

TITLE AND SETTLEMENT BEST PRACTICES

Title and Settlement Best Practices
Business Plan Considerations
Sample Business Plan
Stock Business Plan for an Established Business
Alabama State Bar's Disaster Recovery Kit

Presented by:

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Old Republic National Title Insurance Company
Minneapolis, MN

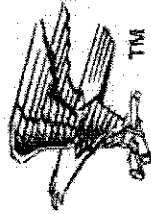
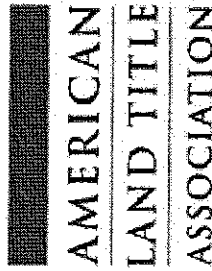
BEST PRACTICES

Initiatives

Survey Results

Next Steps

Title Insurance and Settlement Company Best Practices



American Land Title Association

Future of the Land Title Industry

Introduction

Survey Results

Next Steps

- Working groups helping to identify steps to ensure the title industry continues to identify and meet evolving expectations of consumers, regulators, and policyholders
 - Industry communication and best practices
 - Model Agency Contract
 - Insurer solvency
 - Agency solvency and bonding
 - State law and claims experience
 - Producer oversight for property & casualty
 - Causes of escrow theft
 - Market conduct

Current Forces at Work

Initiatives

Survey Results

Next Steps

- **Regulatory Guidance to Lenders**
 - Consumer Financial Protection Bureau Created – June 2011
 - CFPB was created by Congress as part of the Dodd-Frank Act to “Protect consumers by carrying out Federal consumer financial laws.”
 - Office of Comptroller of Currency – 2001
 - Federal Deposit Insurance Corp. – 2006
 - Federal Government and state attorneys general – 2011-2012
 - CFPB Bulletin - April 2012

Current Forces at Work

Initiatives

Survey Results

Next Steps

- CFPB Enforcement Action
 - American Express - \$85 million
 - Discover - \$200 million
 - Capital One - \$210 million
- **The Message: Lenders are responsible and liable for acts of thirty party providers that harm consumers**

Current Forces at Work

Initiative

Survey Results

Next Steps

- **Lender Expectations – Response**
 - Centralized Funding
 - MSAs / Requirement Letters
 - Third-party vetting

- **ALTA Response to Market Demands**
 - Title and Settlement Company Best Practices

Title Insurance and Settlement Company Best Practices

- Comply with All State and Local Licensing
- Procedures and Controls Regarding Escrow Trust Accounts – Reconciliation
- Physical and Network Security—Protecting Confidential Customer Information and Trust Accounts
- Recording and Pricing Procedures
- Title Policy Delivery, Premium Reporting and Remittance
- Errors and Omissions Insurance / Fidelity Coverage
- Dealing with Consumer Complaints

Best Practices

Initiatives

Survey Results

Next Steps

Establish and Maintain Current License(s) as Required

Purpose: Maintaining state mandated insurance licenses and corporate registrations (as applicable) ensures that the company remains in good standing with the state.

- **Procedures to meet this best practice**
 - State doing business licenses
 - State insurance licenses
 - ALTA Policy Forms license

Best Practices

Initiatives

Survey Results

Next Steps

Written Procedures and Controls for Escrow Trust Accounts

Purpose: Appropriate and effective escrow controls and staff training help title and settlement companies meet client and legal requirements for the safeguarding of client funds. These procedures ensure accuracy and minimize the exposure to loss of client funds.

- **Procedures to meet this best practice**
 - Monthly three way reconciliations
 - Separation of duties
 - Employee background & credit checks

Best Practices

Initiatives

Survey Results

Next Steps

Written Privacy and Information Security Program to Protect Non-Public Personal Information

Purpose: Federal and state laws require title companies to develop a written information security program that describes their procedures to protect non-public customer information. The program must be appropriate to the company's size and complexity, the nature and scope of the company's activities and the sensitivity of the customer information the company handles.

- Gramm Leach Bliley - 1999
- Reasonable procedures based on company size and book of business
- **Procedures to meet this best practice**
 - Physical & network security
 - Disposal of company records
 - Disaster management plan

Adopt Written Policies Ensuring Compliance with Federal and State Consumer Financial Laws (as applicable)

Purpose: Adopting appropriate policies and conducting ongoing employee training can ensure a real estate settlement company can meet state, federal and contractual obligations governing the settlement process and provide a safe and compliant settlement.

- **Procedures to meet this best practice**
 - Submit documents for recording within 2 days of closing
 - Procedures to ensure consumers are charged established rates
 - Post closing quality check

Adopt Written Procedures Related to Policy Production, Delivery, Reporting and Premium Remittance

Purpose: Appropriate procedures for the production, delivery and remittance of title insurance policies ensures title companies meet their legal and contractual obligations.

- **Procedures to meet this best practice**
 - Policies delivered within 30 days of closing
 - Premiums remitted by last of month after closing

Maintain Appropriate Professional Liability Insurance and Fidelity Coverage

Purpose: Appropriate levels of professional liability insurance ensure that title agencies and settlement companies have the financial capacity to stand behind their professional services.

- **Procedures to meet this best practice**
 - Professional liability or E&O insurance
 - Fidelity coverage
 - Surety coverage

Adopt and Maintain Written Procedures for Resolving Consumer Complaints

Purpose: A process for receiving and addressing consumer complaints is important to ensure that any instances of poor service or non-compliance do not go undiscovered.

- **Procedures to meet this best practice**
 - **Consumer complaints procedures**

Member Survey

Initiatives

Survey Results

Next Steps

Best Practices Survey

- Conducted in October 2012
- Nearly 775 responses
- Results show many of these practices are already an integral part of ALTA members' day-to-day business

Member Survey

Initiatives

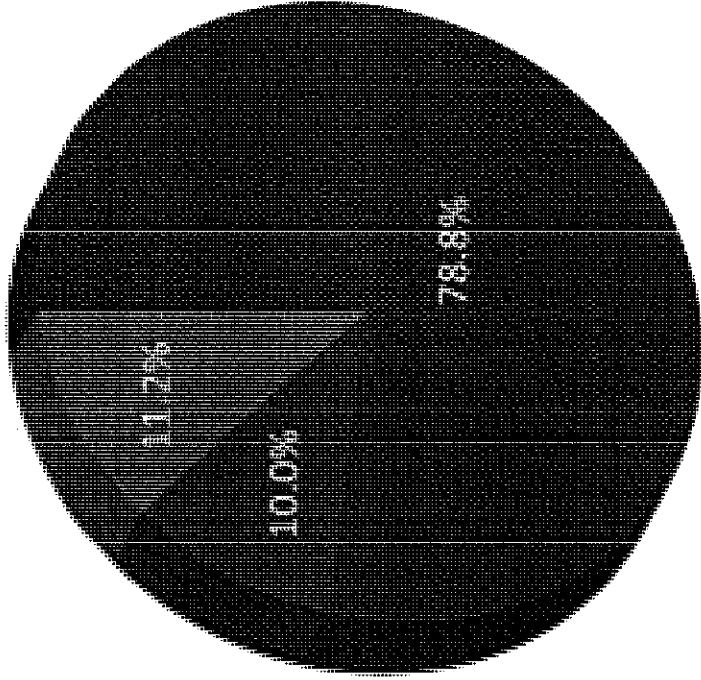
Summary Results

Next Steps

Does your company maintain appropriate written procedures and controls for escrow trust accounts allowing for electronic verification of reconciliation?

Yes	78.8%
No	10.0%
Not sure	11.2%

■ Yes ■ No ■ Not sure



Member Survey

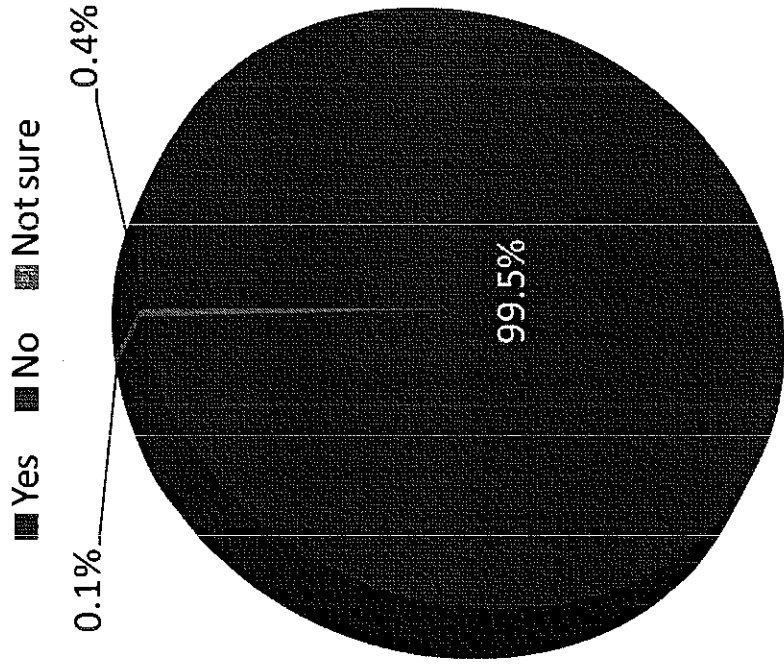
Initiatives

Survey Results

Next Steps

Does your company maintain separate operating and escrow accounts?

Yes	99.5%
No	0.1%
Not sure	0.4%



Member Survey

Initiatives

Survey Results

Next Steps

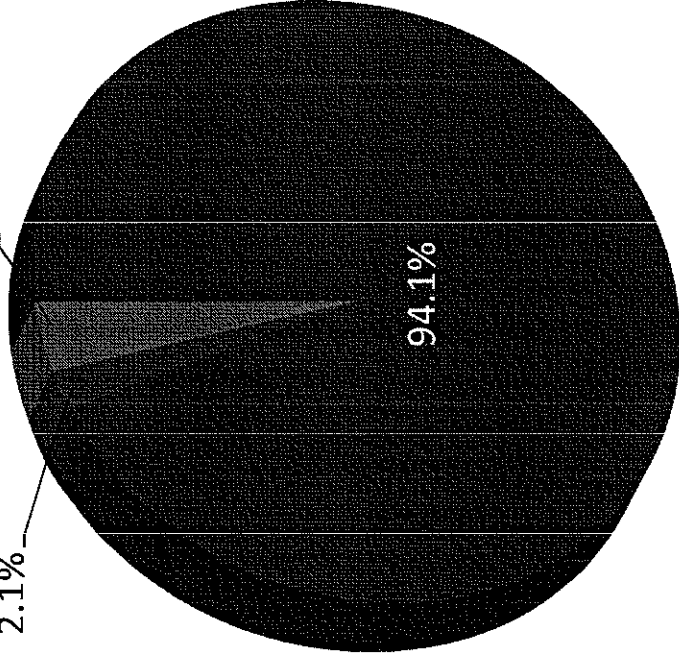
Does your company perform monthly three-way reconciliation (checkbook, bank statement & file) of its accounts?

Yes	94.1%
No	2.1%
Not sure	3.7%

■ Yes ■ No ■ Not sure

2.1%

3.7%



Member Survey

Initiatives

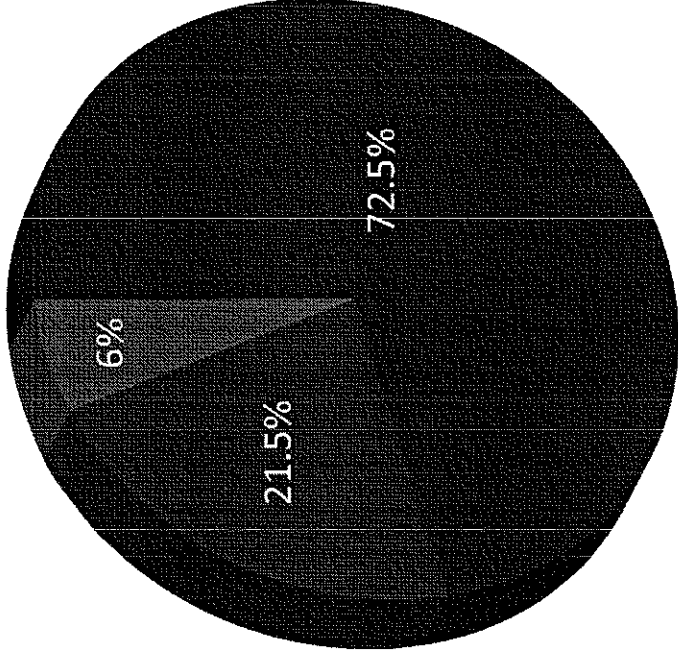
Survey Results

Next Steps

Does your company have a “clean desk” policy requiring employees to close files containing non-public personal information when not at their desk?

Yes	72.5%
No	21.5%
Not sure	6.0%

Yes No Not sure



Member Survey

Initiatives

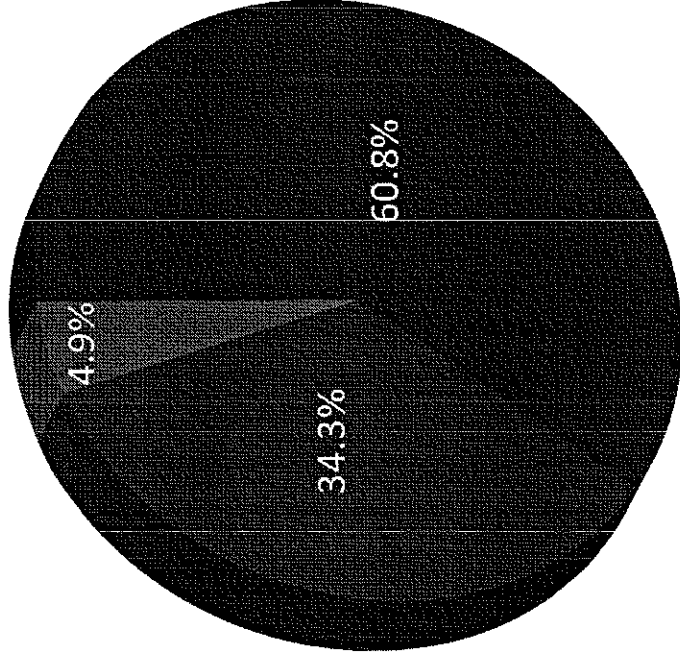
Survey Results

Next Steps

Does your company lock all documents, portable devices and electronic media containing non-public personal information in a desk, file cabinet or secure room overnight?

Yes	60.8%
No	34.3%
Not sure	4.9%

■ Yes ■ No ■ Not sure



Member Survey

INITIATIVES

SURVEY RESULTS

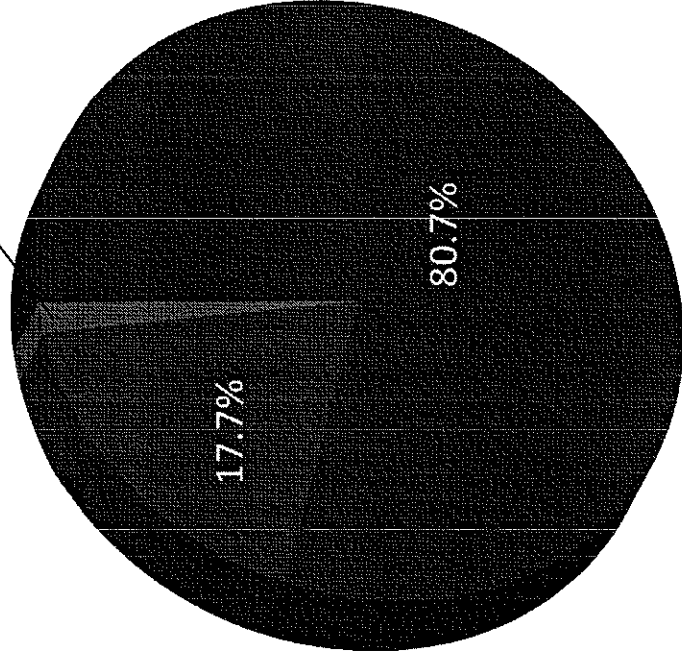
NEXT STEPS

Does your company use strong passwords (8+ characters including numbers, symbols, upper & lower case) for its computers and require frequent password updates?

Yes	80.7%
No	17.7%
Not sure	1.6%

■ Yes ■ No ■ Not sure

1.6%



Member Survey

Initiatives

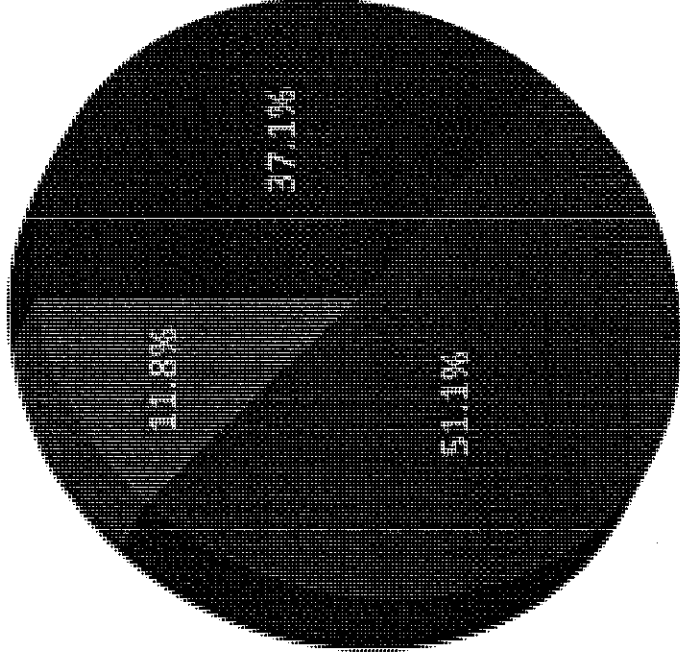
Survey Results

Next Steps

When emailing documents, does your company transmit non-public personal information via password protected attachments or other secure connections?

Yes	37.1%
No	51.1%
Not sure	11.8%

■ Yes ■ No ■ Not sure



Member Survey

Initiatives

Survey Results

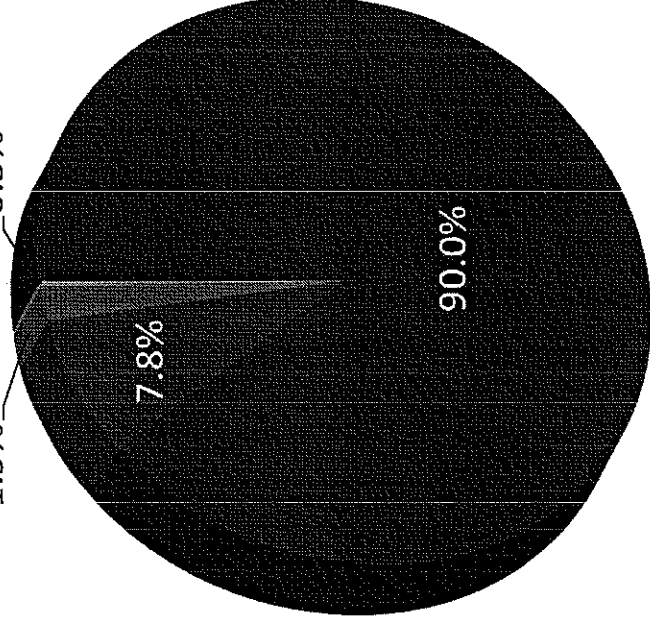
Next Steps

On average, how long after closing a transaction does it take your company to record documents?

1-3 days	90.0%
4-6 days	7.8%
Up to two weeks	1.9%
More than two weeks	0.3%

■ 1-3 days ■ 4-6 days
■ Up to two weeks ■ More than two weeks

1.9% 0.3%



Member Survey

Initiatives

Survey Results

Next Steps

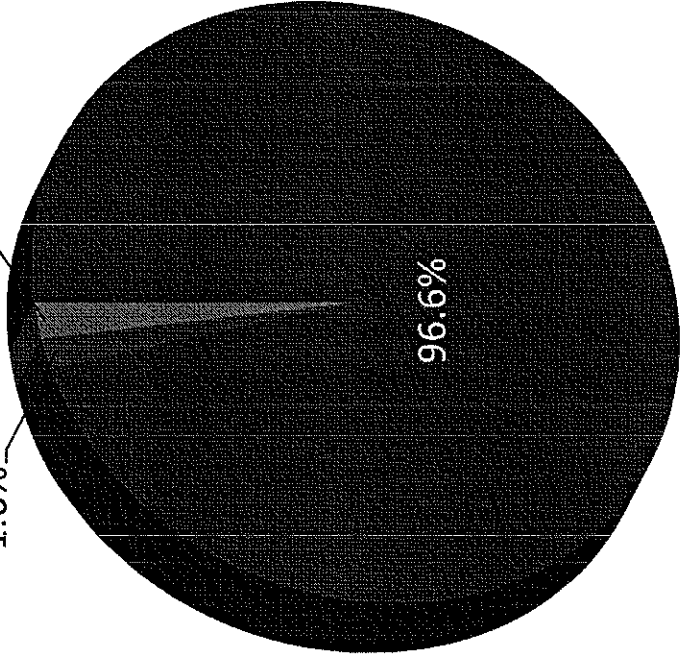
Does your company have procedures to ensure that customers are charged the appropriate rates?

Yes	96.6%
No	1.6%
Not sure	1.9%

■ Yes ■ No ■ Not sure

1.6%

1.9%



Member Survey

Initiatives

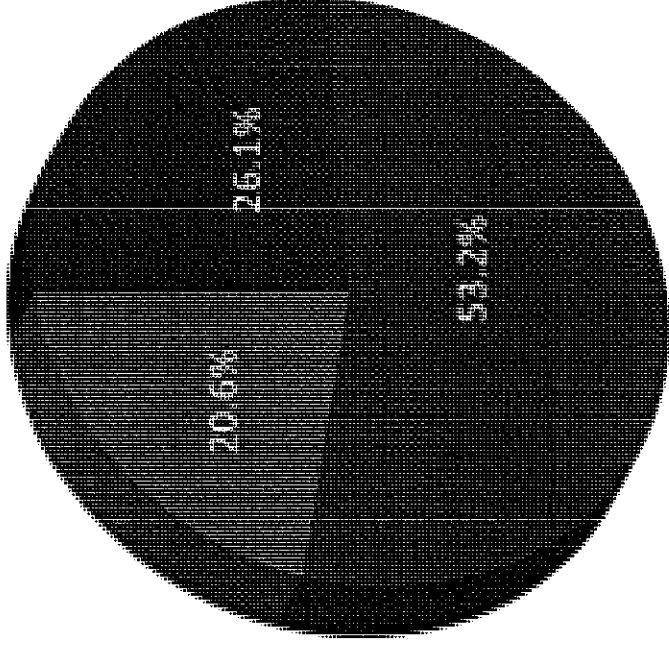
Survey Results

Next Steps

On average, how long after closing a transaction does it take your company to deliver title policies to customers?

Up to two weeks	26.1%
Two weeks to a month	53.2%
More than a month	20.6%

- Up to two weeks
- Two weeks to a month
- More than a month



Member Survey

Initiatives

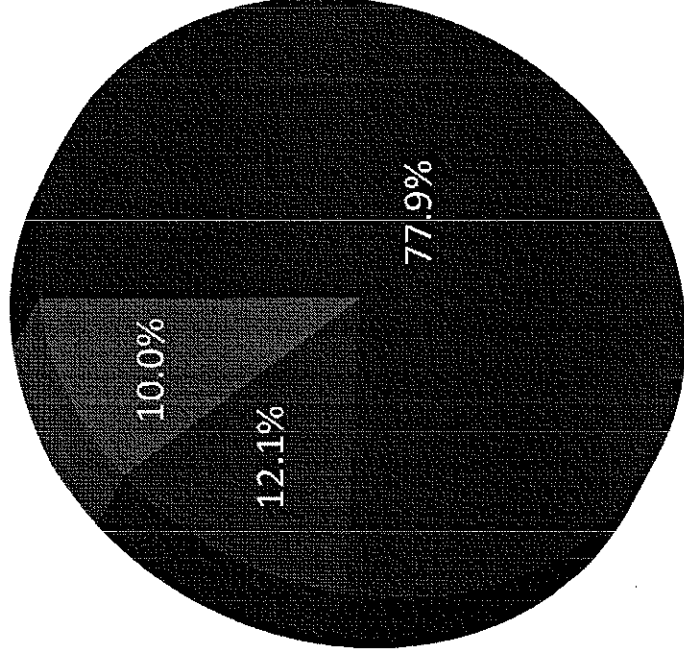
Survey Results

Next Steps

Does your company remit title premiums to your underwriter by the last day of the month following the month in which the insured transaction was consummated?

Yes	77.9%
No	12.1%
Not sure	10.0%

■ Yes ■ No ■ Not sure



Member Survey

Initiatives

Survey Results

Next Steps

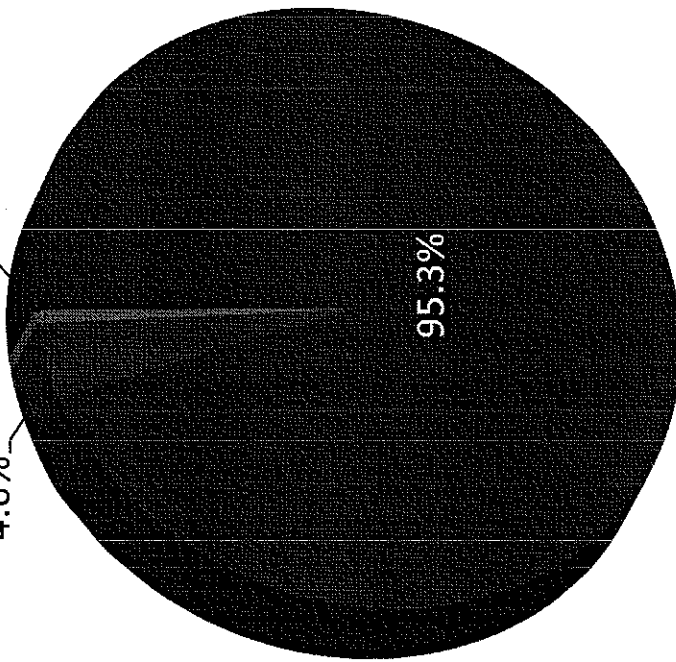
Does your company carry errors and omissions insurance?

Yes	95.3%
No	4.0%
Not sure	0.7%

■ Yes ■ No ■ Not sure

4.0%

0.7%



Member Survey

Initiatives

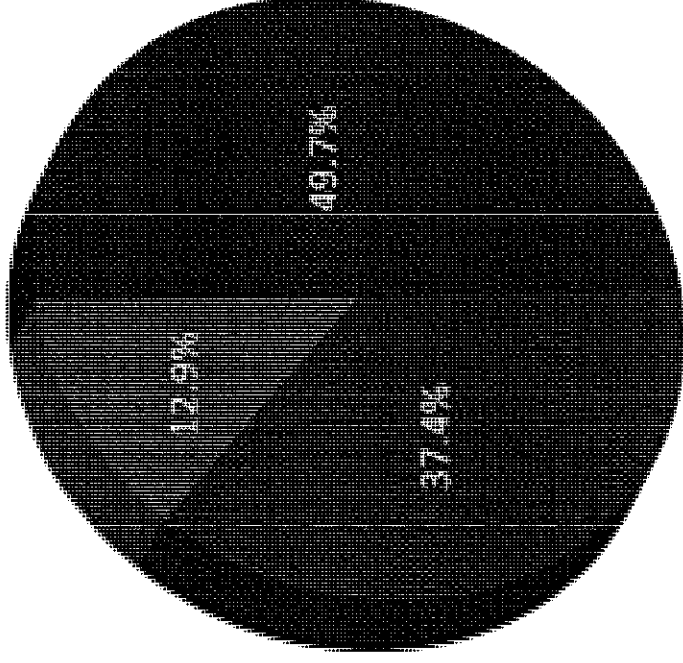
Survey Results

Next Steps

If your company has errors and omissions insurance, how much coverage do you have?

Up to \$1 million	49.7%
\$1 million to \$2 million	37.4%
More than \$2 million	12.9%

■ Up to \$1 million
■ \$1 million to \$2 million
■ More than \$2 million



Member Survey

Initiatives

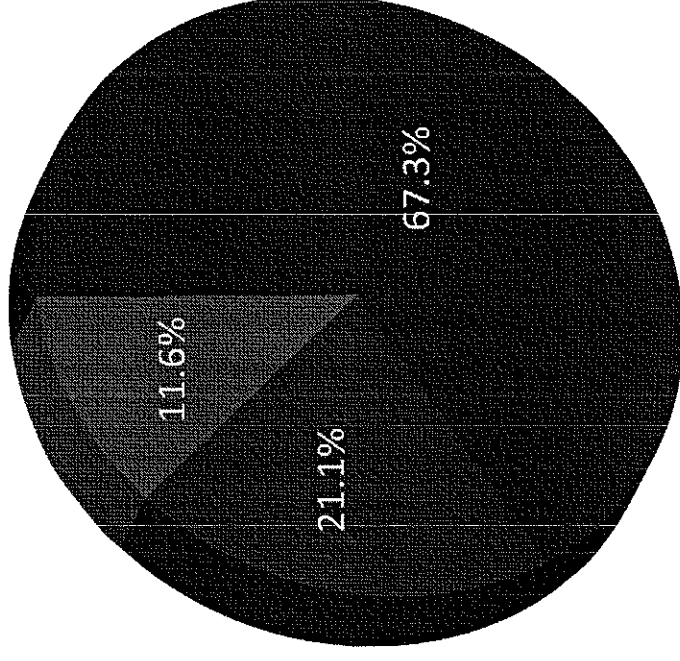
Survey Results

Next Steps

Does your company carry any other professional liability insurance (fidelity, surety)?

■ Yes ■ No ■ Not sure

Yes	67.3%
No	21.1%
Not sure	11.6%



Member Survey

Initiatives

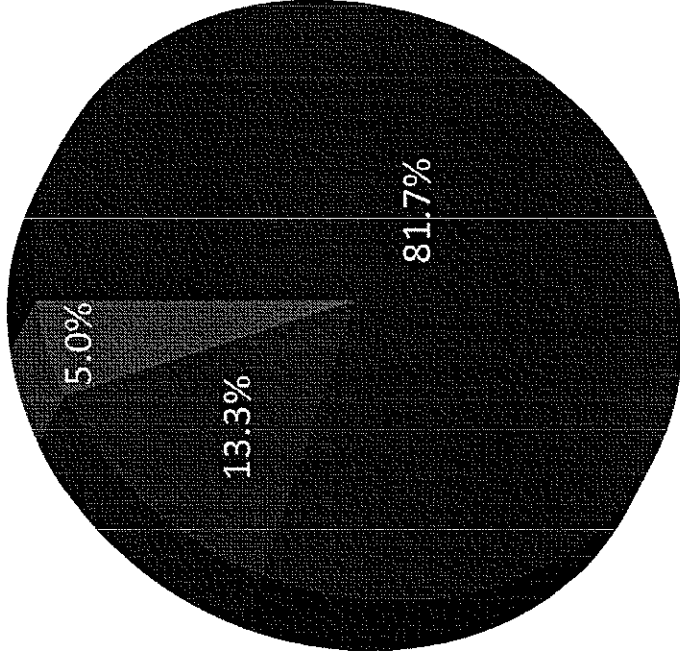
Survey Results

Next Steps

Does your company have a policy in place to respond to consumer complaints?

Yes	81.7%
No	13.3%
Not sure	5.0%

■ Yes ■ No ■ Not sure

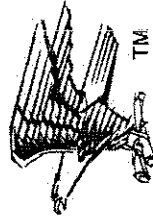
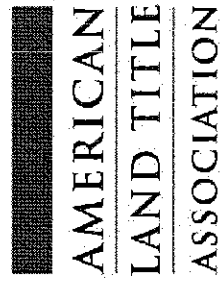


What's Next

Initiatives

Survey Results

Next Steps



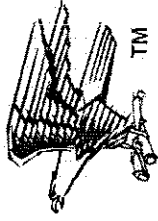
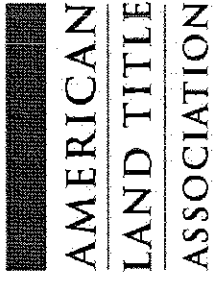
- Outreach to Stakeholders
 - The Title Industry
 - Mortgage Originators
 - Warehouse Lenders
 - Lender Trade Associations
 - Trade Press
 - Regulators

Call for Sample Policies/Vendors

Initiatives

Survey Results

Next Steps



- Submit sample policies
- Help ALTA produce standard policies or guidelines
- Creation of directory of vendors

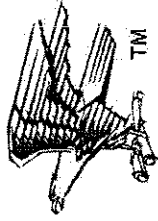
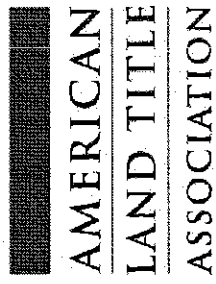
www.alta.org/bestpractices/callforsamples

Formalize the Structure

Initiatives

Survey Results

New Steps



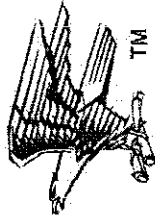
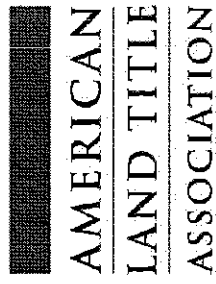
Creation of Certification New ALTA Best Practices Task Force Allow for Revisions and Comments

More Information

Initiatives

Survey Results

Next Steps



www.alta.org/bestpractices

- Executive Summary
- Details of Best Practices
- Best Practices Tool Kit
- Survey Results of Industry Best Practices
- Articles about Best Practices
- FAQs

BUSINESS PLAN CONSIDERATIONS

CONSIDERATIONS FOR TITLE AGENCIES INTERESTED IN CONSTRUCTING A BUSINESS PLAN

A. GENERAL

- a. MISSION STATEMENT
- b. COMPANY SUMMARY
- c. MANAGEMENT SUMMARY
 - i. Leadership
 - ii. Key staff
- d. BUSINESS GOALS AND OBJECTIVES
 - i. Company level
 - ii. Department level
 - iii. Employee level
- e. SERVICES
 - i. List of key services provided
- f. REGISTRATION
 - i. Secretary of State
- g. LICENSES
 - i. Individual insurance producer licenses
 - ii. Individual closing licenses
 - iii. Individual abstractors licenses
 - iv. Applicable company or firm licenses
- h. EMPLOYEES
 - i. Background checks
 - ii. Licensing
 - iii. Continuing education and training
- i. DISASTER RECOVERY PLAN

B. INSURANCE

- a. GENERAL BUSINESS
 - i. Limits
 - ii. Coverages: property, liability, critical employee mortality clause
- b. ERRORS AND OMISSIONS
 - i. Limits
 - 1. Per occurrence
 - 2. Aggregate
 - ii. Deductible
 - iii. Endorsements
 - iv. Exceptions/exclusions
 - v. 3rd party contractor coverage
 - 1. Obtaining contractor E&O
 - vi. Renewals
 - vii. Prior acts coverage
- c. FIDELITY
 - i. Limits
 - ii. Compare with coverage in general business policies

C. MARKETING

- a. MARKET SEGMENTATION
- b. TARGET MARKET STRATEGY
- c. CLIENT DIVERSITY
 - i. Avoid excess volume from one source
 - ii. Mitigate risk through variety
- d. COMPETITIVE EDGE

- e. SALES FORECAST
- f. RESPA COMPLIANCE
 - i. No kickbacks, referrals
 - ii. Stay within gifting limits

D. ESCROW

- a. ACCOUNT
 - i. FDIC-insured
 - ii. ACH debit and credit block
- b. DESIGNATED ESCROW AND TRUST ACCOUNTS
- c. SEGREGATION OF FIDUCIARY FUNDS
 - i. No intermingling with operating funds/accounts
- d. RECONCILIATIONS
 - i. Not performed by an escrow account signatory or approver of other financial transactions.
 - ii. Monthly 3-way reconciliation
 - 1. Management review
 - iii. Daily receipts and disbursements reconciliation
 - 1. Address outstanding items
 - a. Deposits
 - b. Checks
 - 2. Negative file balances
- e. SOFTWARE
 - i. General accounting software risks
 - ii. Title escrow specialty software advantages
- f. ACCOUNT SIGNATURE CARDS
 - i. Removal of terminated employees
 - ii. Limited signing authority
 - 1. Minimal number of staff with authority
- g. SEPARATION OF POWERS
 - i. Check writing authorities do not have bookkeeping responsibility
- h. COLLECTED FUNDS POLICY
 - i. State good funds laws
- i. POSITIVE PAY
 - i. Discourages fraud and forgeries
- j. WIRE TRANSFERS
 - i. No wires without bank verification of collected funds
 - ii. Can only be initiated by current and authorized employees
 - iii. Cannot be initiated or authorized by personnel with reconciliation duties
 - iv. Segregate initiation and authorization functions
- k. DEPOSIT CONTROLS
 - i. Closers cannot deposit checks
 - ii. Deposit books maintained
 - iii. Copies of deposit checks maintained
- l. CHECK CONTROLS
 - i. Safety paper with laser printing
 - ii. Secure storage during and after business hours
 - iii. Daily reconciliation of checks
 - iv. Dual signature requirement
 - v. Live signature requirement (no signature stamp)
- m. DEFACING VOIDED CHECKS
 - i. Removal of Micr encoding and signature line
- n. ESCHEAT
 - i. Tracking
 - ii. Turned over to state within proper timeframe

E. PRODUCTION

- a. SOFTWARE
 - i. RamQuest, SoftPro, etc. to streamline production
 - ii. Paperless office
- b. EXAM
 - i. Searches
 - ii. Extrahazardous risks
 - iii. Underwriting limits
 - iv. Use of contractors
 - v. Multi-level review
- c. PRE-CLOSING
 - i. Payoff statements
 - ii. Subordinations
 - iii. Verification of fees
 - iv. Verification of premium
 - 1. Rate calculator quote in file
 - 2. Discounted rates
 - 3. Never in excess of filed unless otherwise permitted
 - v. Commitment markup
 - vi. Indemnifications
 - vii. Closing statements timely and accurate
- d. CLOSING
 - i. All disbursements reflected on HUD
 - ii. Ensure collected funds
 - iii. Verification of identification
 - iv. Verification of purchase agreement matches
 - v. Verification of marital status
 - vi. Review of lender closing instructions
- e. POST-CLOSING
 - i. Timely recording
 - 1. Electronic recording
 - 2. Track shipments
 - 3. Verification of recording
 - ii. Timely disbursements
 - iii. Accurate policy production
 - 1. Use of marked-up commitment
 - 2. Use of HUD
 - iv. Timely policy production and delivery
 - 1. Short forms
 - v. Timely premium remittance
 - 1. Contractual guidelines
 - 2. Catch premium inaccuracies
 - vi. Obtaining releases
 - vii. Timely refunds to consumers in the event of overpayment

F. CLAIMS

- a. FILE REVIEW PROCEDURES
 - i. Escalation to key staff
- b. NOTICE TO UNDERWRITER
 - i. No determination by agent as to validity of claim
- c. CONTINUING RESOLUTION SUPPORT
 - i. Aid underwriter in document production and claim resolution

G. INFORMATION SECURITY

- a. PROTECTION OF NON-PUBLIC INFORMATION
 - i. Restricted access to authorized employees
 - ii. Strong password policy
 - iii. Dedicated workstation for online banking
 - iv. Up-to-date firewall and anti-virus
 - v. Laptops and portable devices secured
 - vi. Secure document destruction bins
 - vii. Disposal standards for electronic devices
 - viii. Clean desk policy
 - ix. Locked files and drawers
 - x. Secure delivery of non-public information
 - xi. Notification procedures for breach
- b. DATA STORAGE AND INTEGRITY
 - i. Safe/vault storage
 - ii. Off-site storage
 - iii. Encrypted backups
- c. MULTI-LEVEL AUTHENTICATION
 - i. Control access to company network
 - ii. Inactivate access for terminated or former employees

H. INFORMATION TECHNOLOGY

- a. ON-SITE STORAGE
 - i. Paper files
 - 1. Scanning
 - 2. Retention timeline
 - ii. Electronic files
 - 1. On-site server
 - 2. Backups
 - 3. Retention timeline
- b. CLOUD STORAGE
 - i. Direct access
 - ii. 3rd party host contract

I. PROBLEM RESOLUTION

- a. CUSTOMER COMPLAINT SPECIALIST
- b. COMPLAINT LOG
 - i. Resolution tracking
- c. ESCALATION TO MANAGEMENT
 - i. Resolution timeframe violation
 - ii. Complaint complexity
- d. BBB CODE OF BUSINESS PRACTICES

SAMPLE BUSINESS PLAN

Business Plan for *New Title Agency, Inc.*

Plan Outline

- 1.0 Executive Summary
 - 1.1 Objectives
 - 1.2 Mission
- 2.0 Company Summary
 - 2.1 Start-up Structure
- 3.0 Services
- 4.0 Market Analysis Summary
 - 4.1 Market Segmentation
 - 4.2 Target Market Segment Strategy
- 5.0 Strategy and Implementation Summary
 - 5.1 Sales Strategy
 - 5.2 Sales Forecast
- 6.0 Management Summary
 - 6.1 Personnel Plan
- 7.0 Financial Plan
 - 7.1 Break-even Analysis
 - 7.2 Projected Profit and Loss
 - 7.3 Projected Cash Flow
 - 7.4 Projected Balance Sheet

1.0 Executive Summary

New Title Agency, Inc. is a limited liability company domiciled in the Mythical State of Jefferson. This newly formed limited liability company is capitalized by a partnership, with a 90% interest from *Principal Partner 1* and a 10% interest from *Principal Partner 2*. *Partner 1* is a licensed intermediary in the State of Jefferson and will be the managing member and main business operations contact. *Partner 2* will be sharing some of the marketing and sales duties. This company will provide title insurance, closing services, and various other search services to a client base of attorneys, lenders, brokers, government agencies, and private landowners.

New Title Agency, Inc. will begin its operations with the public in May of 2007. The office will be located at 123 Main Street, Mytown, JF 12345. The location is in a commercial building on Main Street with good visibility and parking.

Credibility and reputation excel with the licensed intermediary of this firm, *Principal Partner 1*, with a well-known reputation for excellent reliable work in title insurance. Her opinion on the title industry has been published in Forbes Magazine. She has had the opportunity to successfully teach business skills to others entering the field. Managing risks and negotiating solutions to intricate problems are also valuable strengths. Service minded and value driven, she brings a wealth of knowledge and skill to this startup business.

Marketing and sales skills come naturally for member, *Principal Partner 2*. *Partner 2* has been in the sales field for over 20 years, as a business owner, salesperson and as manager of agricultural equipment dealerships. With outstanding organizational skills, superior sales tactics and an unquestionable reputation, he has brought success to the organizations he represented. He also has several years experience as a business lender for a local institution, where he developed an increase in their business volume by \$12 million dollars.

With the combined experience and entrepreneurial skills of the members, in partnership for over twenty-seven years, this company is sure to accomplish its objectives for success.

1.1 Objectives

The primary objectives of our organization are to:

- Become a profitable organization enabling us to provide high-quality, valuable services to our customers and community.
- Hire self-motivated, success-oriented, and hardworking local people.
- Maintain an office of one to two licensed intermediaries who meet the previously stated requirements.
- Develop a solid company image in our market area.
- To establish good working relationships and begin working as a team, promoting communication and suggestions from employees and customers.
- Become the preferred title agency in the Mytown County area by or before our third year of operation.
- Realize a positive return on investment within the six months of business.

We believe the above-mentioned objectives are feasible because of the experience and drive of the members of this company.

1.2 Mission

This plan is written as a guide for starting and managing this new business. Following is a summary of the main points of this plan.

- The objectives of *New Title Agency, Inc* are to generate a profit and grow at a challenging and manageable rate, in an ethical manner.
- The first mission of *New Title Agency, Inc.*, is to re-establish the customer base.
- The ongoing mission will be to assist customers with title insurance and closing services by providing professional, accurate and personal service. Ensuring customer's best interests are always of the utmost importance.
- The keys to success for *New Title Agency, Inc.*, are responsiveness and quality of customer service to generate repeat business.
- We wish to establish a successful partnership with our customers, our staff, and our underwriting companies, that foster the success of all parties.
- Our company plans to fill the void, left by the recent sale of a well-established title company, for expert, quality service that is trustworthy.
- An initial analysis of customers shows outstanding promise for the development of this company. Many noted their disappointment with the level and quality of service they are currently receiving and these customers say they need better service in the fast-paced world of real estate.

While so doing, the company will always continue to strengthen its position in the market by providing superior customer service to customers.

In conclusion, this plan projects rapid growth, as the customer base grows. Implementing this plan will ensure that *New Title Agency, Inc.* rapidly becomes a profitable company.

2.0 Company Summary

New Title Agency, Inc., is a new company that provides high-level expertise in title insurance and real estate closings in Mytown County, Jefferson. It will focus initially on realtors, attorneys and lenders. Homeowners, selling their own homes, will be an additional focus as our company becomes established. Our customer service philosophy is unique in the sense that we realize how important good service is to our customers, and that our expertise empowers quick and accurate closing of their transactions.

Our underwriter, also an important partner in the success of *New Title Agency, Inc.*, provides superior communication, service and ethics to help analyze and resolve complicated transactions.

Realtors, attorneys, lenders and homeowners, as our customers, use our title commitments to disclose and solve problems, and also enlist our closing services. We will never lose focus that customers who depend on *New Title Agency, Inc.*, expect expert service, confidentiality and accuracy. We will provide superior personal services to all our customers.

Our office environment will be productively arranged and pleasantly inviting to customers as well as employees. The equipment available to our employees will promote a positive attitude while enabling them to be productive, but not overwhelmed by technology. The location, on a picturesque street, is a pleasant environment and is easy to find. Our objective is to develop a profitable business that provides the highest quality service in order to grow our market share.

As *New Title Agency, Inc.* grows it will take on more staff, providing them with competitive wages, as well as the necessary tools for production in order to more efficiently serve customers. As it grows, it will reach out for additional marketing areas in which to serve the public in the high standards enjoyed by our customers.

2.1 Start-up Summary

Our start-up costs are outlined in the following chart. Said start-up costs derive from computer equipment, stationery, legal costs, furnishings, and expenses associated with opening our first office. The start-up costs are to be financed by direct member investment and credit. The projections are shown as follows.

Rent	\$700
Utilities	\$150
Telephone	\$150
Furniture	\$800
Business insurance	\$300
E&O insurance	\$2000
Memberships	\$225
Computers	\$2,100
Office supplies, stationary	\$300
Permits	\$200

Total Startup Expense	\$6925

3.0 Services

At *New Title Agency, Inc.*, our principal service consists of providing title insurance policies and real estate closing services in a targeted market area. Our services provide our customers with confidence in coming to closing on real estate transactions. Because of our capabilities, closings happen quicker and more efficiently.

In addition, our customers will use our agency because of our aggressive and highly skilled professional people. We will continuously provide service above our competitors and therefore generate return business.

When referring a customer outside our service area, we would offer a choice of reputable and knowledgeable professionals to assist them in the same high-level service we provide.

The members and staff of *New Title Agency, Inc.*, are committed to success in the title insurance market and adhere to the strict laws handed down by the State of Jefferson. Our high level of commitment will enable the company to attract customers looking for title insurance and closing services.

Employees with this firm will be provided with the following:

- Competitive wages.
- Professional office setting in an accessible location in Mytown.
- Office equipment, supplies, computers and services necessary to the completion of their work.
- Full access to agent/underwriter support.
- On going training.
- Professional business cards and brochures.
- Marketing/sales guidelines to follow.
- Workers compensation insurance.

Customers will be provided with the following:

- Accurate title commitments.
- Dependable closing services.
- Closing facilities.
- Copy services.
- Pickup and delivery services.
- Notary and witness signing services.
- Competitive pricing on title insurance and closing services.
- Expert, courteous service above the rest.
- Multiple county service.

4.0 Market Analysis Summary

New Title Agency, Inc., will be focusing on supplying realtors, lenders, attorneys and brokers professionalism and expertise in reaching a successful refinance, sale and/or purchase of real estate. Our concentration also lies with our staff. We feel by providing our staff the support and tools they need our productivity should excel at a rapid pace.

Due to the sale of a local title insurance company, more customers are looking for an alternative source for title services. The changes in service, attitudes and general dissatisfaction of customers, caused by this sale, have created an opportunity. Our company aims to fill the void created by this dissatisfaction with high quality personal service at a competitive price.

We are poised to take advantage of these changes, and expect to become a recognized name and profitable entity in the Mytown market. Our targeted market area shows stable growth. We have a well-appointed professional office that is easily located with ample parking. Our staff will travel to the customers' offices for closings whenever requested and will actively promote this service. Overall, the control on overhead expenses will allow *New Title Agency, Inc.*, to make more money in a shorter period of time.

As the outline following will indicate, *New Title Agency, Inc.*, through extensive customer communications, teamwork and excellent marketing programs, we feel we have a recipe for success.

4.1 Market Segmentation

1. Our most important market segment is the realtor/broker. The realtor/broker will be calling upon *New Title Agency, Inc.* for our efficient turnaround times, competitively priced products, and our ability to deliver personal consulting, professionalism and tailor-made services.
2. As important would be the lenders. Lenders will be calling on *New Title Agency, Inc.* to "match" their reputation and quality products with ours. This company will provide letter reports, title insurance policies and closing services in the standards they are accustomed to. Thus providing lenders with the confidence needed to foster continued customer relations.
3. Our attorney customers require multiple levels of service ranging from acquiring document copies to title policies and closing services. These customers rely on our professional expertise to help solve problems.
4. Individuals desiring to acquire information through other types of services will be dealt with on a case-by-case basis by matching our services with their individual needs.

4.2 Target Market Segment Strategy

We will not be successful just waiting for the customer to come to us. Instead, we must not only focus on the customers whose needs match our offerings, but also continue to develop services that match our customers changing needs. Focusing on our customers needs is the key to our future.

Therefore, we need to focus our marketing message and our services offered. We need to develop our message, communicate it, and follow through on it.

5.0 Strategy and Implementation Summary

New Title Agency, Inc., will focus on the title needs in the Mytown and surrounding areas. To be the success we are striving to become, this company realizes it must place a tremendous concentration on its customer marketing while maintaining high-level service. Our customers will be supported and assisted to the best of our ability.

5.1 Competitive Edge

The managing member of this company has a long history of expertise in the title insurance industry. This expertise allows for customer confidence and security in the products and services offered by this company. Coupled with an ethical nature and logical thought process, this member evokes a sense of trust and contentment that is a positive message to our customers.

The quality level of services and expert staff provide this company with a competitive edge.

5.2 Sales Strategy

- Sales in our business is gaining customer volume and utilizing a marketing plan that best reaches our customers.
- Personally contact customers and match our services with their specific needs.
- Use mailings to introduce our new business to customers.
- Provide high quality, accurate title insurance products to foster continued confidence from our customers.
- Treat each customer and transaction as an individual mission to insure the best possible service.
- Use advertising materials and complementary items to keep our name foremost in customers' minds.
- Assist customers in bringing sales or finance transactions to the closing table as quickly and efficiently as possible.
- Search for ways to develop new services that our customers may enjoy.

5.3 Sales Forecast

The sales forecast is projected to be \$100,000.00, based on title insurance premiums at \$85,000 and \$15,000 for other services. Business volume is expected to be slowest during the month of January, while the highest volume is expected during the months of March through August.

6.0 Management Summary

The initial management will be by the managing member. The managing member of this company has the intermediary license and will be reviewing and signing all work done. The members of the company will conduct marketing. This strategy will allow for appeal to a wider, more diverse customer base.

As *Principal Partner 1* and *Principal Partner 2* are member partners of *New Title Agency, Inc.*, the members' personal net worth is given below.

Personal Net Worth

Personal Net Worth	
Assets	
Current Assets	Balance
Checking	\$4,300
Cash/Investments	\$2,000
Investments	\$23,000
Household/Personal Property	\$40,000
Autos	\$73,000
Business property	\$61,000
All Other	\$203,300
Total Current Assets	\$203,300
Long-term Assets	
Main Residence	\$130,000
Improvements	\$0
Account	\$0
All Other	\$0
Total Long-term Assets	\$130,000
Total Assets	\$333,300

Liabilities		
Current Borrowing		Balance
Credit Card		\$6,000
Credit Card		\$3,500
Credit Card		\$4,300
Auto Loan		\$51,700
Other Current Debt		\$1,000
Other Current Debt		\$56,700
All Other		\$123,200
Subtotal Liabilities		\$123,200
Long-term Borrowing		
Mortgage		\$51,900
Other Long-term Loans		\$0
All Other		\$0
Subtotal Long-term Borrowing		\$51,900
Total Liabilities		\$175,100
Net Worth		\$158,200

6.1 Personnel Plan

This company will be issuing payroll to one part-time employee at this time. This employee's duties will be mainly administrative in nature, plus some policy searching. The managing member will be doing the searching, examining and closing duties. An additional searcher will be added in the future as business demands grow.

7.0 Financial Plan

- We plan to finance growth mainly through cash flow, so growth will be dependant upon increasing business volume.
- Policy premiums will be kept in a separate account and disbursed by percentages for payment of premiums reported to underwriting with the remaining percentage transferring to the operating account.
- Funds collected from other services will be deposited directly into the operating account upon receipt.
- No borrowing/operating loan will be needed because of payroll liabilities and other operating expenses being kept to a minimum.

7.1 Break-even Analysis

With operating expenses and payroll kept to a minimum, we expect to reach the break-even point during the second month of operation.

7.2 Projected Profit and Loss

Our projected first year profit and loss is shown on the following table.

Profit and Loss	
Pro Forma Profit and Loss	
	FY 2007
Sales	\$100,000
Cash	\$1,000

Direct Cost of Sales - Premiums	\$12,750
<hr/>	
Total Cost of Sales	\$12,750
Gross Margin	\$88,250
Gross Margin %	87.4%
Expenses:	
Payroll	\$14,000
Payroll Taxes	\$960
Marketing	\$100
Memberships	\$700
Insurance	\$1,940
Utilities/Phone/Internet	\$1,800
Office Supplies	\$1,200
Business Software	\$200
Travel	\$250
Furniture	\$800
Computers	\$2,100
<hr/>	
Total Operating Expenses	\$24,050
Profit Before Interest and Taxes	\$64,200
Taxes Incurred	\$22,000
Net Profit	\$42,200
Net Profit/Sales	41.7%

7.3 Projected Cash Flow

Cash flow projections are critical to our success. The 12 month projected cash flow is shown on the attached table.

7.4 Projected Balance Sheet

The balance sheet in the following table shows a healthy financial position.

Balance Sheet	
	Year 2007
ASSETS	
Current Assets	
Cash	320
Marketable securities	
Accounts receivable, net	100,000
Inventory	
Other	680
Total Current Assets	101,000
Long-Term Assets	
Property, plant, and equipment	2,200
Less accumulated depreciation	
Net property, plant, and equipment	2,200
Other long-term assets	
Total Long-Term Assets	2,200

Total Assets	103,200
LIABILITIES	
Current Liabilities	
Underwriters Premiums	12,750
Payroll	14,000
Income taxes payable	23,040
Office Expense	1,300
Utilities	1,800
Equipment	3,100
Insurance/Professional Fees	2,640
Other	250
Total Current Liabilities	58,880
Long-Term Liabilities	
Long-term debt less current maturities	
Deferred income taxes	
Other long-term liabilities	
Total Long-Term Liabilities	0
Total Liabilities	58,880

**STOCK BUSINESS PLAN
FOR AN
ESTABLISHED BUSINESS**

Business Plan for an Established Business

This business plan consists of a narrative and several financial spreadsheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order you like, except for the *Executive Summary*, which should be done last. Skip any questions that do not apply to your business. When you are finished writing your first draft, you will have a collection of small essays on the various topics of the business plan. Then you will want to edit them into a flowing narrative.

The real value of doing a business plan is not having the finished product in hand; rather, the value lies in the process of research and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, to study and research when you are not sure of the facts, and to look at your ideas critically. It takes time, but avoids costly, perhaps disastrous, mistakes later.

The business plan narrative is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled *Refining the Plan*, found at the end of the business plan. It suggests emphasizing certain areas, depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. If this is why you are writing your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and rethinking your ideas and assumptions. But then, that is the value of the process. So make time to do the job properly. Those who do never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

Business Plan

OWNERS

Business Name

Street Address

Address 2

City, ST ZIP Code

phone

fax

e-mail

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Executive Summary

Write this section *last!*

We suggest that you make it two pages or less.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the business: What is your product, who are your customers, who are the owners, and what do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

If you are applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

II. General Company Description

Mission statement: Many companies have a brief mission statement, usually 30 words or fewer, explaining their reason for being and their guiding principles. If you have a mission statement, this is a good place to put it in the plan, followed by company goals and objectives and business philosophy.

What business are you in? What do you do?

What is your target market? (Explain briefly here, because you will do a more thorough explanation in the *Marketing Plan* section.)

Describe your industry. Is it a growth industry? What changes do you foresee in your industry, and how is your company poised to take advantage of them?

Now give a detailed description of the business:

Form of ownership: Sole proprietor, partnership, corporation, or limited liability corporation (LLC)?

Company history: Years in business, previous owners, successes, failures, lessons learned, reputation in community, sales and profit history, number of employees, and events that affected success. Discuss significant past problems and how you solved and survived them.

Most important strengths and core competencies: What factors will make the company succeed? What are your major competitive strengths? What strengths do you personally bring to the business?

Significant challenges the company faces now and in the near future: If you are asking for funding, go on to explain how the new capital will help you meet these challenges.

Long term: What are your plans for the future of the business? Growth? If so, at what rate and how will you achieve it?

Are you developing strategies for continued growth, increased production, diversification, or eventual sale of the business? What are your time frames for these?

III. Products and Services

Describe in depth your products and services. (Technical specifications, drawings, photos, sales brochures, and other bulky items belong in the *Appendices*.)

What factors give you competitive advantages or disadvantages? For example, the level of quality, or unique or proprietary features.

What is the pricing, fee, or leasing structure of your products and services?

IV. Marketing Plan

Notes on Preparation:

Market research: Why?

You spend so much time on marketing-related matters — customers, competitors, pricing, promotion, and advertising — that it is natural to assume that you have little to learn. However, every small business can benefit from doing market research to make sure it is on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. It will be time well spent.

Market research: How?

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available from public libraries, industry associations, chambers of commerce, vendors who sell to your industry, and government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary market research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

The Marketing Plan:

Economics

- Facts about your industry
- Total size of your market
- Percentage share of the market you have. (This is important only if you are a major factor in the market.)
- Current demand in target market
- Growth history
- Trends in target market — growth trends, trends in consumer preferences, and trends in product development
- Growth potential and opportunity for a business of your size
- What barriers to entry keep potential new competitors from flooding into your market?
 - High capital costs
 - High production costs
 - High marketing costs
 - Consumer acceptance/brand recognition
 - Training/skills
 - Unique technology/patents
 - Unions
 - Shipping costs
 - Tariff barriers/quotas
- How could the following affect your company?
 - Change in technology
 - Government regulations
 - Changing economy
 - Change in your industry

Products

In the *Products and Services* section, you described your products and services as you see them. Now describe them from your customers' point of view.

Features and Benefits

List all your major products or services.

For each product or service, describe the most important features. That is, what does the product do? What is special about it?

Now, for each product or service, describe its benefits. That is, what does the product do for the customer?

Note the differences between features and benefits, and think about them. For example, a house gives shelter and lasts a long time; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so you can sell the benefits.

What after-sale services are supplied? For example: delivery, warranty, service contracts, support, follow-up, or refund policy.

Customers

Identify your customers, their characteristics, and their geographic locations; that is, demographics.

The description will be completely different depending on whether you sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end user and the intermediary businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each consumer group, construct a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class/occupation
- Education
- Other

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality/technology/price preferences
- Other

Competition

What products and companies compete with you? List your major competitors, including their names and addresses.

Do they compete with you across the board, just for certain products, certain customers, or in certain locations?

Use the following table to compare your company with your three most important competitors.

In the first column are key competitive factors. Because these vary with each market, you may want to customize the list of factors.

In the cell labeled "Me," state honestly how you think you stack up in customers' minds. Then decide whether you think this factor is a strength or a weakness for you. If you find it hard to analyze yourself this way, enlist some disinterested party to assess you. This can be a real eye-opener.

Now analyze each major competitor. In a few words, state how you think they stack up.

In the last column, estimate how important each competitive factor is to the customer. 1 = critical; 5 = not very important.

Table 1: Competitive Analysis

FACTOR	Me	Strength	Weakness	Competitor A	Competitor B	Competitor C	Importance to customer
Products							
Price							
Quality							
Selection							
Service							
Reliability							
Stability							
Expertise							
Company reputation							
Location							

FACTOR	Me	Strength	Weakness	Competitor A	Competitor B	Competitor C	Importance to customer
Appearance							
Sales method							
Credit policies							
Advertising							
Image							

After you finish the competitive matrix, write a short paragraph stating your competitive advantages and disadvantages.

Niche

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

Marketing Strategy

Now outline a marketing strategy that is consistent with your niche.

Promotion: How do you get the word out to customers?

Advertising: What media do you use, why, and how often? Has your advertising been effective? How can you tell?

Do you use other methods, such as trade shows, catalogs, dealer incentives, word of mouth, and network of friends or professionals?

If you have identifiable repeat customers, do you have a systematic contact plan?

Why this mix and not some other?

Promotional Budget

How much will you spend on the items listed above?

Should you consider spending less on some promotional activities and more on others?

Pricing

What is your pricing strategy? For most small businesses, having the lowest prices is not a good strategy. Usually you will do better to have average prices and compete on quality and service. Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of your competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor?

What are your payment and customer credit policies?

Location

You will describe your physical location in the *Operational Plan* section of your business plan. Here in the *Marketing Plan* section, analyze your location as it affects your customers.

If customers come to your place of business:

- Is it convenient? Parking? Interior spaces? Not out of the way?
- Is it consistent with your image?
- Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast-food restaurants) or distant (like convenience food stores)?

Distribution Channels

How do you sell your products or services?

- Retail
- Direct (mail order, World Wide Web, catalog)
- Wholesale
- Your own sales force
- Agents
- Independent reps

Has your marketing strategy proven effective?

Do you need to make any changes or additions to current strategies?

Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it is time to attach some numbers to your plan. Use a forecast spreadsheet to prepare a month-by-month projection. Base the forecast on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess," which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. Relate the forecast to your sales history, explaining the major differences between past and projected sales. This is critical if you are going to present it to funding sources.

V. Operational Plan

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

Production

How and where do you produce your products or services?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

Location

Describe the locations of production, sales, storage areas, and buildings.

Do you lease or own your premises?

Describe access to your buildings (walk in, parking, freeway, airport, railroad, and shipping).

What are your business hours?

If you are trying to get an expansion loan, include a drawing or layout of your proposed facility.

Legal Environment

Describe the following:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession

- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

Personnel

- Number of employees
- Type of labor (skilled, unskilled, professional)
- Where do you find new employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- New hiring in the coming year?
- Who does which tasks?
- Are schedules and procedures in place?
- Do you have written job descriptions for employees? If not, take time to write some. Written job descriptions really help internal communications with employees.
- Do you use contract workers as well as employees?

Inventory

- What kind of inventory do you keep: raw materials, supplies, finished goods?
- Average value in stock; that is, what is your inventory investment?
- Rate of turnover and how it compares with industry averages?
- Seasonal buildups?
- Lead time for ordering?

Suppliers

Note the following information about your suppliers:

Their names and addresses.

Type and amount of inventory furnished.

Credit and delivery policies.

History and reliability.

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how do you deal with changing costs?

Should you be searching out new sources of supply, or are you satisfied with present suppliers?

Credit Policies

Do you sell on credit? If so, do you really need to? Is it customary in your industry and expected by your clientele?

Do you carefully monitor your payables (what you owe to vendors) to take advantage of discounts and to keep your credit rating good?

You need to carefully manage both the credit you extend and the credit you receive.

Managing Your Accounts Receivable

If you do extend credit, what are your policies about who gets credit and how much?

How do you check the creditworthiness of new applicants?

What terms will you offer your customers; that is, how much credit and when is payment due?

Do you offer prompt payment discounts? (It is best to do this only if it is usual and customary in your industry.)

Do you know what it costs you to extend credit? This includes both the cost of capital tied up in receivables and the cost of bad debts.

Have you built the costs into your prices?

You should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table.

Table 2: Accounts Receivable Aging

	Total	Current	30 Days	60 Days	90 Days	Over 90 Days
Accounts receivable aging						

Collecting from delinquent customers is no fun. You need a set policy and you need to follow it.

When do you make a phone call?

When do you send a letter?

When do you get your attorney to threaten?

Managing Your Accounts Payable

You should also age your accounts payable (what you owe to your suppliers). Use this format.

Table 3: Accounts Payable Aging

	Total	Current	30 Days	60 Days	90 Days	Over 90 Days
Accounts payable aging						

This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date. It tends to relax them.)

Are prompt payment discounts offered by your proposed vendors? Do you always take them?

VI. Management and Organization

Who manages the business on a day-to-day basis?

What experience does that person bring to the business? What special or distinctive competencies?

Is there a plan for continuation of the business if this person is lost or incapacitated?

If you have more than 10 employees, prepare an organizational chart showing the management hierarchy and who is responsible for key functions. Include position descriptions for key employees.

Professional and Advisory Support

List the following:

- Board of directors and management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultants
- Mentors and key advisors

VII. Personal Financial Statement

Owners often have to draw on personal assets to finance the business. This statement will show you what is available. Bankers and investors usually want this information as well. They will ask owners to cosign or personally guarantee any business loans.

Document your assumptions, notes, definitions, and any special financial situation. Include details of notes, securities, contracts, etc. on the bottom of a personal financial spreadsheet. Include one such spreadsheet for each principal.

IX. Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a breakeven calculation.

Together, these spreadsheets constitute a reasonable estimate of your company's financial future. More important, however, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

12-Month Profit and Loss Projection

Explain the major assumptions used to estimate company income and expenses. Your sales projection should come from an annual sales forecast. Pay special attention to areas where historical performance varies markedly from your projections.

Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. However, this worksheet is for those who want to carry their forecasts beyond the first year. It is expected of those seeking venture capital. Bankers pay more attention to the 12-month projection.

Of course, keep notes of your key assumptions, especially about things you expect to change dramatically over the years.

Projected Cash Flow

The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

Your cash flow will show you whether your working capital is adequate. Clearly if your cash on hand goes negative, you will need more. It will also show when and how much you need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from a profit and loss statement, such as:

- If you make a sale in month 1, when do you actually collect the cash?
- When you buy inventory or materials, do you pay in advance, upon delivery, or much later?

- How will this affect cash flow?
- Are some expenses payable in advance?
- Are there irregular expenses, equipment purchase, or inventory buildup that should be budgeted?

And of course, depreciation does not appear at all because you never write a check for it.

Projected Balance Sheet

This is an estimate of what the balance sheet will look like at the end of the 12-month period covered in your projections.

In the business plan section related to your projected balance sheet, state the assumptions that you used for all major changes between your last historical balance sheet and the projection.

Breakeven Analysis

A breakeven analysis determines the sales volume, at a given price, that is required to recover total costs.

Expressed as a formula, breakeven is as follows.

$$\text{Breakeven sales} = \frac{\text{Fixed costs}}{1 - \text{Variable costs}}$$

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percentage of total sales.)

X. Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies

XI. Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

For Raising Capital

For Bankers

Bankers want assurance of orderly repayment. If you intend to use this plan to present to lenders, include:

- Amount of loan.
- How you will use the funds.
- What will this accomplish (how will it make the business stronger)?
- Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate, but you may be able to negotiate a longer repayment term, which will help cash flow.
- Collateral offered, and a list of all existing liens against the collateral.

For Investors

Investors have a different perspective from bankers. They are looking for dramatic growth, and they expect to share in the rewards. Include the following in the plan that you present to potential investors:

Funds needed short term

Funds needed in two to five years

How the company will use the funds, and what this will accomplish for growth

Estimated return on investment

Exit strategy for investors (buyback, sale, or IPO)

Percentage of ownership that you will give up to investors

Milestones or conditions that you will accept

Financial reporting that you will provide

Involvement of investors on the board or in management

Refine Your Plan for the Type of Business

Manufacturing

- Present production levels
- Present levels of direct production costs and indirect (overhead) costs
- Gross profit margin, overall and for each product line
- Possible production efficiency increases
- Production-capacity limits of existing physical plant
- Production capacity of expanded plant (if expansion is planned)
- Production-capacity limits of existing equipment
- Production capacity of new equipment (if new equipment is planned)
- Prices per product line
- Purchasing and inventory management procedures
- Anticipated modifications or improvements to existing products
- New products under development or anticipated

Service Businesses

Service businesses sell intangible products. They are usually more flexible than other types of business, but they also have higher labor costs and generally very little in fixed assets.

- Prices
- Methods used to set prices
- System of production management
- Quality control procedures
- Standard or accepted industry quality standards
- How do you measure labor productivity?
- What percentage of total available hours do you bill to customers?
- Breakeven billable hours
- Percentage of work subcontracted to other firms
- Profit on subcontracting?

- Credit, payment, and collections policies and procedures
- Strategy for keeping client base
- Strategy for attracting new clients

High-Tech Companies

- Economic outlook for the industry
- Does your company have information systems in place to manage rapidly changing prices, costs, and markets?
- Is your company on the cutting edge with its products and services?
- What is the status of R&D? And what is required to bring the product or service to market and to keep the company competitive?
- How does the company:
 - Protect intellectual property?
 - Avoid technological obsolescence?
 - Supply necessary capital?
 - Retain key personnel?

If your company is not yet profitable or perhaps does not yet even have sales, you must do longer-term financial forecasts to show when profit take-off will occur. And your assumptions must be well documented and well argued.

Retail Business

- Company image
- Pricing: Explain mark-up policies. Prices should be profitable, competitive, and in accord with the company image.
- Inventory:
 - Selection and price should be consistent with company image.
 - Calculate your annual inventory turnover rate. Compare this to the industry average for your type of store.
- Customer service policies: These should be competitive and in accord with the company image.
- Location: Does it give the exposure you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: What methods do you use and what do they cost? Do they project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?

DISASTER RECOVERY KIT

BY:

ALABAMA STATE BAR PRACTICE MANAGEMENT ASSISTANCE PROGRAM

WWW.ALABAR.ORG/PMAP/INDEX.CFM

**PREPARING FOR THE
UNEXPECTED:
ANTICIPATE AND PLAN
FOR LAW OFFICE DISASTERS**

**By:
LAURA CALLOWAY
ALABAMA STATE BAR PRACTICE MANAGEMENT ASSISTANCE PROGRAM
WWW.ALABAR.ORG/PMAP/INDEX.CFM**

Preparing For The Unexpected: Anticipate and Plan for Law Office Disasters

By

Laura A. Calloway

Alabama State Bar Practice Management Assistance Program

Over the last several years the nightly news seems to have been full of stories of natural and man made disasters. Flooding wiped out or caused the relocation of entire towns along the Mississippi River. Drought conditions caused broken water mains in Texas, resulting in widespread flooding. There have been stories about gas line explosions, the derailment of trains carrying volatile gasses, and the unexpected discovery of toxic chemicals in the soil. Tornadoes, which we here in the South thought we were accustomed to and knew how to plan for, have cut a swath through many inhabited areas, leaving a trail of incomprehensible destruction in their wake. No lawyer now living will ever forget the events of September 11, 2001, and their effects on our colleagues who practiced from the twin towers of the World Trade Center. And all this was before Hurricanes Katrina and Rita arrived, reminding us that, even in the 21st century, nature is still capable of rendering an entire city uninhabitable in the blink of an eye.

These events tell us that we lawyers are not immune to the forces of nature or the whims of the demented. Likewise, as our communities continue to grow and age, we are subject to the increased likelihood of infrastructure failure. Advance planning cannot entirely prevent the unexpected, or the unimaginable, but it can give you and your firm an edge in overcoming the long-term effects of what could, otherwise, be a catastrophe from which your practice will not recover.

Any disaster preparedness plan should have two goals. First, it should be designed to protect the people in your office, both staff and clients, and your vital business records. Second, it should also protect your clients and your future livelihood by providing a framework within which to replicate your office and have you up and running, in a new location if necessary, as quickly as possible.

In order to devise a successful disaster recovery plan, you need to first think about what sort of potential disaster situations you will be most likely to face, and then assess whether there is anything about the way in which you currently operate that could make a potential disaster worse. As with any program to be carried out in a group situation, if your disaster recovery plan is to be successful, one person needs to be assigned overall responsibility for its development and implementation. That person then needs to be given the authority, time and resources necessary to accomplish the task.

I. Analyze Your Potential Risk

The following is a list of potential problems to anticipate and plan for. Carefully evaluate this list in light of what you know about your physical setting, your equipment, your clients, and your community and the surrounding environs.

- Natural Disasters – Do you practice in an area that is subject to hurricanes, tornados, floods, drought, lightening strikes, forest fire or wildfire, landslides, or earthquakes?
- Technology-Related Disasters – Are you subject to fire; power failure; water line, gas line, or sewer break; train derailment; pipeline explosion; industrial explosion; hazardous materials accident; hard drive crashes?
- Antisocial Activities – Can you imagine a situation involving arson, bomb or bomb threat, theft or vandalism, a violent intruder (former client, opposing attorney or party or terminated employee), computer hacker or civil disturbance?
- Health-Related Disasters – Could your community ever be subject to pollution related problems or epidemics?
- Personal Problems (yourself and your employees) – There is always the possibility of unexpected accident, long term illness or disability, suspension or disbarment, or death

II. Analyze Your Present Situation

Once you have evaluated and ranked your potential risks, you should conduct an analysis of your physical facilities and current office procedures to determine if they will help or hurt you in the event of a disaster. The following are some things to think about:

- How do your building size, type, and age affect safety and security considerations?
- How do the number and use of doors and windows affect security considerations?
- Is free access during business hours really necessary, or could restricted access work?
- Would posting a security guard be appropriate or useful during certain times?
- Are your electrical, computer, and phone system exposed to sabotage?
- Is your computer system exposed to hackers (either physically or through connection to the Internet)?
- Do you duplicate important materials and back up all computer programs?

- Do you have off-site backup?
- Is your off-site backup storage location subject to the same potential disasters as your office?
- Do you periodically restore from your backup medium to make sure your backup system is working properly?
- Will your file storage/retention policies cause additional problems in a disaster?

When it comes to building security, an important part of any security systems is its deterrent value. If security measures are sufficiently visible, many potential intruders will simply go elsewhere.

III. Plan for Personal Safety

There are many steps that can be taken to ensure the safety of your personnel and your clients, and they will differ depending on your physical setting and the type of potential disasters you face. If you practice in a small freestanding building, develop appropriate emergency escape routes and procedures, and appropriate places to shelter if the office must be abandoned during the work day. Make sure all exits are unblocked and accessible. For those who practice in large buildings, make time to review your building's emergency procedures and coordinate your emergency plans with those of adjoining tenants.

Post vital safety information where everyone can find it, including fire exit locations, fire extinguisher locations and how to use them, escape routes and emergency phone numbers, first aid kit locations, and basic first aid procedures.

Take time and make the effort to educate your personnel. In particular, send your safety coordinator to appropriate classes or seminars. Prepare a safety section within your office manual and make sure your employees are familiar with it. Train personnel regularly and issue periodic memos about emergency procedures. Conduct unannounced fire drills and other safety preparation drills, and critique the results. Establish a method for keeping up with visitors within your office space, and train one person to be responsible for escorting clients out of the building during an emergency.

You should also develop a written intra-office emergency communication plan. Here are the basic elements any plan should have:

- Collect and store all employee's home and cell phone, along with at least one other emergency contact number, in a secure off-site location. This could include numbers for parents, adult children, close friends, etc., in the event that phone service is severely disrupted.
- Revise this list on a regular schedule in addition to relying on memory to make changes as they occur.

- If your office staff is large, develop a phone tree to facilitate spreading information within the firm in the event of a disaster.
- Obtain and publish an alternative phone number or a series of numbers employees can call for instructions in case of destruction of the office or office phone system.
- Develop a plan for letting your clients know what has happened to your office and what you are doing to establish a new office.

Every office should have a minimum store of emergency supplies, which should be inspected and replaced on a regular schedule. Some things to include are:

- First aid kit
- Flashlights
- Battery operated or wind-up radio or mini-TV
- Emergency food and water
- Petty cash in case banks and ATMs are not operational
- Fresh spare batteries for all your battery operated items

In addition to preparation for natural or man-made disasters, every lawyer should make plans for his or her own unforeseen disability or demise. Planning steps include:

- Arranging in advance for one or more lawyers to cover your practice and drafting an agreement to cover the process.
- Getting advance authority from clients (in you fee agreement or an addendum to it) to allow for associate counsel in case of emergency.
- Getting your files organized and up to date, including preparing a "to do" list of uncompleted tasks and placing it in each file.
- Preparing a letter of instruction for your spouse, your partner, your staff, and any attorneys who will be covering or, in the event of the worst, taking over and closing out your practice.

IV. Safeguard your Records and Equipment

Once you're sure all personnel and clients are safe, your thoughts will immediately turn to your files and other client and practice data. If you take these steps now, you'll be in much better shape if disaster strikes.

First, make a complete office inventory including:

- All computer hardware and peripherals, including serial number, purchase date, purchase price, and vendor. Update your inventory immediately as equipment is replaced.

- All software, including version number, serial number, purchase date, purchase price, and vendor. It's also helpful to keep a list of what is installed on each computer, along with a notation of all upgrades and patches.
- All usernames and passwords.
- All library contents, including both books and active subscriptions.
- All office furnishings, including purchase date and price.
- All office equipment, including serial number, purchase date, price, and vendor.
- All other equipment, such as coffee makers, TVs, DVD players, tape recorders, still cameras, video cameras, Dictaphones or other dictation and transcription equipment.
- All office supplies you regularly stock.

Consider making a set of photos or a video of your office once a year and storing it off-site with your written inventory. Pictures will help establish the age and condition of the things you have lost, facilitating the settlement of your insurance claims. They will also serve to jog your memory about things you may not use very often and, therefore, may not remember that you've lost.

Every lawyer and firm should establish a regular, automatic back-up procedure with off-site storage for all digital data, and follow it religiously. You should be backing up computer files and/or making off-site storage copies of:

- Calendar or docket
- Contact list
- Client/matter list, including conflict of interest system
- Word processing and spreadsheet files
- Email files
- Billable time and other accounting information
- Trust account records and records of all physical property held for clients or 3rd parties
- Telephone programming (speed dial numbers, etc.)
- Firm organizational or operating agreements and all firm minutes
- Leases (building and equipment) and other contracts
- Insurance records
- Personnel records
- Firm inventory
- File inventory, including off-site storage inventory

Review your current back-up procedures carefully. Many firms don't follow a regular back-up schedule, don't back-up everything they should, or don't store the back-up copies in a safe off-site location. Many faithfully practice back-up procedures, but have never tested them to see if data can be successfully restored from. Make back-up testing part of your regularly scheduled safety precaution drills.

The need for off-site backup has led many lawyers to adopt "cloud based" practice management systems. Such systems provide a web-based interface for functions such as calendaring; contacts and conflict of interest checking; time keeping, billing, trust accounting and financial reporting; and also provide storage for documents, allowing the user to practice almost paperlessly and from anywhere and internet connection is available. These systems have been determined to be ethical in many jurisdictions and lawyers should consider them as an easy and affordable way to back-up their critical data in a safe, off-site way. If you do use such a system, however, you should not let it lull you into the sense that you're adequately prepared for a disaster. You must have, and continue to work, a plan for all of the physical items in your office and any other information that is not entered into the system and backed-up to the cloud.

After you've reviewed your back-up procedures, take a moment to consider how you handle your most important client papers. If you are trying a case involving physical evidence or "smoking gun" memos, make sure that you have taken the steps necessary to safeguard them against ALL contingencies. Consider a fire-proof file cabinet, an office safe, or establishing procedures for storing in a bank vault or safe deposit box all "irreplaceable" client papers and physical evidence. Work from copies in your office until shortly before trial.

You should also periodically review your existing insurance coverage to make sure it is tailored to the type or types of disasters you are most likely to face. You should consider whether you have, or need, the following types of coverage:

- Damage to or loss of real and personal property
- Flood Insurance (usually excluded from standard policies)
- Loss of Revenue (business interruption)
- Disability
- Long Term Care
- General Liability
- Valuable Papers Coverage
- Accounts Receivable Coverage

V. Get Back to Work!

Assuming the worst has happened and the office you left yesterday afternoon is nothing but a smoldering hole in the ground this morning, what do you do next? If you have previously developed a carefully thought-out disaster contingency plan, you need only execute the business resumption portion of that plan to be back in business. Here are some basic steps for a business resumption plan:

- Notify office staff of the nature of the disaster and, if their homes are not also involved, let them know where and when to call for further instructions. This

can be done by direct calls to them, by a phone tree, or by having them call a specified number at specified times to receive live or recorded information and updates.

- Contact your insurance agent, and begin assessment of damage as soon as authorities allow it. If your complete office inventory is available, this should greatly facilitate settling your insurance claim.
- Contact your stand-by attorney to make sure he or she is aware of your situation and is in a position to help you. It is a good idea to have more than one standby, or a standby who doesn't live in the same town you do. Often, when a natural disaster destroys one law office, it destroys many in the same location.
- Execute your plan for temporary office space.
- Execute your plan for temporary or new equipment. This could be a short term lease arrangement, purchase of new computers "off the shelf," or an agreement to share excess equipment with another firm in your area. Use your supply inventory list to purchase enough supplies to get back in business at your new location.
- Notify staff of where and when to return to work.
- Load all backed-up software and data. This is where complete daily backups of both programs and data prove that they are worth the extra time and trouble they take. Cloud-based practice management systems are also great for business continuity purposes.
- Immediately review your calendar and docket to obtain any necessary continuances and make sure statutes of limitations do not run.
- Contact your clients and let them know what has happened. When informing them of the crisis, you should be truthful about the condition of your office but convey that the firm has a disaster plan in place and is taking all necessary steps to protect their interests.
- Review your client/matter list and obtain copies of all pleadings from opposing counsel or the court to re-establish your files if you have not already implemented a "paperless" office or your backup system has failed.
- Contact your banker and ask him or her to be ready to disburse on your previously arranged disaster line of credit. You will need to be able to meet your payroll and other accounts payable even if your cash flow is interrupted

because of the disaster. Also, you may need to lease or purchase equipment before your insurance claims have been settled.

Statistics indicate that the majority of small businesses which experience a major disaster are no longer in operation five years later. If you hope for the best but plan for the worst, you'll be able to take a disaster in stride and continue to provide the highest level of service for your clients.

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DISASTER RECOVERY INFORMATION LIST

ALABAMA STATE BAR PRACTICE MANAGEMENT ASSISTANCE PROGRAM
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DISASTER RECOVERY INFORMATION LIST

ATTORNEY NAME: _____
Social Security # _____
Federal Employer ID # _____
Date of Birth: _____

Office Address: _____

Office Phone: _____
Office Fax: _____
Cell Phone _____
E-mail: _____

Home Address: _____

Home Phone: _____

SPOUSE:

Name: _____
Cell Phone: _____
Employer: _____
Work Phone: _____

OFFICE MANAGER:

Name: _____
Address: _____

Home Phone: _____
Cell Phone: _____

COMPUTER PASSWORDS:

(Name of person or location such as safety deposit box)

Name: _____
Address: _____

Phone: _____

SECRETARY:

Name: _____
Address: _____

Home Phone: _____
Cell Phone: _____

BOOKKEEPER:

Name: _____
Address: _____

Home Phone: _____
Cell Phone: _____

LANDLORD:

Name: _____
Address: _____

Home Phone: _____
Cell Phone: _____

PERSONAL REPRESENTATIVE:

Name: _____
Address: _____

Home Phone: _____
Cell Phone: _____

ATTORNEY:

Name: _____
Address: _____

Home Phone: _____
Cell Phone: _____

ACCOUNTANT:

Name: _____
Address: _____

Home Phone: _____
Cell Phone: _____

ATTORNEYS TO HELP WITH PRACTICE CLOSURE:

First Choice:

Name: _____
Address: _____

Phone: _____
Cell Phone: _____

Second Choice:

Name: _____
Address: _____

Phone: _____
Cell Phone: _____

Third Choice:

Name: _____
Address: _____

Phone: _____
Cell Phone: _____

LOCATION OF WILL AND/OR TRUST:

Access Will and/or Trust by contracting:

Name: _____
Address: _____

Phone: _____
Cell Phone: _____

PROFESSIONAL CORPORATION:

Corporate Name: _____

Date Incorporated: _____

Location of Corporate Minute Book: _____

Location of Corporate Seal: _____

Location of Corporate Stock Certif. _____

Location of Corporate Tax Returns: _____

Fiscal Year-End Date: _____

Corporate Attorney: _____

Address: _____

Home Phone: _____

Cell Phone: _____

PROCESS SERVICE COMPANY:

Name: _____

Address: _____

Phone: _____

Contact: _____

OFFICE-SHARER OR "OF COUNSEL":

Name: _____

Address: _____

Phone: _____

Contact: _____

Name: _____

Address: _____

Phone: _____

Contact: _____

Name: _____

Address: _____

Phone: _____

Contact: _____

OFFICE INSURANCE COVERAGE:

Casualty

Insurer: _____
Address: _____

Phone: _____
Cell Phone: _____
Policy No: _____
Contact: _____

Liability

Insurer: _____
Address: _____

Phone: _____
Cell Phone: _____
Policy No: _____
Contact: _____

Business Interruption

Insurer: _____
Address: _____

Phone: _____
Cell Phone: _____
Policy No: _____
Contact: _____

Worker's Compensation

Insurer: _____
Address: _____

Phone: _____
Cell Phone: _____
Policy No: _____
Contact: _____

Professional Responsibility

Insurer: _____
Address: _____

Phone: _____
Cell Phone: _____
Policy No: _____
Contact: _____

Health

Insurer: _____
Address: _____

Phone: _____
Cell Phone: _____
Policy No: _____
Contact: _____

Long Term Care

Insurer: _____
Address: _____

Phone: _____
Cell Phone: _____
Policy No: _____
Contact: _____

Life

Insurer: _____
Address: _____

Phone: _____
Cell Phone: _____
Policy No: _____
Contact: _____

OTHER IMPORTANT CONTACTS:

Name: _____
Address: _____

Phone: _____
Cell Phone: _____
Purpose: _____

Name: _____
Address: _____

Phone: _____
Cell Phone: _____
Purpose: _____

Name: _____
Address: _____

Phone: _____
Cell Phone: _____
Purpose: _____

Name: _____
Address: _____

Phone: _____
Cell Phone: _____
Purpose: _____

LOCATION OF FILES OFF-SITE

Location: _____

Key or
Combination _____

Contact: _____
Phone: _____
Cell Phone: _____
Renewal _____

SAFE DEPOSIT BOXES

Institution: _____
Address: _____

Phone: _____
Box No.: _____
Obtain Key From: _____
Address: _____

Phone: _____
Items Stored: _____
Other Signatory: _____
Address: _____

Phone: _____

Institution: _____
Address: _____

Phone: _____
Box No.: _____
Obtain Key From: _____
Address: _____

Phone: _____
Items Stored: _____
Other Signatory: _____
Address: _____

Phone: _____

EQUIPMENT LEASES:

Item: _____
Lessor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

Item: _____
Lessor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

Item: _____
Lessor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

Item: _____
Lessor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

Item: _____
Lessor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

LAWYER'S TRUST ACCOUNT:

Institution: _____
Address: _____

Phone: _____
Account Number: _____
Account Name: _____
Other Signatory: _____
Address: _____

Phone: _____
Cell Phone: _____

Institution: _____
Address: _____

Phone: _____
Account Number: _____
Account Name: _____
Other Signatory: _____
Address: _____

Phone: _____
Cell Phone: _____

INDIVIDUAL CLIENT TRUST ACCOUNTS:

Client Name: _____
Institution: _____
Address: _____

Phone: _____
Account Number: _____
Account Name: _____
Other Signatory: _____
Address: _____

Phone: _____
Cell Phone: _____

Client Name: _____
Institution: _____
Address: _____

Phone: _____
Account Number: _____
Account Name: _____
Other Signatory: _____
Address: _____

Phone: _____
Cell Phone: _____

Client Name: _____
Institution: _____
Address: _____
Phone: _____
Account Number: _____
Account Name: _____
Other Signatory: _____
Address: _____
Phone: _____
Cell Phone: _____

GENERAL OPERATING ACCOUNTS:

Institution: _____
Address: _____
Phone: _____
Account Number: _____
Account Name: _____
Other Signatory: _____
Address: _____
Phone: _____
Cell Phone: _____

Institution: _____
Address: _____
Phone: _____
Account Number: _____
Account Name: _____
Other Signatory: _____
Address: _____
Phone: _____
Cell Phone: _____

Institution: _____
Address: _____

Phone: _____

Account Number: _____

Account Name: _____

Other Signatory: _____

Address: _____

Phone: _____

Cell Phone: _____

BUSINESS CREDIT CARDS:

Institution: _____
Address: _____

Phone: _____

Account Number: _____

Other Signatory: _____

Address: _____

Phone: _____

Cell Phone: _____

Institution: _____
Address: _____

Phone: _____

Account Number: _____

Other Signatory: _____

Address: _____

Phone: _____

Cell Phone: _____

Institution: _____
Address: _____

Phone: _____

Account Number: _____

Other Signatory: _____

Address: _____

Phone: _____
Cell Phone: _____

MAINTENANCE CONTRACTS:

Item: _____
Vendor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

Item: _____
Vendor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

Item: _____
Vendor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

Item: _____
Vendor: _____
Address: _____

Contact: _____
Phone: _____
Expiration: _____

ALSO ADMITTED TO PRACTICE IN THE FOLLOWING STATES:

State of: _____
Address: _____

Phone: _____
Bar ID #: _____

State of: _____
Address: _____

Phone: _____
Bar ID #: _____

State of: _____
Address: _____

Phone: _____
Bar ID #: _____

**SAMPLE
SAFETY AND SECURITY
PROCEDURES
FOR
LAW OFFICE POLICIES AND
PROCEDURES MANUAL**

ALABAMA STATE BAR PRACTICE MANAGEMENT ASSISTANCE PROGRAM
WWW.ALABAR.ORG/PMAP/INDEX.CFM

Sample Safety and Security Procedures for Law Office Policies and Procedures Manual

[The following is a sample format for a safety and security section of an office manual. This should be used only as a general guide. Safety procedures must be tailored to each office and to each building.]

Safety And Security

1. Emergency telephone number. In an emergency call 911, then immediately notify the BUILDING SECURITY DESK at _____. All phones are equipped with a sticker listing these emergency numbers. You should give the following information when reporting an emergency:

- Address
- Floor, Suite
- Type of Emergency
- Your Name
- Your Telephone Number

2. Safety monitors. Complete lists of monitors are maintained by the receptionist. In case of emergency, notify the Building Security Desk, the receptionist, and the Office Manager.

3. Report all incidents. All incidents of fire, no matter how minor, must be reported to building security. All incidents regarding security, including fires, should also be reported to the Office Manager. This includes thefts, suspicious persons, obscene phone calls, bomb threats or other such incidents.

4. Emergency areas and equipment

a Corridor speakers are connected to the building security desk, allowing security professionals to communicate with a floor in danger and control evacuation of that floor. In an emergency you should remain calm and listen for instructions, which will be given over the building public address system.

b. Building safety stairwells are specifically constructed to ensure safety from fire for those within them. The internal stairwells (near the reception and library areas) should not be used in an emergency.

c. Smoke detectors are located throughout the office and automatically signal the electronic console at the building security desk if smoke is detected.

d. Overhead sprinklers are placed in every room or area and are automatically tripped by heat.

e. Fire doors at the internal stairwells and in elevator lobbies will shut automatically during a fire. Their purpose is to impede the spread of fire from one area or floor to another. Stay away from them to avoid injury.

f. Security doors at the ends of the elevator lobbies are designed to unlock if smoke is detected during off-hours; this will permit those in the elevator lobbies access to the safety stairwell. To unlock the door, break the glass above the lock with the hammer. Do not break the glass except in an emergency in which you need to exit the elevator lobby and the doors are locked.

g. Fire alarms are located outside the safety stairwell doors.

h. Fire extinguishers are located in the lunch room and directly outside all rest rooms.

5. Evacuation Procedures

a. Listen for instructions from the corridor speakers on each floor. Building security personnel will give detailed instructions as they coordinate evacuation routes and send emergency personnel to affected floors.

b. Follow the safety monitors' direction. If you are told to evacuate by way of a specific safety stairwell, go directly to that stairwell. If you are told to go to the reception area, do so and wait further directions there.

- (1) Walk single file.
- (2) Move quickly, but do not run.
- (3) Do not stop to go back to pick up anything.
- (4) Do not smoke.
- (5) Do not talk, unless necessary.
- (6) Before opening a door, feel it. If it is hot, do not open it. Keep a fire confined to a small area.
- (7) When the monitors are sure that the floor has been

completely evacuated, they will close doors behind them. This will slow the spread of a fire.

c. Use ONLY the safety stairwells. NEVER use the elevators; NEVER use the firm's internal stairwells.

- (1) Walk up or down the stairs single file on your right. Emergency and fire personnel may be using the stairs and have been instructed to keep to the left.
- (2) Merge into people already in the stairwell. Do not push.
- (3) When you reach the floor to which you have been directed, do not congregate near the stairwell. Move away from the stairwell and wait for further instructions.
- (4) Women should remove high-heeled shoes.
- (5) If you are relocated to ground level, move away from the building, at the very least, across the street. Do not go into the lobby or stand on the outside sidewalks. You may not be safe, and you will hinder emergency and fire personnel.

6. Specific emergencies

a. Fire.

- (1) First call 911, then call the building security desk and report the fire.
- (2) Notify a receptionist or the main switchboard (0).
- (3) Use fire extinguishers with care and only if you know how. Generally, however, report a fire rather than trying to fight it yourself.
- (4) Listen for instructions from the corridor speakers or safety monitors and follow relocation procedures if necessary.
- (5) If there is smoke on our floors,
 - (a) take short breaths; smoke inhalation is more dangerous than burns in most fires;
 - (b) crawl along the floor; the air is cooler and fresher closer to the floor since heated air rises;

- (c) hold your breath if forced to dash through flames.

b. Earthquake.

An earthquake emergency is different from a fire or explosion emergency. You are probably ly safer inside the building than outside.

- (1) Take cover under a desk or table or against a solid inside wall (one with no glass).
- (2) Stay away from fire doors located by internal stairs.
- (3) Stay away from windows, glass walls, and doors and walls with glass in them.
- (4) Stay clear of file cabinets, bookcases and free-standing partitions.
- (5) Floor monitors will direct immediate evacuation of the libraries, records center and reproduction center.
- (6) Do not leave your floor until you are told to do so by a monitor. There may be a second shock, and the elevators and safety stairwells must be inspected before they can be used.
- (7) Do not use the telephone unless you are injured or need help.
- (8) if you are in an elevator,
 - (a) Do not panic. The car will not fall.
 - (b) The elevator will automatically stop at the next floor, where you should exit.
 - (c) If the doors do not open, press the red alarm button and let the building office know where, who and how many you are. A public address system is installed in each car, and instructions will be given to you over this system. Do not try to force the door open or attempt to exit through the roof. The car may

immediately return to the lobby.

- (9) If you are outdoors, keep away from buildings, poles, wires, and walls. Go to a clear area where debris is not likely to fall.

c. Power Failure

- (1) An emergency power generator is located in the basement of the building. If the normal power supply is interrupted, the emergency system will take over in a matter of seconds to provide emergency lighting and limited elevator service. The engineering office will restore normal service as soon as possible.
- (2) Turn off all machines - computers, typewriters, adding machines, photocopy machines - to conserve power and avoid overload when power is restored.
- (3) Open all doors, shades and curtains to allow natural light to filter throughout the office.
- (4) Stay where you are, unless told by a monitor to evacuate.
- (5) If you are in the elevator, do not panic. The car will not fall. Press the red alarm button and let the building office know where, who, and how many you are. A public address system is installed in each car, and instructions will be given to you over this system.
- (6) All receptionists and safety monitors have flashlights at their desks.

d. Assault.

- (1) Scream - your voice is one of your best weapons.
- (2) Try to run from the assailant. If you are alone at night, try to reach a telephone.

e. Bomb Threat.

- (1) If you answer the phone and receive a bomb threat, do not panic. This call may be the only opportunity to obtain information about the bomb. Have someone else listen to the call without letting the caller know, if possible. Listen, except to tell caller that the building is occupied and that to prevent death and injury you must know:

- (a) When is the bomb going off?
 - (b) Where is the bomb?
 - (c) What kind of bomb is it?
 - (d) What does it look like?
 - (e) Why was it planted?
- (2) Call the building security desk or building office and tell them you have received a bomb threat. A security guard will discuss all the information you have obtained.
 - (3) Call the Office Manager or one of the receptionists. Speak only to one person, but reach at least one of them. Do not tell anyone else unless directed to do so.
 - (4) During or immediately after the call, fill out the bomb threat checklist at the end of this section.
 - (5) Do not touch any strange object. Report its location to a monitor, and follow the monitor's directions.
- (f) Medical emergencies.

For any injury or illness requiring emergency medical treatment:

- (1) First call 911, then call the building security desk. Security guards are on duty at all times and can arrange for medical treatment. Be sure to tell the security desk where you are, who you are, the types of emergency and your telephone number.
- (2) Notify any receptionist to get a first aid kit and find out which firm personnel might be able to render first aid while waiting for professional help to arrive.
- (3) Any on-the-job injury or illness which is related to job conditions should be reported to your supervisor and the personnel department.
- (4) When CPR is required (heart attack, fainting, blocked windpipe), call the receptionist on the floor you are on for the

names of CPR trained employees on that floor.

7. Office security.

The firm offices need to be secure because we have valuable items in the office, we are required by the ethical canons to protect the confidentiality of our client materials, and we own proprietary materials which enhance our ability to provide quality legal services to our clients.

a. Lobby doors. Lobby doors should never be propped open, especially during off-hours, and employees who find them open should shut them immediately. Firm employees are issued keys to permit them access to the offices during off hours. Under no circumstances should the keys be given to anyone who is not an employee of the firm.

b. Visitors. All visitors to the office must be greeted in the reception area and escorted to the appropriate office or conference room. Please discourage friends and relatives from entering our office directly. Anyone who sees an unescorted, unfamiliar person should tactfully ask that person who he/she is looking for and should offer assistance in locating that person or department. (Please note that a person may be found in private offices as well as in hallways.) If the person says he/she is in the wrong place, he/she should be escorted to the elevator lobby and onto an elevator. Those who are expecting visitors after hours should make arrangements for them to be permitted access to our floors. Standard forms for this purpose are available from the personnel department.