

BUSINESS PLANS AND HOW TO START YOUR OWN BUSINESS

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BUSINESS PLAN BASICS:

ALL BUSINESSES SHOULD HAVE A PLAN. IT BEGINS WITH A WRITTEN OUTLINE COVERING 5 YEARS.

1. Goals

- A. -personal
- corporate
- B. - Business Plan

2. Market identification

- Product conception
- identify the current line
- identify future lines
- Markets for products
- assumptions
- health
- size
- location
- contacts
- name/number

3. Costs

- spreadsheet All Expenses
- costs of production
- overhead
- opportunity costs

4. Projected profits

- goals for each quarter
- Expectations

5. Potential problems

6. Funding:

- a) spread sheet
- operational
- overview
- b) sources
- investors;

- ideas for exchange for capital
- exchange for services.

7. Personnel

- personnel needed
- personnel available

8. Intellectual property

- Patents
- Copyrights
- Trademark
- web sites-domain names

YOU HAVE A NEW OR EXISTING PRODUCT OR SERVICE.

Enter the BUSINESS PLAN. The **MOST IMPORTANT** reason for the plan is to add **DIRECTION** and **GOALS**. A later purpose may be to attract investment and guide production. It must be **WRITTEN**. This will assist, but not replace good accounting, marketing and legal expertise.

To work, the Plan must be constantly **REVISED** to reflect progress and changes in **DIRECTION AND GOALS**.

A business plan is a management tool that can be used to:

- Attract debt or equity financing
- Promote relationships with joint venture partners and large customers, suppliers, and distributors
- Provide strategic guidance, operating tactics and objectives
- Evaluate strengths and weaknesses and identify viable alternative strategies
- It may be re-written to show to an individual

A.GOALS: Personal

1. Where do you want to be in five years.
2. Where do you want your business to be in five years.

To have a five year plan, you need five year **GOALS**. To succeed you need to know where you are going.

Even if you have ideas which span several areas, you may want to only pursue one at a time. You certainly want the plan to address each item.

REVIEW YOUR GOALS AT LEAST YEARLY.

B. GOALS OF BUSINESS

PRODUCT IDENTIFICATION

- What is the idea?
- What related ideas are possible?
- What steps need to be taken in what order to promote the idea? (Future Products)
- In your cost spreadsheet you will need to examine what is necessary for each step? (Add 15% of costs for contingencies).
- Where do you want each of these products or services to be in five years?
- What are the markets and
- in what order and in what manner will you approach each market.
- What makes your idea different? (patents, trademarks, copyrights, marketing, etc.)

Product Conception:

Identify all of your services or products.

If intellectual property is a part of your product mix, obtain preliminary or permanent protection by getting patent

filing dates and securing trade secrets and strategic partners.

Market Identification:

Identify all the various markets which can be reached and decide which markets to pursue and in what order. Some market distinctions include retail/wholesale/ business/industrial/personal/ high end/budget.

RE-IDENTIFY IN DETAIL your markets every three to six months. Markets change. Needs change. Be flexible. Rewrite or update your market list at least yearly, but preferably quarterly even if your business is successful.

C. MARKETING PLAN: THE MARKET

Does your product have any patents or other proprietary features? (trademarks, copyrights)

What is the output and sales mix for each of the company's products/services?

What are the sale price, cost, and profit margin for each product line?

What is the size, maturity, and competitive nature of the industry?

What is your target market and to whom are you trying to sell? (may be different)

What is the size of your target market?

- 1) Historical
- 2) Current
- 3) Projected (5 years)

How can you segment your target market? (By region, age, income, profession, etc.)

- 1) Natural splits—geographic, industries, volume vs. unit buyers, etc.
- 2) Growth prospects within each segment

What are the trends in your target market?

Where is the market going and why?

What are the economic trends?

Maturity of the market— growth stage or stable?

D. MARKETING STRATEGY

After the thorough description of the market, this section should cover how you plan to get products to your buyers and what strategies you'll use. Answers to the following questions will encapsulate your business's approach to market:

- (1) What sales techniques are available? What do they cost?
- (2) What geographic advantages/disadvantages does your company face?
- (3) How will you establish credibility (company and product)?
- (4) Why should customers buy a new product from an unproven company?
- (5) Will your pricing strategy be high, moderate, or low relative to the market and why?
- (6) Will credit be extended and under what conditions?
- (7) Will warranty policies be standard or non-standard with your product? Will their cost be included in the cost of the product or be additional?

- (8) To generate sales, what product or service attributes will your company emphasize?
- (9) What will be the image you strive for? Your level of quality, reliability, service, response time should fit neatly with other strategies (i.e. quality and low price may not appear to make sense—if they do in your case, explain why).
- (10) What distribution channels will you utilize? Describe the physical means by which the product will be delivered to buyers:
- 1) Factory distribution
 - 2) Company-owned regional distribution
 - 3) Independent remote distribution
 - 4) Order lead times
- (11) How will product servicing be facilitated so that fixing product problems entails the least cost to you and minimum disruption to your customer?
- 1) Factory-only service
 - 2) Company field service engineers
 - 3) Contracted services
 - 4) Services contracts
 - a) Profit centers
 - b) Loss leaders
- (12) How are you going to sell the product? If you use sales reps, what kind of incentives will you use to get them to know and push your products? Is it a highly technical product requiring skilled sales people? Should senior management in your company participate directly in the sales effort to establish company and product credibility? How many salespeople will you require to reach projected sales levels?
- 1) Direct sales/retails
 - 2) Sales to wholesales
 - 3) Franchising
 - 4) Multi-level marketing
 - 5) Sales force alternatives
 - 6) Sale of packaged products to existing industries
- (13) What is your target market (by segment)?
- 1) Geographic
 - 2) Industry
 - 3) Type of buyer
- (14) Who makes up your current customer base? (both direct and ultimate end-users)
- (15) Define your average prospect. List the potential benefits for each product or service that you plan to sell. Set up a file to keep track of the competition's advertising, promotions and financial dealings.

Picking one of these may be impossible for the startup business, but consider which will best fill your needs. The answer will determine how much money you need, what investors you need and the amount of return you want.

Make sure to state how you arrived at this choice. State how a current business will move to a new form, if appropriate.

Prepare a 5 year financial plan by month showing what you will need. Attached is a simplified format.

E. WHAT YOU NEED TO PREPARE

- (1) Prepare news releases (the best free advertising available). Preparing these early will help you focus on how you

will pursue your concept.

(2) Prepare order forms, advertising and sales brochures in rough form. These will focus on what profits are possible and help you to prepare to meet expenses of production.

(3) Identify your present location and where you want to be. For many businesses, location is all-important because it sets your image.

Select your location. After considering your target market's buying habits and expectations, choose the site that will most please them, not you.

INDUSTRY ANALYSIS

The purpose of this section is to explain why your product/service will give your company a sustainable competitive advantage.

COSTS and PROFITS

F. BUDGET AND TIME LINE:

1. Identify non-economic goals (e.g. growth plans, where you want to be in five years, where you want the business to be in five years, etc)
2. Identify (expected) profits:
3. Include sale, service, income, Return on Investment (ROI)
4. Identify cost of sales;
5. Identify all costs and avoid under capitalization. Put what you would like (maximum), as well as what you would need (minimum).

How much will be spent on advertising and public relations? In which channels will these dollars be spent? (These strategies should match with others; i.e., are ads in Modern Mechanics compatible with the objective to develop an image of quality?)

How will you compensate sales people-commissions (payable on order or on receipt of payment), bonus, salary, or some combination?

- 1) direct sales
- 2) Reps
- 3) Distributors
- 4) Retailers
- 5) Hybrid - Franchise, etc.

DO NOT LEAVE OUT A COST JUST BECAUSE YOU CANNOT AFFORD IT. THE BUSINESS PLAN IS A WAY OF IDENTIFYING COSTS TO OBTAIN FINANCING AND DETERMINE VALIDITY OF ASSUMPTIONS.

If you do not know what profits to expect, your costs help you determine a minimum price from which you can speculate.

Write the **LOSS OF YOUR TIME AND ALL COSTS** into the price of your product.

(A very simple spreadsheet is attached as an example)

TIME LINE: Write a flow chart or time line showing how the money needed will be spent and how labor will be expended. Have a more detailed time line or flow chart showing what actions will be taken to bring to product to market and keep it there.

BUDGET: Prepare a budget for the business for every stage. Assume no income except from investors for an initial period, usually at least the first year.

Personnel and other Resources:

Identify what existing personnel and equipment can do and what additional personnel are required.

1. Cost out all employees

2. ASSIGN (REGULAR PAYMENT RESPONSIBILITY TO AN INDIVIDUAL) for accomplishing each part of the time line. This will also change.

3. Decide how many people you need to hire (full or part-time) and how soon.

HIRE on paper. Use written job descriptions to define credentials, duties and wage scales. Good rule: when actually hiring, to avoid expensive hiring mistakes, choose from more than three applicants.

4. Consider what your customers will expect in terms of employees' education, experience and appearance. Consider training, particularly for sales jobs.

5. Decide what outside manufacturing and marketing you need and what you intend to give in exchange for these services. Investigate, but do not commit until you have fully laid out your plan and discussed it with counsel. Make lists of local/out of state businesses to whom you may turn.

G. MANAGEMENT:

The strength of management simply cannot be overstated in an investment decision. Highlight the past experiences of the management team that will combine to reduce the risks. The following information should be included in this section of any business plan:

1) Summary resumes of key management and owners-List education, skills, experience (including past duties). Focus on important past accomplishments but don't be too lengthy. Detailed resumes may be included in an appendix to the business plan.

2) Functional responsibilities-- Who is charged with what in the operations of the company? How is this anticipated to change in the future?

3) Management holes--If important functional areas are not filled, what steps will be taken to fill them and when?

4) Management philosophy--What is the company's decision-making and management philosophy?

5) Board of Directors--If already in existence, include affiliations and experience of each member. If not, discuss current status of plans for formation.

Realistically project profits

The time line shows when you expect to begin each event. A very general example follows the budget. You should increase the detail with this just as you did with the budget as you determine details. Since the budget and time line work from one another, they may be combined for clarity.

This initial budget and time line should be **CONSTANTLY REVISED, AT LEAST MONTHLY** as the analysis of the business continues and as additional facts are discovered and progress is monitored.

The production costs shown on the budget should ultimately be broken down into the cost of individual items (molds, raw plastic, electricity, warehouse labor, shipping and handling costs etc). Also, the periods should be defined with more certainty (e.g. the first 90 days may be broken into 7 or 30 day periods).

This same analysis applies to a new product or an existing business.

Note that the costs during the first 90 to 360 days will be unusual since they include all costs of starting to bring the product to market. Even if you envision selling the product to a third party or having manufacturing costs born by a third party, this budget is essential for determining the profits expected and the cost of the product.

A per item cost of production estimate should be possible from this budget. This cost must absorb the costs incurred during the start up period.

The budget should ultimately budget the cash-flow (money in and money out). It will help you hold down expenses and spot problems quickly.

BALANCE SHEET: Using the budget, prepare a preliminary balance sheet. List your assets and liabilities to create a snapshot of what your company looks like at a given moment--your accountant will help.

What are the company's past achievements and strengths? These are not the same as business objectives, but will lead to their achievement.

What are the company's past problems and weaknesses? Those that threaten company survival must be eliminated/controlled. Those that do not may be eliminated if cost-effective.

Prepare a **PERSONAL AND BUSINESS FINANCIAL STATEMENT**--to obtain financing and credit, and for general financial planning.

Prepare a projected **FUTURE BALANCE SHEET**. Determine your cash needs today and **PROJECT** your expenses and continually review your **SALES AND PROFIT OBJECTIVES** for at least the first 5 years of operation.

IT IS ALRIGHT TO GUESS OR ESTIMATE NUMBERS AS LONG AS YOU MAKE PESSIMISTIC ESTIMATES and UPDATE YOUR PLAN QUARTERLY.

ALL ACCOUNTS should be prepared using **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**.

Decide on your pricing strategy. Usually, you will not want to under price to gain market share. This is self-defeating. It has been said that it is not the customer who does not use you who hurts you; it is the customer who uses you and doesn't pay. It is usually more realistic to beat the competition with higher quality, better service, more convenience, stronger guarantees, etc. This is why patents, trademarks, and other forms of intellectual property are so important.

H. BUSINESS FORM:

Determine what forms the business can take.

INCORPORATION: allows for the sale of the stock to finance expansion The Corporation be handled independently from the incorporator. It also limits the liability of the stockholders.

LLC; LLP - (Limited Liability Corporation or Partnership) - Less flexible in adding partners, but is a valid form for real estate investments and investment where a restricted group will participate.

A complete business plan sets out what form your business takes and what you are doing to protect investors. The managers of the business are directors and officers. Stock and director positions may be traded in exchange for investment capital.

I. LIST YOUR STRENGTHS AND WEAKNESSES

1. Identify your competition.

2. What parts of the time line can you meet with certainty, which are less certain.

3. Are you well funded without a strong business concept or, as is more common, do you have a great idea and no money.

4. Potential Problems:

Use this page in conjunction with the other categories so that you can prioritize problems according to the overall plan as well as within individual categories.

INVESTORS AND PROTECTING INVESTORS:

Identify investors, Identify (1) what you NEED from investors-over five years and (2) WHAT TO GIVE in exchange for capital and services.

Investors may offer money, facilities, planning, materials or services. They may be direct investors with cash or strategic partners or alliances. The exact scope of their OBLIGATIONS AND WHAT THEY WILL RECEIVE for this should be DETAILED IN WRITING. There are limits on the number of investors who may be consulted pursuant to the securities laws and the representations which can be made. A discussion of these limitations is beyond the scope of this document and counsel should be consulted relative to this.

Be careful to finalize the stock needs of the company over it's life before giving away stock. Note that the sale of stock or obtaining investors is governed by limiting laws and fair disclosure requirements which are beyond the scope of a general statement. You should consult an attorney before signing documents or incurring debt.

Investors may be sellers of similar product lines or merely sources of capital. A bank loan may be viewed as a form of investment as can a loan from a relative or associate.

Make a detailed list of these sources including information on each source, who they are, where they are, what they can offer and what it will cost. The more alternatives you have the greater will be your negotiating strength.

Identify inside and outside advisors. You'll need a competent lawyer, accountant, insurance agent and banker.

LAWYERS: Contacting corporate counsel (and patent counsel if intellectual property assets have been developed or may be created) important. This should be done when agreements are developed sharing the project with co-inventors, investors, etc.

PROTECT INTELLECTUAL PROPERTY: Docket what steps need to be taken and what amounts will be necessary to protect the foundation of your business.

(A) What SECRETS (customer, products, etc) can be disclosed and to whom. KEEP A LIST OF THESE PEOPLE AND WHAT THEY ARE TOLD OR TO BE TOLD. Get a confidentiality agreement when needed.

(B) Patentable ideas: Always file PROVISIONAL PATENTS as soon as practical if patent protection is to be a part of the business. Follow up within 12 months with true PATENTS.

(C) © Copyrightable Material: COPYRIGHTS are inexpensive and provide extensive protection. Do not ignore copyrightable material.

(D) Trademarks: If you have a LOGO OR NAME which will be used extensively in commerce, you should consider a trademark. For franchising and interstate operations, trademarks are a necessity. If growth or franchising will require obtaining a trademark, it is important to file as soon as possible.

Attach appropriate copies or summaries of lab notebooks.

Calendar deadlines: Example:
6 months to 1 year for patents

60 days for copyrights

Date of use for trademarks

The relatively small cost of intellectual property compared to other production costs may make them essential.

As with all expenses, determine what funds are needed or will be needed to protect intellectual property for the budget.

Name your business. Keep the name straight forward and follow the rules governing the choice of a trademark. Descriptive is nice, but may prevent obtaining protection (compare the value of non-descriptive marks such as Xerox, Kleenex and Coca-Cola). Make it distinctive, if possible. Avoid humor--a dangerous marketing tool. Avoid overworked adjectives like Supreme or Universal unless appropriate.

VIII. Other things to Consider:

Consider impact: Your income will suffer. Your work hours will multiply. Your family relationships will be strained.

Business courses: For the uninitiated, classes in financial management, marketing, personnel and planning are helpful.

J. OTHER ISSUES:

The executive summary is critical: This two to three page summary of the business plan is what most investors turn to first.

The executive summary should include a few sentences on each of the following:

(1) The Company

When formed? To pursue what purpose?

Exploit a particular technology

Design a new product

Manufacturing

Marketing

All of the above

(2) What are the Company's goals?

Short-term

Long-term

What are the Company's critical success factors? (What must happen to be successful?)

(3) The Product(s)/Service(s)

What are you selling?

What makes it unique?

Is it a proprietary product?

Are there other entry barriers?

(4) At what state is its development?

(5) Features that distinguish it from competition.

Pricing

Quality

Speed

(6) The Market

Current size

Domestic/Wholesale/ Retail/ International

Recent growth (cite sources)

Projected growth (cite sources)

Estimated company market share

(7) Financial

Financing sought:

For what purpose?

Will carry company how far?

Exit strategy for investors?

Five-year revenue and net income projections

Projection of when profits will begin

(8) Management

How complete is the team?

Brief past experience

Highlight strengths

Clarify the focus: The plan should be clear about the products to be developed and the markets to be addressed by the business.

(9) History

You need to provide an accurate critique of past performances (i.e., strengths/weaknesses). More importantly, they need to clearly describe what has changed about the business and the reasons for the changes.

Take the time to have the plan reviewed by at least three other members of your team.

Support assumptions with independent sources.

Include a statement indicating that the information in the plan is proprietary and is not to be shared, copied, disclosed, or otherwise compromised. Control numbering helps to keep track of your plans and when they were issued.

K. RESOURCES:

1. WISCONSIN BUSINESS DEVELOPMENT CENTER: \$300 marketability searches: 402 McCutchan Hall, Whitewater, WI. 53190. (414)472-1365 or Fax-414-472-1600

2. Preliminary computer patent searches: Free or low cost: Miss Small Business Dev. Center: 1(800)725-7232 or (601)232-5001 or Fax (601)-232-5650

University of Alabama

Auburn University

Alabama Small Business Development Center at the University of South Alabama.

3. PROVISIONAL PATENTS: You may obtain some protection by filing an informal patent. You should consult a patent practitioner relative to this.

Businesses in competitive or noncompetitive locations. Magic phrase: I've got a problem and I think you can help me.

Competitors may be more helpful than you'd expect and may be potential outlets or investors.

Trade shows. A trade show allows you to sell your product, show your product, find sales assistance, and even speak for free with consultants and others in similar situations.

Trade-association executives.

Trade-magazine editors.

Federal, State and university programs. E.G. the SBA office in your state or the national office (Small Business Administration, 1441 L St. NW, Washington, DC 20416, 202-653-7557).

SCORE (Service Corps of Retired Executives, 1825 Connecticut Ave, NW, Suite 503, Washington, DC 20416 202-653-7557). They act as counselors and provide management seminars and various consulting services. ACE (Active Corps of Executives, same address and telephone number).

Local Area Chamber of Commerce and Universities.

Make arrangements for credit-card sales. They'll probably create enough added sales to compensate for their cost.

Secure your insurance coverage. This will include FICA and worker's compensation, life, accident, health and liability coverage.

Determine your image. This will affect your advertising, promotion and public relations strategies. Beware of do-it-yourself promotions or using inexperienced people. **FIRST IMPRESSIONS ARE IMPORTANT.** Invest in professionally designed stationery, logos and signs.

L. SOME IMPORTANT REWRITES:

Refine your mission statement. Ask yourself: Does it still fit?

Fine-tune your cash-flow budget. Use variance reports, which compare actual to budgeted expenditures on a monthly basis.

It is important at an early stage when dealing with intellectual property concepts in particular to come to a firm agreement as to what each persons obligations are, the time period over which those obligations are to be fulfilled, and what they are to get in return for it.

A patent may be owned by one person and licensed, assigned, or partitioned depending upon the scope of the patent.

If the invention is partitioned that means a part, but not all of the patent, would be usable by one entity while the remainder would be used or transferred to another entity.

Similarly, if it is assigned then all the rights can be assigned or only some of the rights can be assigned. Further still, if it is licensed, the licensed can be for a set period of time and subject to conditions which would allow for the subsequent revocation of the license which might be advantageous.

An attorney should always be involved in making these types of divisions.

The same applies to copyrights and to some extent, trademarks.

Oftentimes, when individuals are dealing they will have an agreement to split things one-third/two-thirds with the idea that people will do a certain amount of activity for their percentage. Without more detail, this may not be sufficient because of a failure of one party to meet its obligations under the time line or the failure of an investor to continue investment under a pre-arranged schedule.

EDIT THE PLAN TO TEST ASSUMPTIONS. REDO THE PLAN WHETHER YOU THINK YOU NEED TO OR NOT. ADD OR REMOVE PRODUCT LINES TO CHANGE WITH THE TIMES PREPARE TO GROW OUT OF THE CURRENT BUSINESS INTO OTHER RELATED OR UNRELATED VENTURES

It is often said that the difference between a successful entrepreneur and an unsuccessful entrepreneur is that an unsuccessful entrepreneur tries and fails 4 times and a successful entrepreneur tries 5 times.

Every action in a business plan begins and ends on a certain date. The original plan must continually be revisited throughout the course of the business as conditions change.

These items can change drastically as can the actual content of the time line considering the differences in individual business.

Looking at the sample plan it can be seen that in the first 30 days a single prototype was made. A patent search was done and the initial incorporation work began. No sales were made.

During the next 60 days the owner hopes to make 5 prototypes for marketing purposes and to have a patent drafted. Some sales may have tentatively been set up but no income was received. The cost of the product for these sales has been determined by contacting suppliers.

During the next 270 days, the patent will be finished and filed and prosecuted. Because the market may soon offer an alternative, a trademark is also budgeted to build up some good will. Initial sales are expected to be made at a loss per widget. All sales will have promotional materials and order forms for reorders.

During the next year, sales of widgets are predicted to increase 10 times as the market matures. Legal expenses will begin to level out and as economies of scale are realized the cumulative cost of widgets should drop. The owner estimates that adapting to market demands, the actual price of the widgets will drop the second year.

A portion of legal expenses may be handled through contingency arrangements with attorneys. Similarly some of the costs of production may be handled through percentage or license arrangements with the manufacturers. These agreements are highly technical and should always be made with the assistance of impartial counsel.

Selling Technology:

I) License vs. new business:

A) Licensing

D) lose control

II) Involvement reduced/eliminated

III) Technology may be buried

IV) Lowered value (selling business vs license even if business is small) Added value idea

V) Protection is difficult because of unequal bargaining power and resources (legal and otherwise)

-Sucker play by marketing company-

VI) Greatly reduce profit

VII) You need some sort of protection

VIII) You need market and prototype information-Wisconsin Innovation Center may be able to help

Pros:

- 1) Increased access to market
- 2) Increased access to resources
- 3) More “quick money” less “quick expenses”
- 4) Frees you to pursue other things
- 5) You may be able to write yourself into the picture as a partner, owner, and manager

New Business Venturing:

Pros:

- 1) Control
- 2) More money-not a % of the profit, but all of the profit
- 3) Generally works better
- 4) Ability to delegate
- 5) Sale of business as part of the license
- 6) Decisions are yours
- 7) Flexibility in forms of business.
- 8) Technical duties may be delegated to other companies

Cons:

- 1) Risk increased
- 2) Resources not expanded
- 3) Need money, management skills, personnel, accounting, organization AND A BUSINESS PLAN

Licensing Technology:

- 1) Chose to license
- 2) Chose what to license: the more packaging and finalization of the product the better. Get a patent, trademark or copyright, etc. Set up a market plan.
- 3) How to license:
(Carrot) Market oriented:
(Stick) Threat licensing: (requires a patent)
- 4) Find customers
 - A) library
 - B) who are possible local contacts
 - C) industry publications
 - D) stock brokers

5) Contacting customers

- A) Develop intellectual property
- B) Cite patents
- C) Get marketing data (approximately \$300)
- D) Short description/cover letter
 - Features
 - Advantages
 - Applications
- E) Specification sheet
 - What is needed?
- F) Proposed Marketing Plan
- G) Technical publications if any
- H) Patent

6) Make yourself available to the customers:

- A) Get on the Internet for e-mail, etc.
- B) Set up a professional answering machine
- C) Try to have someone to answer calls during business hours

7) Close the sale-cement the client's interest

8) Negotiate the license to help both sides. Leave room where necessary for other people to help

Skills needed:

Technical

Marketing

Sales

Legal

Networking-gather talent and organize the talent

Organization/management

Once prepared, REWRITE the plan AGAIN FOR AT LEAST ONE SPECIFIC AUDIENCE. This may be an investor, a partner or for counsel. Do not be afraid of outside INPUT.

Constantly update your contacts (be sure to include this office); and if one is going to be potentially used, make sure that you follow up and call that contact once every couple of weeks until you get results. Remember that the squeaky door gets oiled.

M. EXISTING RESOURCES

1. COMPANY-NAME

- A) LOCATIONS
- B) HISTORY
- C) PRIMARY BUSINESS CONCEPT
- D) INDUSTRY

2. CORPORATE OFFICES AND FACILITIES

3. PRIMARY EMPLOYEES AND CONTACT INFORMATION-RESUMES

- A) MANAGEMENT WITH INVOLVEMENT AND BIOS
- B) POTENTIAL CONFLICTS/CRIMINAL RECORDS/BANKRUPTCIES/RELATED LITIGATION
- C) SALES REPRESENTATIVES
 - 1) IN THE COMPANY
 - 2) EXTERNAL TO THE COMPANY
- D) MANUFACTURING REPRESENTATIVES (IN AND OUT OF COMPANY)

- E) EMPLOYEES SOUGHT
- 4. CURRENT CAPITAL STRUCTURE-OWNERSHIP TABLE
- 5. BUSINESS PLANS/MARKETING PLANS
- 6. FINANCIAL STATEMENTS
- 7. KEY DOCUMENTS-LEGAL (CONTRACTS, INSURANCE, BAR CODE DATA, ETC)
- 8. KEY RESOURCES WITH DETAIL
 - A) SUPPLIERS
 - B) CUSTOMERS
- 9. CORPORATE RECORDS
- 10. MEDIA BOOK-RECORDS OF MEDIAL
- 11. SALES/MARKETING MATERIALS
- 12. RISK FACTORS
 - A) LACK OF EXPERIENCE
 - B) LACK OF DEPTH
 - C) COMPETITION
 - D) POTENTIAL INFRINGEMENT
 - E) RESOURCE PROBLEMS
 - F) LEGAL ISSUES
 - G) REGULATION
 - H) LITIGATION
 - I) POSSIBLE SOLUTIONS
- 13. INTELLECTUAL PROPERTY
- 14. OFFERING STRUCTURE
 - A) WHAT IS SOUGHT
 - B) WHAT IS OFFERED
 - C) USE OF PROCEEDS
 - D) MODEL-CURRENT OWNERSHIP AND DILUTION
 - 1) EXECUTIVE COMPENSATION
 - 2) STOCK OPTION PLAN
 - 3) EMPLOYMENT AGREEMENTS
 - 4) BENEFITS PACKAGES
 - E) HOW STOCK TO BE DISTRIBUTED (UNDERWRITER, PRIVATE OFFERING, ETC.)

N. THE NOTEBOOK:

Always record your inventions in writing with as many details and drawings as possible.

Use ink if possible. Do not erase. Add and redo if necessary, but often the early versions will become important as the invention is pursued.

O. PARTS OF THE NOTEBOOK:

1. Title of invention-product, process, article of manufacture, etc and name
2. Technical Field of endeavor
3. Problems addressed by invention
4. Purpose of the invention
5. Known prior art (other devices available now or in the past to address the same problem).
6. Description of all the different embodiments envisioned. Isolate the important elements and discuss each one. Address the differences between your invention and the prior art element by element.

7. Drawings and pictures (attach copies of video tapes, etc).

8. Identifications of improvements over other embodiments and pre-existing products-Look at each element separately. Discuss why you feel they are not obvious.

9. Uses, advantages and results of your invention.

10. Tests and test results

11. Signature and Date as well as the address and phone number of the inventor Witnesses.

12. Updates in similar forms.

13. Prior art notebook containing the results of industry searches.

14. Attach a statement of special facts leading up to conception.

Do not be intimidated by the scope of this undertaking. Remember what Sally Ride, female astronaut, stated when asked how she had become an astronaut. "One step at a time."