



Elements of a Business Recovery Plan

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The sample below can be used when a comprehensive recovery plan is required to document your workout request and should not be used if your request is a simple matter such as minor change in terms, deferment, or name change. Giving the SBA or your Lender specifics on how to turn your business around will help explain your recovery plan and improve the chances for approval. A lender MUST have this in writing with sufficient documentation/justification to meet the regulatory requirement for loan modification.

Part 1: Introduction (Paragraph)

- Executive summary to explain in general terms how you propose to save your business. Be specific such as workout, loan terms restructuring, waiving of interest, release of collateral, etc.
- Table of contents, if necessary
- Use page numbers or dividers to navigate easily through the plan if it has many pages

Part 2: What Went Wrong (Paragraph to ½ pages)

This section should illustrate what has happened to the business since loan approval and within your specific industry. It should also present general highlights and conclusions of any economic impact data you may have collected. Use your previous pro forma as a baseline to help tell the story. Don't over do this but it is important to the SBA and your Lender that we have a clear understanding of what went wrong. You might want to consider some of these components as brief paragraphs or sentences:

- Industry description, target market or outlook
- Identifying your target market as it stands today
- Media you will use to reach your target audience and cost/benefit analysis
- Current economic concerns or potential pitfalls that may impact recovery
- Current industry risks and comments concerning competition

Part 3: Restructured Company Description (Paragraph)

Without going into substantial detail, this section should include a high-level look at how all of the changes you propose in the Recovery Plan will fit together. This section should include information about any changes in products, services, staffing, as well as list the primary factors that you believe will make your Business Recovery Plan a success.

Part 4: Reorganization & Management (½ page)

This section should include your company's organizational restructuring including details about any ownership changes (completed or anticipated), profiles and qualifications of any NEW management team members brought in to help turn the business around. Consider these points when completing this section:

- Organizational structure (new organizational chart, if necessary)
- Ownership restructuring information including compensation comments
- New management or key staff additions including resumes and compensation

Part 5: New Marketing or Restructuring Strategies (½ page)

Marketing is the process of creating customers, and customers are the lifeblood of any business. In a down economy, we realize this will be difficult and you may need to seek assistance from a SCORE or SBDC counselor to help you come up with new ways to find new customers. There is no single way to approach a marketing recovery strategy, as the plan you select should be part of an ongoing self-evaluation of what went wrong, how to correct it, and what it will take to be successful. Below are some areas to consider but do not over do this area as it is best to keep it simple:

- Changes to market penetration strategy
- Updates or modifications to channels of distribution strategy
- New communication strategy based on the current economic conditions
- Overall sales strategy as part of the recovery process including specific sales activities
- Action timetables or a milestone (Who does what when, why, and how come. Indicate expected results)

Part 6: Changes to Product or Service (Paragraph to ½ pages)

In this section, describe changes to your service or product – emphasize any benefits potential or future customers will obtain by our approval of your Business Recovery Plan including how it will return your business to profitability and meet your business obligations. Focus on the areas where you have a distinct advantage. Identify the problems in your target market for which your service or product provides a solution. Give the reader hard evidence that people are, or will be, willing to pay for your solution or reorganization. Consider these points:

- Detailed description of any new products or services
- New Product/Service specific benefits including service life cycle
- Any new copyright, patent, and relevant trade secret information that is specific to the Recovery Plan
- New Research and development activities – Yours and Industry

Part 7: Equity Investment & Funding Request (½ page)

In this section, you will identify how much you plan or have already invested in the business and provide details of what you are asking of SBA or your Lender to consider. Identify terms requested, collateral changes, or offers in compromise and make sure it ties specifically to the Financial Recovery Section below. We would not suggest you offer different restructuring scenarios, as this may send the wrong signal that you cannot manage your business during recovery. If appropriate, include any strategic information related to the restructuring that may have an impact on the recovery plan such as a new investor, merger, etc.

Part 8: Financial Recovery Section (1 to 5+ pages)

THIS SECTION IS CONSIDERED THE MOST IMPORTANT PART OF YOUR BUSINESS RECOVERY PLAN AND REQUIRES SIGNIFICANT EFFORT. MAKE SURE YOUR FINANCIAL INFORMATION IS REVIEWED BY A PROFESSIONAL SUCH AS YOUR ACCOUNTANT.

The financial information presented in your request for workout should be developed after you have analyzed the current market, have a clear understanding of what went wrong, and set specific actionable objectives to turn the business around. Include doable milestones and expectations. That is when you can allocate resources efficiently and create a good plan for recovery. The following is a list of the financial information that should be considered for inclusion in the Financial Recovery Section.

- Current Financial Picture of all Owners – Personal financial statements signed and dated in ink.
- Historical financial data that covers the period that caused financial downturn, generally the last fiscal year (Balance Sheet and P & L Statement, Statement Notes, Source/Use of Cash, and Net Worth Reconciliation) prepared under generally accepted accounting principles.
- A list of current debt owed by the business that includes the creditors name, amount due, terms, collateral, and current status
- Forecasted 3-Year Financial Projection of Income and Expenses presented in annual format including financial assumptions and footnotes to the projections
- 24-Month cash flow budget using a beginning and ending cash balance
- If appropriate, charts and graphs – since pictures speak louder than words – add visual impact of your restructuring that will help tell a new picture
- If you provide a lot of financial information, you want to make sure the reader knows the information makes sense (accounting-wise) and complies with Generally Accepted Accounting Procedures (GAAP). We suggest you consider seeking the services of your accountant in preparing the Business Recovery Plan.

Make sure that your plan is feasible with resources currently available and be on the lookout for inconsistencies. It is much better if you catch mistakes before submitting the plan for consideration and can mean the difference between acceptance and decline. Make sure your assumptions for any renewed sales or income projections provide sufficient detail and source information to stand-alone. This means the reader can easily identify the income or expense source, why this amount was generated, what is the basis for the item, and NOT leave the reader guessing what you mean.

GETTING ADDITIONAL HELP

Contact the Arizona District Office if you need help in preparing your Business Recovery Plan. The SBA has excellent free resources that can help in you in preparing the plan including counselors from local SCORE Chapters, Small Business Development Centers, SBA-Approved Microlenders, Women's Business Centers, and program experts within our district Office. Call us at (602) 745-7200 for help.