

Your Company Name

BUSINESS PLAN

date

Six Important Tips Before You Start!

1. The business plan should tell a compelling story about your business, explaining who, what, when, where, how and why.
2. Your plan should be focused and clear. It's not about the number of pages or style of the cover.
3. The plan should define specific objectives and goals with general parameters to guide the organization.
4. Writing a business plan should force logic and discipline into a business.
5. A good business plan is a living document. It should be updated regularly.
6. *If applying for a loan, the goal is to educate and make a convincing story to the lender that you have the educational and work experience to operate the business, the business will have the ability and resources to fully repay the loan, and that the owners have personal financial investment and risk, have resources to react and recover from external factors that can impact the business.*

Resources for Business Plan Preparation

A Small Business Development Center (SBDC) can assist with the review of your business plan. The business owner is expected to perform adequate research and write the plan. The SBDC can provide templates, review the plan from the intended reader's perspective, and provide resources or consultants as needed, and determine the comprehensiveness of the plan specifically to accompany a loan application.

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Executive Summary

This section should

- Be written last
- Provide an enthusiastic snapshot of your company, explaining who you are, what you do and why
- Be less than two pages

After reviewing this section the reader should:

- Want to learn more about your business
- Have a basic understanding about your company
- *What are the current business assistance needs? (Examples are: location siting, permits, waste material feedstock, incorporating recycled materials into the manufacturing process, identifying end product customers, economic development, economic gardening, loans, grants, marketing, investors, etc.).*

Additional lenders considerations:

- *Character: The business and owners must have adequate educational, work experience and resources in the business and industry to ensure the future success of the business and full repayment of the loan.*
- *Capacity/Cash Flow: The business must adequately demonstrate the ability to pay for daily, seasonal and variable operating expenses and regular monthly payments on the loan, from short term operating cash. This is considered to be the first source of repayment for a loan. A bank is accountable to make prudent decisions and conservative investment of depositor's funds, as is the state with taxpayer monies.*
- *Capital: The business must have sufficient equity to pay for long term fixed operating costs and cover extraordinary expenses. This is considered to be the second source of repayment for a loan. The owners must be willing to have personal investment and risk in the business, including additional injection of outside personal funds to the business. If an owner is not willing to personally guarantee a loan then the lenders perceives that there are unknown risks that most likely will result in a loan default.*
- *Collateral: Loans from non-owners, especially banks, are almost always secured by business assets that can be sold or collected to repay the loan in case of default. Lenders try to match the term of the loan with the useful life of the collateral. Collateral is valued based on the net book value as shown on financial statements, recent valuations by certified appraisers, or cost invoice for new purchases.*
- *Conditions: This represents all other factors that a lender requires to consider, approve, fund, and collect on a loan. An example is periodic financial statement reporting so lenders can assess the current ability to repay. Other examples include copies of current permits, business and workers compensation insurance, property tax, etc.*

I. Business Description and Vision

This section should include:

- Mission statement (business purpose)
- Company vision (statement about company growth)
- Business goals and objectives
- Brief history of the business
- List of key company principals

After reviewing this section the reader should know:

- Who the business is and what it stands for
- Your perception of the company's growth and potential
- Specific goals and objectives of the business
- Background information about the company

Additional lender considerations:

- *Historic timeline of the business should include:*
 - *The legal name of the business (as shown on tax returns)*
 - *What state the business is domiciled in as a domestic entity*
 - *The trade name of the business (and name of city or county where filed)*
 - *The date the business was formed*
 - *The date manufacturing production began*
 - *Significant changes and events of the business*
 - *Successes and failures*
 - *If applying for a loan, how will this help the business grow? What need is currently not met?*
- *Management Succession Plan*
- *Exit strategy*

II. Definition of the Market

This section should:

- Describe your business industry and outlook
- Define the critical needs of your perceived or existing market
- Identify your target market
- Provide a general profile of your targeted clients
- Describe what share of the market you currently have and/or anticipate

After reviewing this section the reader should know:

- Basic information about the industry you operate in and the customer needs you are fulfilling
- The scope and share of your business market, as well as who your target customers are

Additional lender considerations:

- *What industry does the business operate in?*
- *What are the local, state, national, and international markets for your products?*
- *Competition and complimentary markets*
- *Your market share percentage, what it's based on and how it was derived*

III. Description of the Products and Services

This section should:

- Specifically describe all of your products and services
- Explain how your products and services are competitive
- If applicable, reference a picture or brochure of your products, which would be included in the plan's appendix

After reviewing this section the reader should know:

- Why you are in business
- What your products and services are and how much they sell for
- How and why your products and services are competitive

Additional lender considerations:

- *Competitor's and their products*
- *Complimentary businesses and their products*
- *The advantages of your business over related businesses*
- *The advantages of your products over related businesses*
- *Explanation of why other businesses have not infringed upon your products*

IV. Organization and Management

This section should:

- Provide a description of how your company is organized as well as an organization chart, if available
- Describe the legal structure of your business (proprietorship, partnership, corporation, limited liability company, etc.)
- Identify necessary or special licenses and/or permits your business operates with
- Provide a brief bio description of key managers within the company
- *List and description of other businesses with common ownership and their relation to this businesses. (i.e. tenant landlord, are materials obtained from or sold to a related business, etc.)*

After reviewing this section the reader should know:

- The legal form of ownership for your business
- Who the leaders are in your business as well as their roles
- The general flow of operations within the firm

Additional lender considerations:

- *List of all current owners, titles, capacity, personal investment, ownership percentage, investor agreements, and return of investment.*
- *List management team and key employees that operate the business on a daily basis, especially those that purchase the feedstock, operate, maintain, repair the equipment, test the end products, and sales staff.*

V. Marketing and Sales Strategy

This section should:

- Identify and describe your market – who our customers are and what the demand is for your product and services
- Describe your channels of distribution
- Explain your sales strategy, specific to pricing, promotion, products and place (4P's)

After reviewing this section the reader should know:

- Who your market is and how you will reach it
- How your company will apply pricing, promotion, product diversification and channel distribution to sell your products and services competitively?

Additional lender considerations:

- *That the business has performed sufficient research to confirm and document that there is a need for the product and adequate customer base to achieve the sales projections.*

VI. Manufacturing Facility, Permits & Environmental

This section should:

- *Description of the manufacturing facility (i.e. lot size, building size, zoning, capacity to expand.*
- *Description of the surrounding area for Environmental Justice considerations*
- *Distance to modes of transportation (i.e. major freeways, rail, shipping ports, airports)*
- *Distance from major sources of raw materials*
- *Distance from majority of customers*
- *Age of the building and date of last major building renovations and improvements*
- *Is the facility leased or owned and names and contact info for each party. The terms of the lease.*
- *Status of permits (local zoning, conditional use permit, fire, waste water discharge, air district, business license, etc.)*
- *Describe the environmental status of the property, especially if hazardous materials are*

After reviewing this section the reader should know:

- *That the facility is adequate for existing and proposed capacity of the business*
- *That the business has applied or obtained all permits required to properly operate the business*
- *That environmental contamination is or has not been an issue at the site.*

Additional lender considerations:

- *The remaining term of the lease should equal or exceed the term of the proposed loan.*
- *The landlord or real estate owner is willing to sign a consent and release allowing the lender access to the property to foreclose, repossess, and remove business assets including machinery and equipment.*

VII. Financial Management *(if applying for financing or investor funds)*

This section should include:

New Businesses

- Estimate of start-up costs
- *Proforma balance sheet and income statement*
- Projected balance sheet (3 year forward)
- Projected income statement (3 year forward)
- *List of assumptions used to prepare the projections*
- ~~Projected cash flow statement (12 months forward)~~

Existing Businesses

- Balance sheets (last 3 fiscal years and current interim period)
- Income and expense statements (last 3 fiscal years and current interim period)
- ~~Cash flow statement (last 3 years)~~
- *Federal income tax returns (last 3 years), including all schedules, notes, attachments, and K'1's.*
- *Accounts receivable, inventory, and accounts payable listing and aging's (current interim period)*
- *Schedule of debts (promissory notes and leases including creditor name, original amount, interest rate, collateral, payment schedule, original date, and maturity date.)*
- *Copies of owner and investor Promissory Notes*
- *List of assumptions used to prepare the projections*

~~If applying for a loan~~ Owners Personal Financial Information

- Current personal financial statement on each principal
- *Schedule of debts (promissory notes and leases including creditor name, original amount, interest rate, collateral, payment schedule, original date, maturity date.)*
- Federal tax returns (last 3 years)

After reviewing this section the reader should:

- Have a good understanding regarding the financial capacity and/or projections for your company

Additional lender considerations:

- *Company debt to owners and investors will need to be subordinated. Payments allowed if the business is properly capitalized and business is in full compliance with the loan terms and conditions.*
- *Financial projections must be reasonable.*

- *Future sales should be documented by draft letters of intent, contacts, purchase invoices, or otherwise. The documentation should reconcile to the projections.*

Appendices

This section should include as attachments:

- Company brochures
- Copies of press articles and advertisements (if available)
- Pictures of your business location and products (optional)
- Information supporting the growth of your industry and/or products (optional)

Confidential items may be submitted separately

- Financial documents
- Resumes of key employees
- List of business equipment (*including make, model, serial number, date acquired, original cost, estimated replacement value, remaining useful life*)
- Key business agreements, such as lease, contracts, etc. (optional)
- Plat Map showing the location of the business (optional)