

OUTLINE OF A BUSINESS PLAN

- Cover Sheet: Name of business, names of principals, address and phone number
- Statement of Purpose
- Table of Contents:
 1. Section One: The Business
 - a. Description of business
 - b. Product/service
 - c. Market
 - d. Location of business
 - e. Competition
 - f. Management
 - g. Personnel
 - h. Application and expected effect of loan, if needed
 - i. Summary
 2. Section Two: Financial Data
 - a. Sources and applications of funding
 - b. Capital equipment list
 - c. Balance sheet
 - d. Break-even analysis
 - e. Income projections (Profit and Loss statements)
 - i. three-year summary
 - ii. detail by month for first year
 - iii. detail by quarter for second and third years
 - iv. notes of explanation
 - f. Cash flow projection
 - i. detail by month for first year
 - ii. detail by quarter for second and third years
 - iii. notes of explanation
 - g. Deviation analysis
 - h. Historical financial reports for existing business
 - i. Balance sheets for past three years
 - ii. Income statements for past three years
 - iii. Tax returns
 3. Section Three: Supporting Documents
 - a. Personal resumes
 - b. Personal balance sheets
 - c. Cost of living budget
 - d. Credit reports
 - e. Letters of reference
 - f. Job descriptions
 - g. Any legal documents, i.e. Leases, contracts
 - h. Anything else relevant to the plan

SAMPLE BUSINESS PLAN OUTLINE

I. Cover Letter

- A. Dollar amount requested
- B. Terms and timing
- C. Type and price of securities

II. Summary

- A. Business Description
 1. Name
 2. Location and plant description
 3. Product
 4. Market and competition
 5. Management expertise
- B. Business Goals
- C. Summary of financial needs and application of funds
- D. Earnings projections and potential return to investors
- E. "Exit" Strategy—You need to describe to a potential investor exactly how he will be repaid his investment. Repayment may come from operations refinancing or selling stock to others.

Whether a business plan is developed mainly for the benefit of insiders or outside investors, the summary "should sit up and sing!" Your company's goals, strategy and critical success factors belong up front.

III. Market Analysis

- A. Description of total market
- B. Industry trends
- C. Target market
- D. Competition

The market analysis should highlight the opportunities for your company to achieve its goals. Some of the following questions should be asked: To whom are you trying to sell? What are the trends in your target market? and Who are your customers and what are their product/service preferences and reasons for purchasing?

IV. Products or Services

- A. Description of product line
- B. Proprietary position: patents copyrights and legal and technical considerations
- C. Comparison to competitor's products
- D. Opportunities or plans for expanding or redesigning product or service lines.
- E. Project changes in sales mix — cost and profit.

This section should fully describe each product or service including any brand names and unique features. Analyze competitive advantages and disadvantages. Your company's customers may be the final users, or may re-sell to someone else. In the latter case, you should know the identity of the ultimate consumer as well as your immediate customer.

V. Manufacturing Process (if applicable)

- A. Materials
- B. Sources of supply
- C. Production methods

VI. Market Strategy

- A. Overall strategy
- B. Pricing policy
- C. Sales terms
- D. Method of selling, distributing and servicing products

What customer groups will your business target? To generate sales, what product or service attributes will your company emphasize? How will the company advertise and otherwise promote its products or services?

VII. Potential Risks and Pitfalls

- A. Critical risks your business faces
- B. Problems that may hinder plan execution
- C. How to avoid or offset problems

Things hardly ever proceed exactly according to plan. Develop contingency plans to meet crises and likely problems.

VIII. Management Plan

- A. Form of business organization
- B. Board of directors composition
- C. Officers: organization chart and responsibilities
- D. Resumes of key personnel
- E. Staffing plan/number of employees
- F. Facilities plan/planned capital improvements
- G. Operating plan/schedule of upcoming work for next one to two years

A business plan should list a company's key managers and owners (along with their education, skills, and experience; duties and responsibilities), its board of directors (with their affiliations and experience) and any outside consultants.

IX. Financial Data

- A. Financial history (last five years)
- B. Five-year financial projections (first year by quarters; remaining years annually)
 1. Profit and loss statements
 2. Balance sheets
 3. Cash flow chart
 4. Capital expenditure estimates
- C. Explanation of assumptions underlying the projections
- D. Key business ratios
- E. Explanation of use and effect of new funds
- F. Potential return to investors compared to competitors and the industry in general

These reflect, in dollar terms, a business' past and its expected future. The financial projections should be a reflection of your business plan quantified. Financial statements and projections must be consistent with descriptions elsewhere in the business plan of the industry, your marketing assumptions and strategy, the execution process and the external funds needed.