

Client Profile: Iliad, Inc.,

Iliad, Inc. is a Washington-based, licensed contracting firm that includes a special combination of individuals and disciplines for site development projects. Providing site utilities, site earthwork and all-inclusive site landscape improvements for its private and government clients since 1972, Iliad has a long-standing reputation of providing quality contracting services. Iliad, Inc. is made up three specialized divisions: 1) Iliad Group, which offers site studies and construction management; 2) Iliad Construction, which offers project construction and supervision services; and 3) Iliad Water Systems, which operates and maintains private water systems, many of which have been designed and built by Iliad itself. Whatever your company's large scale construction needs may be, there is a good chance Iliad can help you meet those needs. Romero Montague is honored to count Iliad as one of our clients, and we invite you and your business to learn more about Iliad's services by contacting Iliad at (206) 282-4200 or e-mailing the company at watersrvs@aol.com.

Romero Montague Tees Up For Upcoming Charity Golf Tournament

In what is quickly becoming an annual tradition, Romero Montague is sponsoring the BYU Alumni Association's 5th Annual "Scramble for Scholarships." This year, the tournament will be held on May 26, 2005 at Trilogy Golf Course in Redmond, Washington, with all the money from the tournament going to college scholarships. "Even though it rained and thundered for the duration of last year's tournament, we still had a wonderful time advancing such a worthy cause," recalled Justin Park, who has lead Romero Montague's involvement in the tournament for the last two years. "Education is an investment in the future, and the more kids we can help go to college, the brighter everyone's future becomes." If you would like to know more about the tournament, or would like to donate to the BYU Alumni Association's scholarship fund, visit the Association's website at www.byuwa.org and click on "scholarships."

ROMERO MONTAGUE P.S. ATTORNEYS AT LAW

Washington Information:
155 - 108th Avenue NE, Suite 202
Bellevue, WA 98004

Phone: (425) 450-5000
Facsimile: (425) 450-0728
E-mail: info@RomeroMontague.com

California Information:
Excel Centre
17140 Bernardo Center Drive, Suite 206
San Diego, CA 92128

Phone: (760) 788-0965
E-mail: info@RomeroMontague.com

www.RomeroMontague.com

RM Welcomes Its Newest Team Member, Robyn Dickinson

If you haven't already noticed, there is a new voice on the end of the line at Romero Montague's Bellevue, Washington office. That voice is the voice of Robyn Dickinson, the newest member of Romero Montague's team. Besides supporting Romero Montague's busy practice as the firm's Front Desk Manager, Robyn is also pursuing her Business Administration Assistant degree from Green River Community College. When Robyn is not keeping Romero Montague's front-office operations afloat and tending to her studies, she enjoys spending time with her fiance (no date set), scrapbooking, hiking and singing. Romero Montague is grateful to have Robyn on-board, so please be sure to say hello to her next time you call or stop by.

ROMERO MONTAGUE'S NEW SAN DIEGO OFFICE



In its continuing effort to better serve its clients' interstate needs, Romero Montague recently opened its new San Diego office. Located in the Excel Center near Downtown San Diego, Romero Montague's new office is the firm's hub for all of its California clientele. "Our California practice is growing rapidly, and it is vitally important that we have a physical location from which to serve our growing clientele in that state," said Romero Montague's Managing Partner, Troy Romero. In addition to its California practice, Romero Montague will be establishing its practice in Oregon as well. According to Michael Wiggins, the firm's Director of Business Development, "Romero Montague will be establishing an office in Portland within the next two years and, with that, will be ready to service its existing and future clients' legal needs all up and down the West Coast."

Troy Romero Appointed To Business School's National Steering Committee

Romero Montague's Managing Partner, Troy Romero, has been appointed to the Marriott School of Business Management Society's National Steering Committee. Comprised of local, regional and national business leaders, entrepreneurs and professionals, the Management Society is a non-profit organization that focuses on networking, business and career development and, most importantly, fundraising for student scholarships. In his capacity as a committeeman, Mr. Romero will be responsible for overseeing the development of local chapters of the Management Society in Pacific Northwest region of the United States.

Romero Montague Celebrates Troy Romero's 10 Year Anniversary at Bellevue Location

For 10 years now, Troy Romero has been successfully representing his clients' business and legal needs, and as a way to thank all of those who have made his law practice a success, Troy and the rest of the Romero Montague team will be hosting an open house to celebrate Troy's tenth year at his Bellevue location. Looking forward to the open house, Troy said, "my law practice has been good to me, and I want my clients to have the opportunity to share in my success as much as I have shared in theirs." The open house will take place between 4:30 and 7:00 p.m. on June 16th, 2005 at Romero Montague's Bellevue office, so please stop by so Troy can thank you your support.

ABOUT THIS NEWSLETTER: This is a publication for clients, prospective clients, and friends of attorneys and staff of Romero Montague P.S. If you have received this Newsletter, you fall into one or more of these categories. Our hope is that you will find this publication both informative and useful. The format is to update you on firm news as well as to provide you with information to help you and/or your business. Please let us know if we have served these purposes. We highly value your feedback. You can reach us at 425-450-5000, info@RomeroMontague.com, or www.RomeroMontague.com.

Securities Exemptions –Be Mindful When Taking Other Peoples’ Money

By Michael E. Wiggins

With the aid of competent legal counsel, many seasoned entrepreneurs have reduced the process of raising capital to an art. Knowing what they can and cannot do in the complex statutory and regulatory framework that makes up our federal and state securities laws, these businessmen and women have successfully raised capital for companies, many of them more than once. But for most first-time entrepreneurs, that same statutory and regulatory framework presents a myriad of pitfalls and liabilities of which even the most savvy, meticulous entrepreneurs might not be aware. Over the years, many of these unwary entrepreneurs have found themselves in our office, unsure why they were being sued by a disgruntled investor.

Most start-ups cannot afford the expensive and time consuming process of registering their initial pool of securities with the Securities and Exchange Commission (“SEC”). For them, the difficulty with raising capital lies in the presumption that all securities must be registered with the SEC (and other governing federal and state agencies) before they are issued to investors. There is a way for securities issuers to avoid the SEC’s registration requirements, however, and that is by taking advantage of one or more of the numerous exemptions to the securities registration laws.

For many start-ups, the most practical of the registration exemptions is Section 4(2), or the private offering exemption. Under Section 4(2) of the Securities and Exchange Act of 1933 (the “Act”), an issuer need not register securities that are related to “transactions...not involving any public offering”. But while Section 4(2) provides the start-up with an exemption, it provides little

guidance as to what is required to take advantage of that exemption.

In order to provide some “bright-line,” objective criteria by which issuers can measure their compliance with Section 4(2), the Securities and Exchange Commission promulgated what is known as Regulation D of the Act. Under Regulation D’s Rule 506, an issuer can issue shares to an unlimited number of investors so long as: 1) all securities are offered and sold no more than 6 months before or 6 months after the Regulation D offering; 2) the securities are not offered or sold through any form of general solicitation or advertising (including radio, television, print of seminar advertising); and 3) the securities are “restricted” in that they cannot be sold on any secondary market without first registering the securities or meeting the requirements of some exemption. Under Regulation D-Rule 506, an issuer may sell securities to any number of “accredited” investors, which besides charitable organizations, trusts and other institutional investors, include “a natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds \$1 million at the time of the purchase,” or “a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year.”

If an issuer sells securities only to “accredited” investors, there is no disclosure requirement other than the requirement that any disclosure given must comply with the federal securities law’s anti-fraud prohibitions. (At the very least, an issuer should provide certified financial statements, even to accredited investors.) If, on the other hand, an issuer sells

securities to individuals who do not qualify as “accredited” investors, then the issuer is limited to selling securities to no more than 35 people. Additionally, the issuer must provide the non-accredited investors with disclosure documents similar to those required for a registered offering. (A thorough explanation of the nature and complexity of these documents is impossible to accomplish in this general article. Needless to say, these documents should be prepared only by competent securities counsel.)

Raising capital legally for a new venture is far more complicated than most new entrepreneurs probably realize. While Uncle Sam has created exemptions (including the Section 4(2) exemption) in order to make the process easier, those exemptions require meticulous adherence to a certain set of complex criteria. While the above analysis is by no means comprehensive, it does illustrate the complexity of those criteria and the securities laws in general. Because of that complexity, I highly encourage anyone seeking to raise venture capital through unregistered securities to retain the services of a competent attorney who handles securities and venture financing matters. If you are looking to begin the fund-raising process for your company, please call Romero Montague P.S. at (425) 450-5000 to find out how we can help you in that process.

Note: The information contained in this article is for informational purposes only, and should not be construed as legal counsel by anyone seeking to raise capital through the sale of unregistered securities. If you have questions about how the above-mentioned exemption might apply to your company’s specific need to raise capital, contact Romero Montague to schedule a consultation. We would be happy to assist your company in its fundraising efforts.

Effective Communication

By Michael E. Wiggins

Like most first-time parents, I consider my 16-month old son to be one of the smartest, most gifted children alive; and I’m sure I give him credit for understanding significantly more than he really is capable of understanding. So when I give my son a two-minute dissertation on why spaghetti was created for internal, not external use, the question arises: am I effectively communicating with him, or am I simply filling my need to be a hands-on parent?

As we get older and progress in our businesses and professions, all of us like to think of ourselves as at least decent oral and written communicators. And why wouldn’t we? Unless we live and work in complete isolation, all of us communicate in some form or fashion each and every day of our lives. But let’s be honest, just because we frequently engage in something does not necessarily mean that we are more proficient at it. The fact of the matter is that most of us are not as good of communicators as we think we are.

In my practice, I have found two predominant factors that regularly inhibit us from communicating effectively. These factors are perspective and conciseness. I will address both in this article.

Perspective: “Men are from Mars and Women are from Venus.” We all know what that’s about, right? But couldn’t we just as easily write a book called “Bosses are from Mars and Employees are from Venus,” or “Engineers are from Mars and Mid-Level Managers are from Venus.” We all have different perspectives based upon our experiences and the specific roles we play in our social and professional communities, which brings me to the first factor prohibiting people from communicating effectively –perspective.

We perceive raw, unaltered information differently depending on the experiences, logic, values and principles through which we filter that information. It is for that very reason that we often do not say or write exactly what it is we’re thinking, and our audiences do not always hear or read exactly what it is we say or write. By the time our thoughts leave our mouths and reach our audiences’ brains, our messages become contorted and altered.

Most of us communicate in order to elicit a response from our audience, to achieve a purpose. In order for us to do that effectively, we need to at least understand not only our own biases and prejudices, but those of our audience as well. This often means that we should not say or write something simply because it sounds reasonable to us. That kind of communicating works well only for opinion editorialists. To be sure, my clients certainly don’t pay me to say or write things that only I want to hear. No, they pay me to present their arguments in a way that will be persuasive to a judge, which means that I must consider the judge’s perspective when I communicate with her. Conciseness: Many people confuse being concise with being plain, unintellectual, or unknowledgeable. But these people likely are the ones who, as my father used to say, “just love to hear themselves talk.” The simple fact is saying or writing more than is necessary to communicate our thoughts often does more harm than good. For one, it distracts our audiences away from what is really important. But more importantly, it fundamentally lowers our audience’s trust that we will provide them with truly important information.

So how do you make your communications more concise? Here are a few tips.

1. Use the “active” instead of “passive” voice. What is the difference between “John spent the money he had in savings,” and “The money John had in savings was spent by him?” For starters, the first sentence is a couple of words shorter than the second, which is a good thing in and of itself. But more importantly, the first sentence, unlike the second, has its subject, John, undertaking the action –spending the money. This is referred to as using the “active” instead of “passive” voice.

While sometimes appropriate, the passive voice most often forces our readers to reconstruct our sentences in order to ascertain the subjects and objects of those sentences. Using the active voice, on the other hand, allows our audience to flow through our communication by using the old subject-verb-object principle of grammar we all were taught in grade school. This, in turn, allows them to more easily ascertain what we are trying to say.

2. Avoid “nominalizations.” How many of us turn verbs into nouns when we speak or write. If you do, then you are guilty of using nominaliza-

tions. Here is an example sentence using a nominalization: “The allied forces mounted a strong resistance against the advancing enemy forces.” Imagine reading a 30-page interoffice memo filled with this type of writing! Now let’s say the same thing, only this time using the root “resist” as a verb instead of a noun: “The allied forces strongly resisted the advancing enemy forces.” By using verbs as verbs instead of nouns, not only do we significantly reduce the number of words we use when we speak or write (from 12 to 9 in this case), but we also make our communications much more concise, thus much more memorable.

3. Make your sentences cohesive. Most audiences have a much easier time hearing, reading and understanding sentences that seamlessly flow one into the next. Connecting sentences in this fashion is known as creating sentence cohesion.

Cohesiveness is best learned by example, so here is an example of a cohesive pair of sentences: “The Federal Reserve has recently said much about the threat of rising interest rates. As any small business owner knows, high interest rates can dramatically affect a company’s ability to make necessary capital improvements.” Notice how the topic “interest rates” appears at the end of the first sentence and then near the beginning of the second, thereby tying the two sentences together. This is how you create cohesiveness in your oral and written communications. And it is this cohesiveness that allows our audience to relax and take in what we are saying without first trying to figure out how our sentences relate.

Life/business is about relationships, and relationships are dependent upon good communication skills. By understanding and implementing the few simple principles I’ve mentioned above, we will be better able to communicate our thoughts more clearly and concisely –more effectively. If you would like to learn more about these and other principles of good communication in more depth, I encourage you to read *Style –Ten Lessons in Clarity and Grace* by Joseph M. Williams.

Note: If I were to go back through this article, I would fully expect to find numerous nominalizations and instances where I used the passive instead of active voice. That leads me to the third factor that prohibits us from communicating effectively –humility.