

The Saxeus Plan

Saxeus made this presentation throughout Cambodia during June, 2010.

Saxeus is a Latin word that means “rocky place.” We say that Saxeus provides help in a rocky place, and this has two meanings.

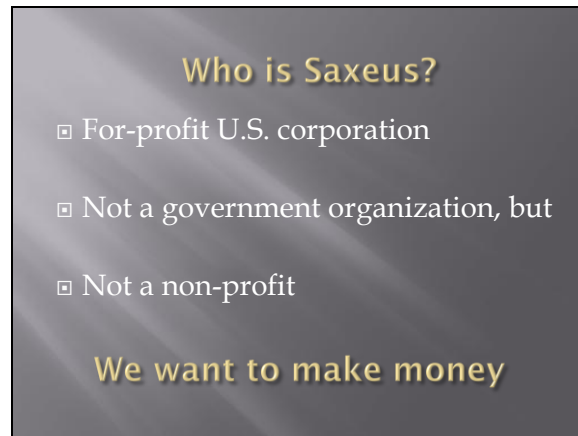
First, Saxeus Corporation is located in Reno, Nevada in the United States, and Nevada is a very rocky place.

Second, in English, the words “rocky place” can also mean a difficult situation. So Saxeus may be able to provide help to you if you are in a rocky place.



What kind of company is Saxeus?

Let us describe what kind of a company Saxeus is. We are a for-profit U.S. Corporation.



We do not represent the government of the United States. We are not a government organization, but we are not an NGO (non-government organization), either.

We are not a charity or non-profit organization.

We are here in Cambodia to make money, namely revenue and profit.

The Saxeus goal

Our goal is to reduce poverty in Cambodia by promoting Capitalism. We plan to do this by investing in Cambodian businesses and sharing in the profits.



We are capitalists, and we are proud to say so. We believe Capitalism has provided more benefits to more people than any other economic system. Let us explain why.

If you have something that we want, there are three ways that we can convince you to give it to us.

First, we can use force. For example, if we point a gun at you and demand what you have, you will probably give it to us. We will have what we want, but you will not. That is *not* capitalism.

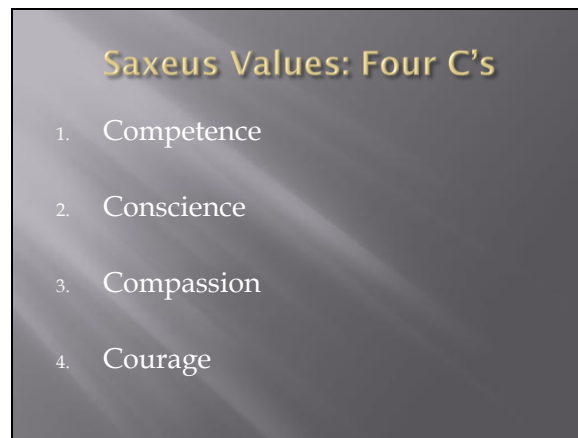
Second, we can use fraud. For example, we can tell you that if you give us what you have, we will deliver to you in the future something very good that you want. If we fail to deliver, however, we will have what we want, but you will not have what you want. That is *not* capitalism.

Third, we can use capitalism. We can make something that we think you want more than what you already have and then present you with a choice: you can have what we made in exchange for what you already have. If you decide to voluntarily trade what you have for what we have offered you, then that *is* capitalism. We are better off because we received from you what you had, and you are better off because you now have something that you wanted *more* than what you gave to us. Both of us are better off.

So we define Capitalism as voluntary trade without force or fraud, and this is the method that we think will reduce poverty in Cambodia.

The Saxeus Values: the Four C's

Before we talk about the specific plan that Saxeus will use in Cambodia, we think it is important that you know what kind of a company Saxeus is. We want to describe the values that we use when we conduct business.



We call these values the Four C's, namely:

1. Competence
2. Conscience
3. Compassion
4. Courage

Let us describe what we mean by each of these values.

Competence

The first value is Competence. This means that Saxeus must know and understand our business.



In addition, we believe we must share our knowledge with our stakeholders, the people with whom we conduct business. We hope to provide information, ideas, guidance, and other support to the businesses in which we invest.

We also believe that we must learn from our transactions. So we expect that the people with whom we conduct business will share their knowledge with us. We need to ask questions of each other so that we can both learn.

Conscience

The second value that guides our business is conscience.

At Saxeus, we believe that we must ensure that both parties to our transactions must benefit from those transactions. Some people in business do not adopt this value. They believe that when they enter into a business transaction, they must only look out for their own interest, and the other party should take care of his own interest. At Saxeus, we believe that we must understand how you benefit from doing business with us, and you must understand how Saxeus benefits when you do business with us. This mutual understanding ensures that both parties benefit from the transaction, which is essential for successful business.

2. Conscience

- ❑ We must ensure that both parties to our transactions must benefit
- ❑ We must always follow laws and regulations
- ❑ We must never engage in corrupt practices

At Saxeus we always follow laws and regulations. We do not violate the laws or avoid regulations. We believe in the rule of law and we support it.

At Saxeus we do not engage in corrupt practices. Corruption hurts everyone, including the people who are corrupt, because it prevents Capitalism from making everyone better off.

Now, in the United States, we have Cambodian friends who told us that we need to understand that there is an American way of doing business, by following the laws and regulations and by rejecting corrupt practices, and there is the “Cambodian way.” The “Cambodian way,” they say, inevitably involves money under the table to certain people either to facilitate doing business or avoiding problems with doing business. Saxeus will not do that.

It is illegal for an American company to do business in another country using corrupt practices. Our Cambodian friends in America ask us: How will the American government know if Saxeus pays bribes? That question is not important. *We* will know if we pay bribes, and we refuse to do it.

We hope that Cambodian businesses that work with Saxeus will show other Cambodians how they can be successful without paying bribes or engaging in other corrupt practices. When that happens, the “Cambodian way” can become the “*old* Cambodian way.”

Compassion

The third value that guides our business is Compassion.

Compassion means that when we do business, we must make the world a better place than we find it.

Let us describe this value with some examples.

3. Compassion

- We must make the world a better place than we find it

Consider a village that has a noodle shop selling noodle soup. That noodle shop is next to an empty shop. If you come to Saxeus with a proposal to use that empty shop for a motorcycle repair shop, we may help you with an investment. You start the business and begin repairing motorcycles. You use oil and grease on the engines; you test the engines by running them, even though they may produce some smoke; and perhaps you make some noise while you repair the motorcycles. You do a good job, and all of your customers are satisfied. So you make money, and Saxeus shares in the profits. This sounds like Capitalism, right? You are better off, Saxeus is better off, and your customers are better off; so everyone benefits, right?

Well, not exactly. The customers in the noodle shop now have to smell the oil and grease, they breathe the smoke, and listen to the noise from your repair shop. They are not happy, so they decide not to visit that noodle shop anymore, and instead they go to the noodle shop far away from your repair shop. The noodle shop loses business, so they are not happy.

In this case, the business transaction did not make the world a better place, even though you and Saxeus were better off. We need to look at the big picture, and in this case, Saxeus may suggest that we locate the motorcycle repair shop away from restaurants, instead of next to them.

Consider if Saxeus invests in a pig farm that is able to raise a great number of pigs. If the waste from those pigs washes out of the pig sty and into the ground, it may contaminate the ground water so that neighboring farms cannot use their well water. This does not demonstrate a good conscience, so Saxeus wants to make sure that if we invest in a pig business it will not hurt the neighbors.

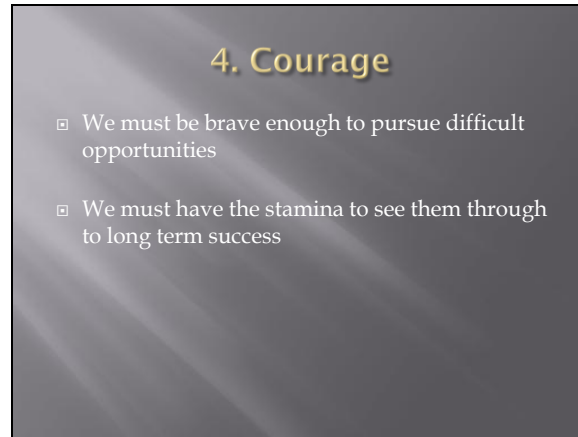
Courage

The fourth value that guides our business is Courage.

Capitalism is difficult because you must develop new ideas about what people will want to buy.

Let us talk about the so-called “farmers’ dilemma.” Suppose farmers make money by growing rice to sell to their community. If they want to make more money, they may plant a second crop of rice. We know

what happens when the supply increases but demand remains constant: the price falls. So, the farmers do not make as much money as they planned and so they plant even more rice. You can see that the harder the farmers work planting the same crop, the more that the price of that crop falls. This is the farmers' dilemma: how to make more money by planting more. They need a new idea.



You may have seen another example of this problem. In a village there may be a noodle shop making money. Another person in the town sees that the noodle shop is making money so that person decides to open a noodle shop to make money. By opening the second noodle shop, however, the two shops must now share the customers that formerly went only to the first shop. Maybe both of these shops still make money, but that only encourages a third person to open a noodle shop to make money. Pretty soon, none of the shops is making any money.

At Saxeus, we are looking for businesses with a new idea, or a new way to make something, or a new location for a good business. We know that new ideas can be risky, but we are looking for entrepreneurs who have the courage to develop new ideas that may represent difficult opportunities.

Having a good idea is not enough, however. You must also have the stamina, the energy, to pursue these ideas until they generate revenue, profit, and long term success. Most new ideas require some time before they generate revenue, and we are looking for entrepreneurs who have the patience to pursue that success.

These are the four values that define how Saxeus does business, and we expect anyone that does business with us will adopt these values, too.

You may choose not to adopt these four values, but then Saxeus will choose not to do business with you.

The 7 Saxeus Conditions

Now let us address the specific Saxeus plan for micro-investment in Cambodian businesses. There are 7 conditions that describe our plan.

7 Conditions

1. Production Team generates revenue and profit

First, we want to invest in a Production Team, whose goal is to generate revenue and profit. The purpose of the business must be to generate income.

There are many NGO's and other charities operating in Cambodia that do good work providing money and other services, but that is not the Saxeus business. We are not a charity. We want to invest in businesses that want to make money.

Let us describe what we mean by a Production Team.

The Production Team

A Production Team consists of at least 3 people. That may be a family, a group of friends or neighbors, but all must be over 18 years of age.

Production Team

- Production Team
 - At least three people
 - At least one should speak, read, and write English
 - Able to keep records
 - Access to email or cell phone
- Report every week
 - Tell what happened that week
 - Bad news as well as good news

We require at least 3 people because if we invest in only one person, then if that person became ill, there would be no one to run the business. If we invest in two people, and they cannot agree about how

to run the business, then it will be difficult to resolve that kind of issue. With at least three people, however, we believe there are enough people to manage the business and resolve conflicts.

We hope that at least one person on the Production Team can speak, read and write English. The Americans at Saxeus do not speak Khmer, and we want to be able to communicate with our Production Teams. At this time, however, we have a representative in Siem Riep who does speak Khmer and English, so we no longer require that someone on the Production Team speaks English.

At least one person on the Production Team must be able to keep records for the business. You will need to count the money, keep track of how much you spend and how much you earn. You will need to count your inventory and count how many products you make. We will show you how to keep your records, so do not worry that you need to know accounting. We will show you what you need to count.

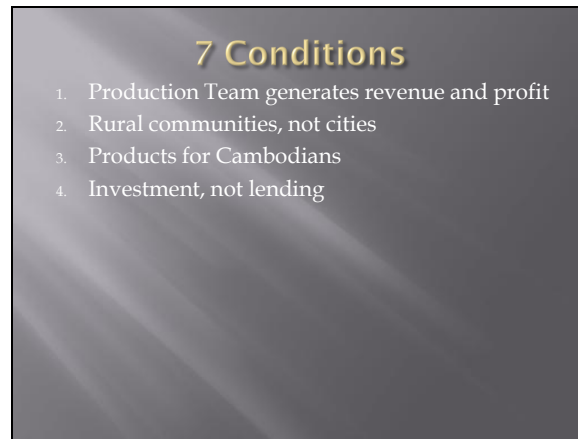
The Production Team needs to have access to email or telephone, because you must report to Saxeus every week. We need to know what happened in the business each week. The report is very simple. For example, you may report that you purchased a water pump and what you paid for it. You may report that you bought 6 piglets and what you paid for them. Later, you may simply report that all the pigs are healthy.

An important part of the weekly report is to tell us any bad news, any problems that you may have or that you think may happen. This is because when Saxeus invests in your business, we become your *partner*, not your *boss*. We share your success, and we share any problems. We want your business to be successful, and we hope that we may be able to help you to solve any problems that arise in the business. We cannot provide that help, however, if you do not tell us about any problems.

So when you make your weekly report, you must report the truth and you must report the *whole* truth. We want the bad news along with the good news.

Those are the duties and responsibilities of the Production Team, so now let us return to the 7 conditions that describe the Saxeus plan.

The 7 Saxeus Conditions, continued



The second condition is that Saxeus wants to invest in rural communities, not in the cities.

This is simply a personal choice. There are many opportunities to do good business in the cities, but at Saxeus we simply prefer to visit the countryside rather than the city when we visit our businesses.

The third condition is that Saxeus wants to invest in businesses that produce products that Cambodians want to buy. We think that you, as Cambodians, know what Cambodians want to buy; so we think that if you make products that your communities want, you have a better chance for success.

The fourth condition is that Saxeus will invest, not loan, money. In English, the term “micro-finance” refers to both loans and investments, but Saxeus does not intend to loan money. We plan only to make investments.

Let us describe the difference between a loan and an investment.

How does a loan work?

A loan is like renting money.

If a person has more money than she needs to spend right way, she can deposit that money in a bank. The bank makes three promises to the depositor:

- The bank will keep the money safe.
- The depositor may remove her money from the bank at any time that she wants.
- While her money is in the bank, the bank will pay the depositor interest on the money every month.



How can the bank afford to pay the depositor interest? The bank lends the depositor's money to a business, like a farm. When the farmer takes a loan from the bank, the farmer makes promises to the bank:

- The farmer will pay interest on the loan every month that he has the loan.
- The farmer will re-pay all of the money that he borrowed, either by paying some back every month or by paying it all back at the end of the loan.
- The farmer provides collateral for the loan, usually the land the farmer owns. If the farmer cannot make a payment on the loan, then the bank has the right to sell the collateral, so that the bank can keep its promise to the depositor to pay interest on the depositor's money and to return the depositor's money when the depositor wants it.

This system works very well, so long as the farmer can make the loan payments. This is because the farmer can use the loan money to grow more crops or make more products to make enough profit that he can pay the bank interest and pay back the loan. The bank makes money with this system because it pays less interest to the depositor than it earns from the farmer. The depositor is satisfied because her money is safe and she is earning some interest on it.

The problem with this system is that if the farmer encounters any problem that prevents him from making his loan payment, then he faces losing his farm.

When Saxeus first began to investigate micro-finance, we learned that in places like India, Bangladesh and Pakistan, up to 75% of the micro-loans ended in one of three ways:

- The bank had to sell the collateral, namely the farm.
- The farmer sold his land to pay the bank loan, to avoid the shame of losing his farm to the bank.
- The farmer took out a second loan to pay back the first loan, and later had to take out a third loan to pay back the second.

From our point of view, none of these outcomes can reduce poverty among poor farmers. In these cases, micro-loans only teach people about debt, but they do not teach people how to be successful in their businesses.

Remember that the Saxeus values mean that when we do business, everyone must be better off and no one should be worse off. So, we decided that we will not make loans, but instead we will make investments.

The Saxeus investment: Partnership

When Saxeus makes an investment with a Production Team, we create a Partnership.



Think of the Partnership as a basket. Saxeus puts money into the basket, and the Production Team puts their assets into the basket. The Production Team's assets may be simply their idea for the business, their knowledge, and their labor; but if the Production Team has other assets such as land, equipment, inventory, or animals, then they may put those assets into the basket, too.

Together, Saxeus and the Production Team own everything that is in the basket, and the Production Team will use everything that is in the basket to operate the business. When the Production Team needs to buy something, like a water pump, then the Production Team takes money out of the basket and puts the water pump into the basket. If the Production Team wants to buy baby pigs, then they take money out of the basket and puts the pigs in the basket. Everything that the Production Team needs to run the business needs to be in the basket.

Eventually, the Production Team will sell products. If the Production Team raises baby pigs to sell, then when the Production Team sells the adult pigs, they take the pigs out of the basket and put the money from the sale back into the basket.

Saxeus does not own the basket; Saxeus *shares* everything in the basket with the Production Team. The Production Team does not have to make any payments to Saxeus, as with a bank loan. The Production Team only has to concentrate on using all the assets in the basket to operate the business and generate revenue and profit.

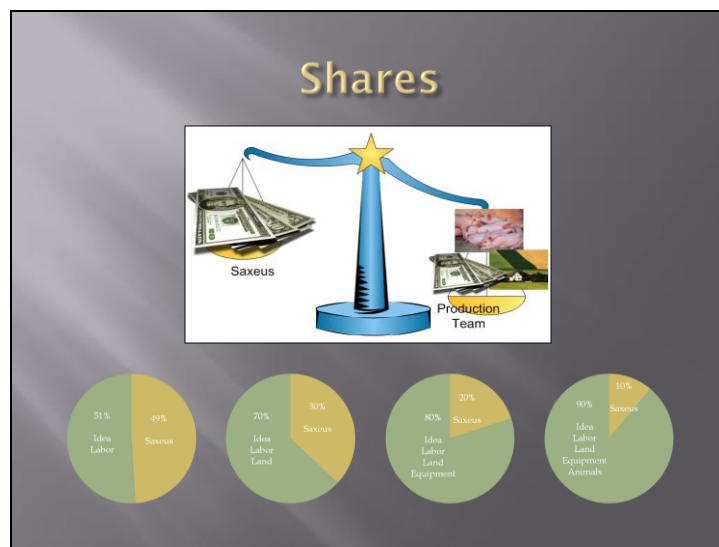
Eventually, when the Partnership makes profit, the Production Team may want to take some money out of the basket for themselves. When that happens, then the Production Team must share that money with Saxeus. The only time that Saxeus receives any money is when the Production Team takes money for themselves. If the Production Team takes no money out of the basket, then Saxeus receives no money; but when the Production Team takes money, then Saxeus receives its share.

The Saxeus investment is patient money. We can wait as long as the Production Team can to take any money out of the business. When you are ready to take some money out of the business, then Saxeus receives its share, too.

Saxeus shares in the business and shares in the profit with the Production Team.

Shares in the Partnership

How big is the Saxeus share?



When we create the Partnership, we weigh how much Saxeus puts into the Partnership basket and how much the Production Team puts into the basket.

Here are some examples:

If all that the Production Team puts into the basket are the intangible assets of their idea, their knowledge and their labor, then their share of the business is 51% and the Saxeus share is 49%.

If the Production Team adds some tangible assets like land, then their share may increase to something like 70%, and the Saxeus share may shrink to 30%.

If the Production Team adds more tangible assets, like equipment, then their share may increase to something like 80%, and the Saxeus share may shrink to 20%.

If the Production Team adds many tangible assets, their share may be as large as 90% with the Saxeus share equal to only 10%.

The minimum share that Saxeus will accept in any investment is 10%, and the maximum share that Saxeus will accept is 49%. This means that the Production Team always owns more than half of the Partnership. Remember that Saxeus is your partner, not your boss. When you own more than 50% of the business, you must make all the decisions about how to run the business. You are the boss, not Saxeus.

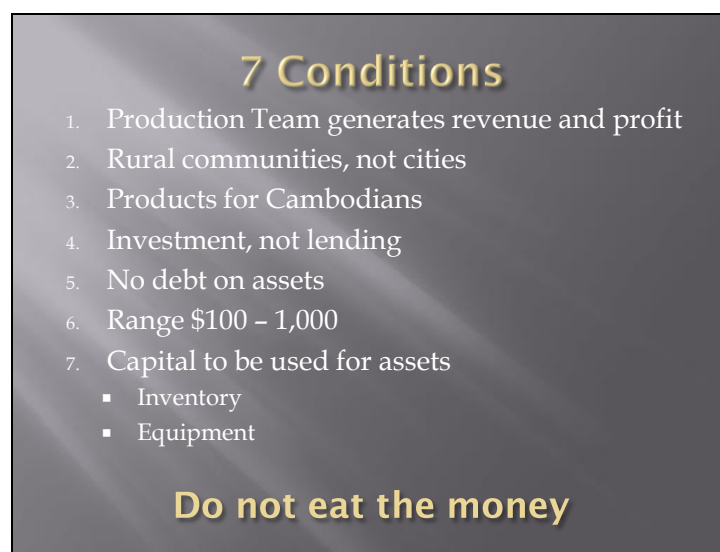
When Saxeus invests in a business, we have the right to know what is happening in the business, which is why you must report to us every week. We can discuss your plans for running the business, we can offer suggestions, but *you* must make all the decisions for the business. Saxeus cannot tell you what to do; we can only try to help you to be successful.

We want you to be successful because the only way that we can make money is if you make money. We share in your success.

That is why we make investments, not loans.

The 7 Saxeus Conditions, continued

Returning to the 7 conditions that define our plan, we are at the fifth condition.



7 Conditions

1. Production Team generates revenue and profit
2. Rural communities, not cities
3. Products for Cambodians
4. Investment, not lending
5. No debt on assets
6. Range \$100 – 1,000
7. Capital to be used for assets
 - Inventory
 - Equipment

Do not eat the money

We require that any assets that you, the Production Team, contribute to the Partnership have no debt attached. If you have a loan on your farm, then you may not put the farm in the Partnership basket. If you have a loan on some equipment, then you may not put the equipment in the Partnership basket.

The sixth condition is that we want to invest in the range of about \$100 to \$1,000 in a business. If your project requires a little bit more than that, about \$1,100 to \$1,200 then we will consider your project; but if you need something like \$3,000 or more, we cannot be your partner.

Remember that our goal is to relieve poverty by promoting capitalism. We could invest \$100,000 in a single project, but then how many Cambodians would become rich? Only that one Production Team would become rich. If we invest \$1,000 in 100 projects, however, how many Cambodians become rich? At least 100 Production Teams of 3 people each, or 300 people. Our goal is to invest in as many small businesses as we can, and that is why we limit our investment to about \$1,000.

The seventh and last condition for our investment is that we want the Production Team to use the investment funds to purchase assets, like inventory or equipment or other tangible items, that are needed to run the business.

An asset is something that you can use to generate revenue and profit. Here is an example: if you use money to buy seeds to grow a corn crop, then the seeds are an asset. You can plant the seeds, grow the corn, sell it, and have enough money to buy more seeds for another crop. As long as you use the seeds to produce a crop, your seed asset generates revenue and profit.

We have read about micro-finance in Africa, where charities provided corn seeds to poor people so that they could have an income. Many farmers there, however, said that they were too hungry to plant crops. Before they could do any work, they needed to eat something, so they ate the corn seeds. At that moment, they no longer had an asset to provide future revenue or profit. They had nothing to generate income. They had eaten their asset.

That is why at Saxeus we want the Production Team to use the money to buy assets.

We say: Do not eat the money.

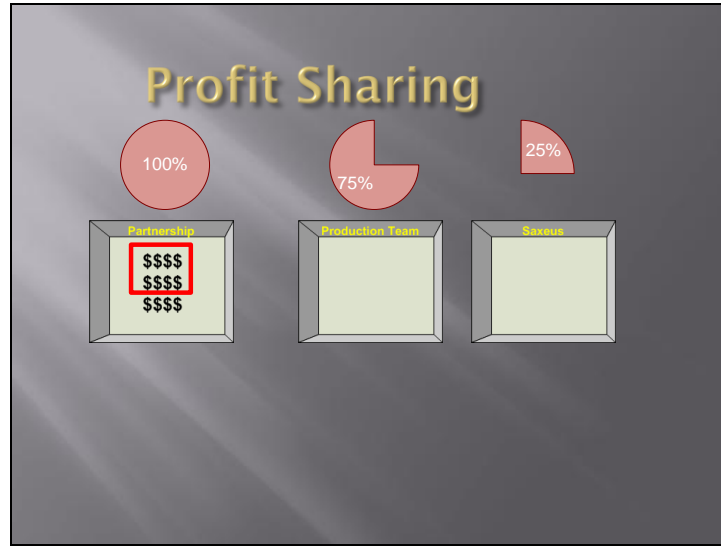
Profit Sharing

Now we want to discuss how profit sharing works.

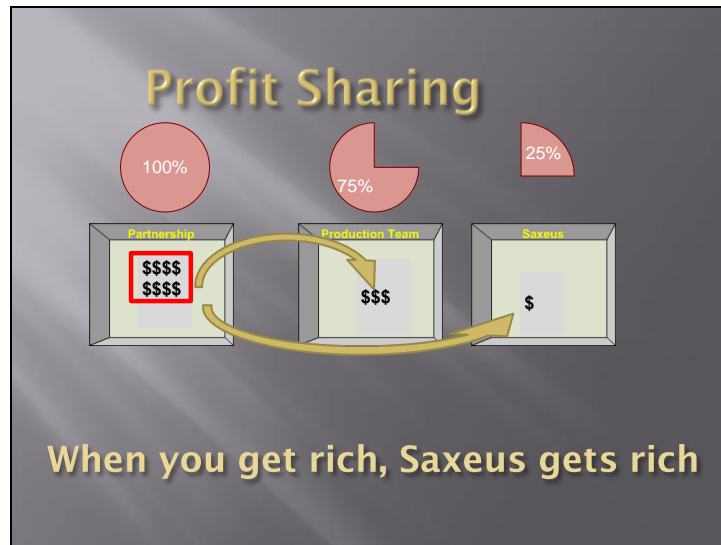
Let us use this example: we create a Partnership, which owns 100% of what is in the Partnership Basket. When we create the Partnership, we agree that the Production Team owns 75% of the Partnership and Saxeus owns 25%.

The Partnership uses the assets in the basket to generate revenue and profit. At the end of a year, the Partnership has sold many products and has a lot of money in the basket. Suppose the Production Team

decides that it only needs to keep some money in the basket for next year's business activities, and it has \$\$\$\$ profit left.



The Production Team may make the decision to take that \$\$\$\$ money out of the Partnership. When the Production Team makes that decision, it must distribute that money that it takes out of the basket to all of the partners, including Saxeus.



If that \$\$\$\$ profit represents \$4,000, then the Partnership receives 75% or \$3,000 and Saxeus receives 25% or \$1,000, according to their shares.

If that profit represents \$10,000, then the Partnership receives \$7,500 and Saxeus receives \$2,500.

Now, here is where an investment is different from a loan.

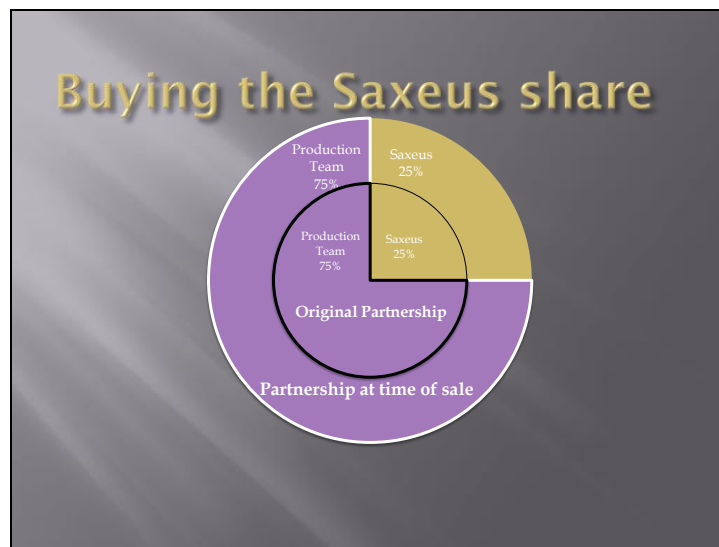
When you take a loan from the bank, you agree to pay back all of the money that you borrow plus interest. If you make all of the loan payments, then at the end of the loan term, you never have to speak to the bank again. You own 100% of your business, 100% of the profits.

When you take an investment from Saxeus, however, we are your partner, not your lender. So every time that you decide to take money out of the Partnership, then Saxeus must receive its share. Even after Saxeus earns back the money that it put into the Partnership, Saxeus continues to receive our share.

So long as Saxeus owns its share of the business, we are entitled to our share of the profits.

Buying the Saxeus share

When does Saxeus stop receiving its share? When Saxeus sells its share back to the Production Team.



The price that the Production Team must pay is equal to the value of the Saxeus share *at the time of the sale*.

In our example, Saxeus owns a 25% share of everything in the Partnership basket. We hope that over time the value of the Partnership basket grows, with increasing revenues and profits. We hope that some of the profit will be re-invested in the business to make the Partnership grow.

So if the Production Team wants to buy the Saxeus share, then we have to evaluate how much is in the Partnership basket at the time of the sale. The Saxeus share is still 25%, but of course that 25% is worth much more than the original investment.

Of course, if the business goes badly, losing money over time, then the Partnership basket shrinks. Saxeus still owns its share, but that share may be worth less than our original investment. We hope that this does not happen; but even if it does, Saxeus cannot take anything out of the basket unless the

Production Team also takes their share out of the basket. That is the advantage of an investment instead of a bank loan.

If you use a bank loan and cannot make your loan payments, the bank may foreclose and seize the assets to sell them to repay the bank loan. With an investment, if the business is having problems, Saxeus will try to help you solve the problems, but Saxeus cannot force you to sell the assets. You must decide what do with the Partnership assets.

When we discuss selling Partnership shares, we want to make a few more points. The Production Team may purchase the Saxeus share if we both agree on the price. Saxeus may not sell its share to anyone else, unless the Production Team agrees to it. If Saxeus does sell its share to someone else, then Saxeus receives the entire purchase price for its share. The Production Team merely has a new partner.

If anyone on the Production Team no longer wants to participate in the business, then that member of the Production Team may sell his share if the Production Team and Saxeus agree to it. No one on the Production Team or Saxeus must accept a new partner if they do not want that new partner.

Proposing your business

This, then, is the Saxeus plan to relieve poverty in Cambodia by promoting Capitalism through micro-investment.

If you have a project that you would like to propose, then please be sure that you will accept the Saxeus 4 C's and will conduct business according to those values. Be sure that your project meets the 7 conditions for investment.



Then email your proposal to KMckinney@saxeus.com. Within 2 days we will respond to confirm that we have received your email. If you do not receive that response, then please try again, and copy KMck@aol.com to be sure to reach a U.S. server.

Making your initial proposal

In your first email to us, please make it simple and tell us these things:

1. What is your idea? What kind of business do you want to have?
2. Who is the Production Team?
3. Where do you want your business?
4. How do you plan to spend the money that Saxeus invests?

It is not necessary to send us a complete business plan, just that simple email, but if you have a business plan then we will want to see that.



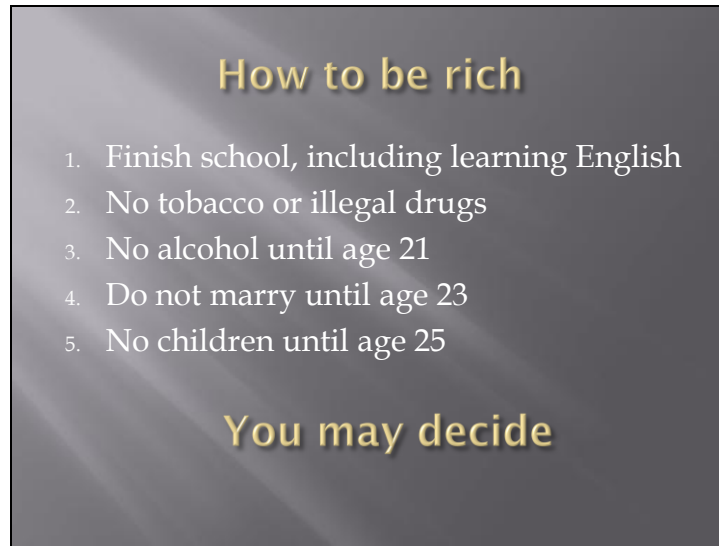
Together we will develop a plan for the business, including a cash flow to see if we will make money with your plan.

As we work on the plan, we will ask each other questions, investigate alternatives, and perhaps modify your original idea, if we need to. Once we reach agreement on the plan, then we can create the Partnership and assign the shares.

We want to hear from you.

A recipe to become rich

Even if we do not do business together, we want to share with you this recipe for how to be rich.



In the United States, there was a research project that interviewed people who were born poor and later became rich. These people were asked how they lived their lives to become rich, how did they overcome poverty? The answers were remarkably similar:

1. Finish school, including learning to speak English.

English is the language of business, and it is easier to succeed in business if you learn English. America is a nation of immigrants, and immigrants do much better when they learn English. India is a nation that speaks over 300 languages and dialects, but when Indians conduct business, they speak English. The number of people in China who are now learning to speak English is equal to the number of people in the rest of the world that already speak English. Last year, 90% of the resources on the Internet were written in English. Without speaking English it can be more difficult to become rich.

2. Do not use tobacco or illegal drugs.

Both are a complete waste of money. Tobacco makes you sick with cancer, emphysema, and other diseases. Illegal drugs make you stupid. You need to be healthy and use all of your brain to be successful.

3. Do not drink alcohol until you are at least 21.

There is a medical reason for this guideline. We know that the human brain is not fully formed

until we are about 21, and if you start drinking alcohol before you are 21, your brain will not develop fully. It is much more difficult to become rich if you cannot use all of your brain.

4. Do not marry until you are at least 23.

If you wait until you are 23, then you have time to finish school and then work for some time before you get married. You may be able to save some money and prepare for your marriage instead of trying to fulfill your marriage obligations while you are still in school without money.

5. Do not have children until you are at least 25.

Again, if you wait a few years after marriage to have children, you have time to prepare for them. You can save some money, perhaps buy a house for your family or prepare other resources to be able to provide better for your children.

Remember that this is a recipe, not commands. These are simply the guidelines that we learned from people who were born poor but became rich. What we know is that 80% of the people who follow these guidelines become rich, and 100% of the people who follow these guidelines do not remain poor.

You may choose to ignore these guidelines if you choose, but what we have learned in the United States is that if you do ignore them, it is much more difficult to escape poverty. If you have the patience to follow these guidelines, you can become an educated, healthy person, who is married with children and who is on a good path to becoming rich.

You have choices. You may decide how to live your own life. We provide this recipe only to help you make good decisions for yourself.

Thank you

We hope that you have learned something from this presentation about the Saxeus plan to relieve poverty by promoting capitalism through micro-investment.

We hope that we can help you to be successful with our plan and that we may hear from you in the future.

