline. With the recovery of the economy, 1976 developed into an extremely good advertising year for general business publications. PIB data for January through December 1976 issues of the measured magazines follows.

PIB indicates a 25% increase in advertising revenue for this group of publications in 1976. Current projections for 1977 call for continued substantial increases in advertising revenue. Advertising revenue for general business magazines actually increased by 24% during the first seven months of 1977.

Advertising Pages and Revenue

	PAGES			REVENUE (000)		
	1976	*1975*	*Increase*	*1976*	*1975*	*Increase*
Black Enterprise	443	401	10%	3,398	$ 3,070	11%
Business Week	3,925	3,405	15	67,428	52,946	27
Dun's Review	727	713	2	3,315	3,028	9
Forbes	1,757	1,464	20	19,452	14,901	31
Fortune	1,599	1,432	12	26,687	21,799	22
Harvard Business Review	274	214	28	927	706	31
Nation's Business	404	371	9	5,054	4,178	21
Total	9,129	8,000	14%	$126,261	$100,628	25%

The categories of advertisers that will be attracted to *Venture* magazine will be similar to those currently advertising in existing general business publications. During 1975, advertisers in general business publications were in the following product categories.

The top five classifications of advertisers account for over 70% of the total revenue in this market. Individual advertisers in these top five categories are expected to be *Venture's* prime advertising prospects. Included in these five classifications are banks, brokers, credit cards, communications, computers, office machines, metals, papers, chemicals, foreign and domestic cards, and air, sea, and land carriers.

Among the categories of advertisers selling business products and services, *Venture* may prove to be an excellent medium for those with a special interest in reaching decision makers in medium-size and smaller businesses.

Because its editorial content is oriented toward the individual, *Venture* may be able to compete effectively with general business publications for advertisers of personal consumer products. These categories include automotive, travel, hotels, resorts, beer, wine, and liquor.

VENTURE'S ADVERTISING SHARE ($000)

	Venture	*All General Business Magazines*	*Venture Share*
1978	$ 87.7	$143,112.0	0.06%
1979	487.7	153,130.0	0.3
1980	1,223.0	163,849.0	0.7
1981	2,240.7	175,319.0	1.3
1982	3,607.8	187,591.0	1.9

Venture's advertising plan calls for obtaining a .06% share of the general business magazine advertising market in 1978 and expanding this to a 1.9% market share in 1982. If one assumes that this market will grow at a 7% annual rate, projected advertising revenues would be as follows:

Operational Plan

The Operational Plan for *Venture* is divided into three phases:

1. Testing and Financing
2. Prepublication
3. Publication

Testing and Financing Phase. The major objectives of this phase will be (1) a direct mail test of consumer acceptance of the magazine, and (2) obtaining the capital required to launch the publication and carry it through its initial years. This phase is expected to last from approximately October 1977 through May 1978.

A major portion of *Venture's* subscriptions are expected to be obtained from direct mail promotions. Future response to a direct mail promotion can be tested and predicted with a high degree of accuracy. A direct mail test is planned for December 1977. This mailing will be sent to approximately 80,000 names. The test will attempt to determine the following:

- the validity of the concept
- the most effective copy approaches
- the most productive price at which to offer subscriptions

An experienced direct mail circulation advertising agency has been engaged to plan, execute, and evaluate the direct mail test.

Also during this phase, sources of the capital required to launch the magazine will be contacted and exposed to *Venture* as an investment opportunity.

The expected cost of this phase is $35,000.

TEST AND FINANCING PHASE COSTS

Direct Mail Test (80,000 pieces)		$24,000
Direct Mail Advertising Agency		4,000
Office & Travel		2,250
Magazine Design	1,750	
Legal	3,000	
	$35,000	

Prepublication Phase. After the Testing and Financing Phase has been completed, all information gathered will be carefully evaluated. If this evaluation leads to a decision to proceed with *Venture,* the project will enter a seven-month Prepublication Phase.

During the Prepublication Phase, work will begin in earnest on the actual launch of the magazine. The decision to publish will have been made, the financing obtained, and a substantial portion of the required capital will be committed. The major activities occurring during this period will be:

1. building the staff
2. dropping a major direct mail subscription promotion
3. creating a dummy and initial issues of the magazine
4. selling advertising
5. establishing relationships with outside suppliers

1. Building the Staff. Ideally, the key staff members will be on the job at the start of the Prepublication period, with the remainder of the staff hired during the second, third, and fourth months.

Venture will be located in New York City. There should be no problem in finding qualified professionals in New York to fill required positions.

2. Direct Mail Promotion. Current plans call for a direct mail drop in September 1978 of 1.7 million pieces. The preparation of this major promotion will be handled by *Venture's* staff, with the assistance of experienced direct mail advertising agency.

3. Creating a Dummy and Initial Issues. A dummy, or prototype, of the actual magazine will be required to sell advertising and assist the editorial staff in planning the eventual publication. The dummy will be created by the *Venture* editorial staff. An experienced design consultant will be used to develop the actual look of the magazine.

Correspondents will be engaged in key areas. Relationships will be developed with qualified free-lance writers and artists. Story and feature ideas will be developed and assigned to staff editors or freelancers. The first issues of *Venture will* be made ready for the printer.

4. Selling Advertising. Prime potential advertisers will be identified from the lists of the largest advertisers in other general business publications. Sales approaches will be developed. Pricing strategies will be finalized. Sales calls will be made on advertisers and their agencies by the publisher, sales force, and, where indicated, the editor.

5. Establishing Relationships with Suppliers. Arrangements will be negotiated with printers, typesetters, fulfillment houses, newsstand distributors, subscription agents, and other necessary suppliers.

Publication Phase. The Publication Phase will begin when the first issue of *Venture* is mailed to subscribers in January 1979. Previous sections of this proposal have described plans for the editorial, advertising, and circulation of the magazine.

Reference is made to the exhibits herein for certain financial projections.

Competition. Venture's direct competition is expected to come from the existing general business magazines. These magazines are established and, for the most part, well financed. Comparisons between these publications and projections for *Venture* follow.

Venture Compared to Other Publications

COMPETITIVE DATA ADVERTISING RATES

Publication	Rate Base (000)	One-Time B/W Page	CPM
Black Enterprise	215*	$ 6,190	$28.79
Business Week	765	12,940	16.92
Dun's Review	225*	4,195	18.64
Forbes	650	9,450	14.54
Fortune	625	12,555	20.09
Harvard Business Review	165	3,170	19.21
Nation's Business	1,030*	9,575	9.30
Venture	80	1,200	15.00

SUBSCRIPTION AND SINGLE COPY RATES

Publication	Issues Per Year	One-Year Subscription Price	Subscription Price Per Issue	Single Copy Price
Black Enterprise	12	$10.00	$ .83	$1.00
Business Week	52	21.50	.41	1.00
Dun's Review	12	12.00	1.00	1.50
Forbes	24	18.00	.75	1.00–1.50
Fortune	12	18.00	1.50	2.00
Harvard Business Review	6	18.00	3.00	3.50
Nation's Business	12	13.50	1.13	1.25
Venture	12	12.00	1.00	1.25

*Includes substantial amount of nonpaid or association subscriptions.

The People Involved

The following people are expected to be involved with *Venture* as the publication develops.

President and Publisher, Joseph D. Giarraputo. Thirty-five years old, Mr. Giarraputo is a graduate of the Harvard Business School. His publishing experience includes positions with the Ziff-Davis Publishing Co., publishers of *Psychology Today, Popular Photography, Boating, Flying,* and other consumer and business publications. At Ziff-Davis, he was the business manager of the Circulation Division and ran the *Psychology Today* Book Club. Mr. Giarraputo was also Director of Finance at the CBS Education and Publishing Group, and Vice President, Planning and Finance, of CBS Publications. Among the CBS magazines were *Field& Stream, Road and Track, World Tennis,* and others. He is currently Senior Vice President of the Cadence Publishing Division. The company is involved in publishing and publishing services.

Editor-in-Chief. He is currently employed in a senior editorial position with a major weekly business magazine. He has edited and written numerous cover stories for this publication. He is one of four editors who oversee the editorial closing of the magazine on a rotating basis.

Prior to this position he served as a bureau manager for this publication. He has also worked as an assistant city editor and reporter for the Dallas *Times Herald.* He graduated with a degree in journalism from the University of Texas, where he was managing editor of the *Daily Texan,* the student newspaper, and president of Sigma Delta Chi, the honorary journalism fraternity.

Direct Mail Consultant. Bloom & Gelb Inc. will function as the direct mail advertising agency. Carl Bloom, President of the agency, has extensive circulation marketing experience, having been Circulation Manager of both *McCalls'* and *Redbook* magazines. Pete Gelb was formerly Circulation Promotion Manager of *Fortune* magazine. Their present clients include *Book Digest* and *New Times* magazines.

Launch Consultant. James B. Kobak is acting as overall publishing consultant with specific responsibility for planning and preparation of projections. Formerly the Senior Partner of J. K. Lasser & Co., Mr. Kobak is now an independent publishing consultant whose client list includes such publishers as McGraw Hill Inc., the *New York Times, Playboy, Book Digest,* and *Firehouse* magazine.

Production Services. Burt Paolucci will be responsible for printing and other production services. Currently an independent consultant, he is a graduate of the Harvard Business School and was formerly Director of Production for Time, Inc. His recent clients include: CBS Publications, ABS Leisure Magazines, *Billboard* Publications, and the *Columbia journalism Review.*

Finance. Important assistance with respect to finance is being provided by Kenneth Fadner, who was most recently Vice President of Finance of *New* York magazine, the *Village Voice,* and *New West* magazine.

Art Director. David Merrill will function as *Venture's* Art Director. For four years, until August 1977, Mr. Merrill was the Art Director of *Time* magazine.

Probable auditors. J. K. Lasser & Co.

Federal Income Tax Aspects

THE DISCUSSION OF TAX ASPECTS IN THIS MEMORANDUM RELATES PRINCIPALLY TO LIMITED PARTNERS WHO ARE INDIVIDUAL TAXPAYERS. LIMITED PARTNERS WHICH ARE PARTNERSHIPS, CORPORATIONS, OR OTHER FORMS OF BUSINESS ENTITIES, OR WHICH ARE SUBJECT TO OTHER SPECIAL CATEGORIES OF THE INTERNAL REVENUE CODE, SHOULD CONSULT WITH THEIR OWN TAX ADVISERS CONCERNING THE DIFFERENT TAX CONSEQUENCES WHICH THEIR FORM OF ORGANIZATION MAY ENTAIL.

General Principles of Partnership Taxation. Under the Internal Revenue Code (the "Code"), a partnership is not a taxable entity. Instead, each item of partnership income, gain, loss, deduction, or credit flows through to the partners, such as the Limited Partners of the Partnership, substantially as though the partners had earned or incurred each item directly. Each partner is required to include in his income each year his distributive share of partnership income whether or not any actual distribution is made to such partner during his taxable year. In addition, each partner may claim as a deduction against income from other sources his distributive share of partnership losses in any taxable year to the extent of his basis for his partnership interest determined as of the close of such taxable year. For this purpose, a limited partner's tax basis does not include any partnership liability for which the partner is not personally liable.

Under present law, the tax basis for the interest of a Limited Partner in the Partnership is generally equal to (1) the amount of money he pays to acquire such interest plus (2) the Partner's distributive share of the income of the Partnership, decreased (but not below zero) by (3) his distributive share of losses of the Partnership and (4) the amount of money, and the adjusted basis to the Partnership of any property, distributed to the Partner by the Partnership.

Tax Status of the Partnership. The partnership form has been employed to allow the Partners to recognize their *distributive* share of the Partnership profits and losses and because a partnership does not pay federal income tax. However, if the Partnership is treated as an association taxable as a corporation, then the Partners would be treated as corporate shareholders and, as such, would riot recognize the Partnership's profits and losses on their individual tax returns. In addition, the Partnership would be required to pay taxes on its taxable income, and distributions to the Partners would not be deductible in computing such taxable income. Further, all, or some portion, of distributions to the Partners would be taxed as dividend income.

THE PARTNERSHIP HAS NOT REQUESTED A RULING FROM THE INTERNAL REVENUE SERVICE AS TO ITS STATUS AS A PARTNERSHIP FOR TAX PURPOSES AND THERE IS NO ASSURANCE THAT A FAVORABLE RULING COULD BE OBTAINED IF SOUGHT.

The Internal Revenue Service (the "Service") presently applies four tests to determine whether an entity will be classified as a partnership or as an association taxable as a corporation for federal income tax purposes. Generally, an entity will be treated as an association if it has more than two of the following corporate attributes: (1) continuity of life; (2) centralization of management; (3) limited liability; (4) free transferability of interests.

It appears that the Partnership will have a limited life and that the Partnership interests will not be freely transferable. In addition, under applicable regulations, an entity has the corporate attribute of limited liability if, under local law, there is no member who is personally liable for the debts of or claims against the entity. In the case of an entity formed as a limited partnership, the general partner has personal liability for the debts of and claims against the limited partnership unless the general partner has no substantial assets (other than his partnership interest) which could be reached by partnership creditors or he is merely a "dummy" acting as an agent for the limited partners. Since it appears that the General Partner of the Partnership is personally liable for the debts and claims against the Partnership and that he is not merely a "dummy" acting as an agent for the Limited Partners, it appears that the Partnership does not have the corporate attribute of limited liability within the meaning of the applicable regulations.

Notwithstanding the aforementioned rules, in October 1975, the United States Tax Court filed its opinion in Phillip G. *Larson,* 65 T.C. No. 10. There, the Court held that two California limited partnerships were associations taxable as corporations within the meaning of §7701(a) (3) of the Code, despite the fact that the tests generally applied in classifying an entity for tax purposes were apparently satisfied.

In November 1975, the Tax Court withdrew its opinion in the *Larson* case. In April 1976, the Court issued a new opinion (66 T.C. No. 21) holding that the California limited partnerships were partnerships for federal income tax purposes. On September 4, 1976, the Service entered an appeal in the *Larson* case.

In addition, in December, 1976, the Service issued new proposed regulations under §7701(a) (3) of the Code which would have prescribed more restrictive tests for determining the status of an entity as a partnership for tax purposes. Shortly thereafter, the Secretary of the Treasury ordered the proposed regulations to be withdrawn.

No prediction can be made as to future developments with respect to the appeal in the *Larson* case, or with respect to potential changes in the income tax regulations. If the Service is successful in the *Larson* appeal, or if the Service amends the regulations under §7701 (a) (3) of the Code, such results could be applied retroactively and could adversely affect the classification of the Partnership as a partnership for federal income tax purposes.

Allocation of Profit and Loss. Under §704(b) of the Code, as amended by the Tax Reform Act of 1976, special allocations of partnership items are disregarded unless the all vocations have substantial economic effect. The Service has not yet issued regulations in connection with §704(b). However, explanations of the provision in the applicable Committee Reports indicate than an allocation will be deemed to have substantial economic effect if the allocation may actually affect the dollar amount of each partner's share of the total partnership income or loss, independent of tax consequences.

Since the allocations made by the Limited Partnership Agreement affect each Partner's capital and income accounts, it appears that the profit and loss allocations will be recognized for tax purposes. However, it is not possible to predict the rules that will be adopted by the Service when regulations under §704(b) are promulgated.

Partnership Organizational Expenses. The Partnership will pay all expenses relating to the organization of the Partnership. Under §709 of the Code, as added by the Tax Reform Act of 1976, no deduction will be allowed to the Partnership, or to any Partner, for any amount paid or incurred to organize the Partnership. Rather, such amounts must be capitalized and, generally, amortized over a period of not less than 60 months, if the Partnership so elects. Expenses incurred by the Partnership to promote the sale of, or to sell, Interests in the Partnership must be capitalized and may not be amortized by the Partnership. Such expenses will be recovered by the Partners as a reduction of gain, or as an additional loss, when the Partnership is liquidated or the Partners sell their interests in the Partnership.

The foregoing discussion is merely a summary of those features that may have a general effect on all investors. It is not intended to serve as a comprehensive explanation of all the technical provisions of the Code and their applications to the particular circumstances of each investor. This summary is based on present laws, regulations, and interpretations and would, of course, be affected by any changes in such laws, regulations, or interpretations.

Each investor in the Partnership should consult his tax adviser as to all matters discussed herein.

Exhibit 1

VENTURE: BASIC ASSUMPTIONS						
	Prepublication	*Year 1*	*Year 2*	*Year 3*	*Year 4*	*Year 5*
Average circulation	—	80	155	212	267	312
Subscription Price						
(1 year only)						
Introductory	10.00	10.00	12.00	13.00	14.00	15.00
Regular	14.00	14.00	14.00	14.00	15.00	16.00
Total Mailings/Year						
(in millions)	1.7	1.7	2.6	2.4	3.4	2.8
Average Bad Debt Mailings	15%	15%	15%	15%	15%	15%
Average Percent Return						
Mailings (gross)	3%	3%	3%	3%	3%	3%
Renewal Percentage						
1st Renewal (conversion)	—	50%	50%	50%	50%	50%
Renewal	—	60%	60%	60%	60%	60%
Newsstand Draw (in thousands)	—	15	30	35	40	50
Newsstand Percentage of Sale	—	25%	40%	45%	50%	55%
Newsstand Price/Copy	—	$1.25	$1.25	$1.25	$1.25	$1.50
Average Total Pages/Issue	—	88	96	104	112	112
Average Advertising Pages/Issue	—	15	20	33	43	54
Advertising Rate/Black & White Page	—	$1,200	$2,560	$3,850	$5,340	$6,860
Cost/Copy Printing & Paper	—	19.5¢	22.8¢	26.4¢	30.5¢	32.6¢
Number of Full-Time Employees						
Mechanical & Distribution	1	1	1	2	2	2
Editorial	6	6	6	6	6	6
Advertising	4	4	5	6	6	6
Circulation	2	2	2	2	3	3
General & Administrative	6	6	6	6	6	6

This forecast is based on estimates and assumptions contained on this and other pages. No opinion is expressed as to the future accuracy of these projections.

***Venture:* Cast Projections (In thousands)**

			1979	1980	1981	1982	1983
	Test	*Prepublication*	*Year 1*	*Year 2*	*Year 3*	*Year 4*	*Year 5*
Subscriptions	$	$ 179.0	$1,516.2	$2,302.2	$2,956.6	$3,838.4	$3,620.0
Newsstand		0.0	29.1	95.2	126.8	166.2	236.2
Advertising		0.0	171.0	637.7	1,454.1	2,563.6	3,814.0
Other		0.0	10.4	25.2	40.1	52.0	65.4
Total Receipts		$ 179.0	1,726.6	3,060.3	4,577.6	6,260.2	7,735.6
Disbursements							
Mechanical & Distribution		4.5	387.8	780.5	1,148.5	1,573.3	1,820.7
Editorial		84.5	345.8	381.8	406.3	429.5	443.1
Advertising		88.4	165.0	190.8	223.9	240.8	256.9
Circulation Promotion		375.6	789.6	857.3	1,070.8	1,209.3	774.5
Circulation Fulfillment		0.0	48.6	96.0	138.5	176.4	211.5
General & Administrative	35.0	124.6	308.6	334.5	364.9	392.1	415.8
Total Distribution	35.0	677.5	2,045.4	2,640.9	3,352.9	4,021.4	3,922.4
Net Cashflow	$-35.0	$-498.5	$-318.7	$ 419.3	$1,224.7	$2,598.8	$3,813.2
Total Cashflow	$-35.0	$-533.5	$-852.2	$-432.9	$ 791.8	$3,390.6	$7,203.8
High Negative Cash Flow			$1,100.0				

This forecast is based on estimates and assumptions contained on this and other pages. No opinion is expressed as to the future accuracy of these projections.