

Business Plan Secrets Revealed

How to Sell Your Ideas to Investors

By Mike Elia CPA, MBA

Quickly gather evidence.

Build a case for your business.

Write a readable plan that...

Attracts investors and

Makes your business

The Most Appealing Investment Choice!

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Foreword

Using this manual, you're going to build a case for your business, learn how to overcome the impediments to clear communication, and create your own communication system for staying in constant contact with investors or prospective investors.

I'm going to walk you through the entire business plan process step-by-step: from gathering the evidence to build your plan to delivering your plan to qualified investors. Along the way, you'll find many tips, techniques and "tools of the trade" to help you become an expert business plan writer.

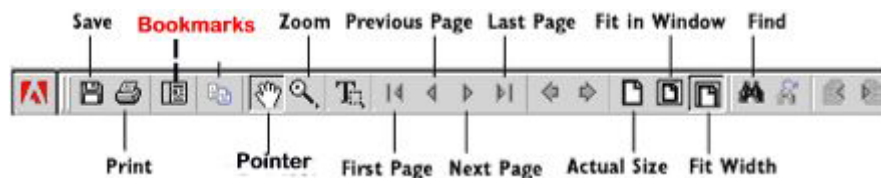
You'll learn how to communicate your business to investors accurately and truthfully so they can be in the position to decide – beyond any reasonable doubt – whether your business is the right investment choice for them.

The principles in this course apply to many situations. You can apply them when communicating to your investors, when writing press releases and sales letters. Or, if you're a public company or thinking of going public, use them to prepare your Security and Exchange Commission disclosure documents, prospectus, or offering circular.

Do as this manual teaches you, and you'll marvel at how different investors and prospective investors listen to you and... how much easier it is to find funding.

How to Use This Manual

Please use the menu bar at the top of your browser that looks similar to this to navigate this document.



To help you navigate through this manual quickly, you can click on a line item in the Table of Contents or use the "Bookmarks" that open in a window to your left. You may also use your scroll bar on the right and your page up and down keys as well.

Use the Zoom feature to increase or decrease the size of the text and how much of the page you are seeing at one time.

Use Ctrl + N to navigate to a specific page number.

About the Author

Mike Elia is founder of Elia & Partners, LLC, a financial and marketing consulting firm. For more than 20 years, Mike has helped business owners buy, sell, and finance their businesses. He has overseen more than 70 manufacturing and sales locations spanning over nine countries, and has a diverse industry background that includes:

- Electronics and telecommunications components
- Automotive components
- Specialty publishing
- Consumer products
- Professional services

From 1997 to 2003, he completed 17 merger and acquisition transactions worth \$967 million and arranged for \$760 million in financing.

More importantly, he has a refreshing combination of higher education (a Masters in Business Administration from Duke University's Fuqua School of Business) and practical experience (Chief Financial Officer of two publicly held companies). He understands what entrepreneurs and business owners need to build, analyze, and develop business plans and strategies that can meet today's challenging business environments.

Introduction

“What we have here is a failure to communicate.”
— from *Cool Hand Luke*

Whether you’re a start-up company seeking to raise your first round of financing or a seasoned, long-established company looking to raise new equity or bank debt, or a business owner ready to “cash-out” and sell the business...

How you communicate your business plan will determine whether investors see your business as any better, worse, or different from all the other investment opportunities they are evaluating.

The job of your business plan is to state a case for your business quickly. This case must separate you from other businesses begging for capital and truthfully lead investors to decide that you are their most appealing investment choice.

I can recall many instances of business owners and corporate executives asking me to “pull together a business plan to put in front of investors as if some “canned” business planning software package or template could effectively communicate their unique set of circumstances.

You must take the time to figure out specifically what you do that makes your business uniquely different from your competition. Understand exactly how you do it, which specific customers you’re going to serve, and so on. Then, learn how to express your idea clearly. If you don’t, your business plan is a complete waste of your time and money.

In fact, your business plan will look just like every other document that crosses investors’ desks. Packed with circumstantial evidence and bold claims that slip off the mind like the proverbial water from a duck’s back, your document won’t do a darn to market your business.

Don’t be foolish to think that just because other companies prepare their documents with templates that this must be the perfect “quick fix” to raising capital.

The truth is that it’s unlikely a business plan by itself will bring funding in the door, unless it is part of an overall marketing strategy.

Chances are you already have a book or two on how to write a business plan. If you do, I’m going to guess that you have already fixed in your mind certain beliefs.

For example, you might think, “If you’re trying to attract investors, raise capital, or sell your business, then you should give your prospects a detailed business plan document.”

Not so fast.

It may be more effective to get their business card, get them into your Investor Communication System (more on the ICS later), send them an executive summary, and then follow-up to check their interest level.

Or perhaps you believe, “A business plan document is the only way to get investors interested.”

Again, not so...

Some businesses attract investors through personal contacts, press releases, or because of the pure uniqueness of their market position.

For now, I’m going to ask that you open your mind. Take a thoughtful step or two back and work through this course with me.

If you do, you’ll have a better chance of creating a persuasive business plan that can help you achieve your desired results.

“Success in business requires training and discipline and hard work. But if you’re not frightened by these things, the opportunities are just as great today as they ever were.”

— David Rockefeller

My advice is intended for both the start-up and ongoing business. Here’s why. Whether you’re raising money to grow your business or start it, investors want to know one thing... how much can they make on their investment. The major difference between a start-up and an ongoing business is the type of investors they’ll have access to.

A typical start-up, even one with a great business concept, will have a hard time tapping the general capital markets (investment bankers, banks) for funds. If the entrepreneur has the personal assets to guarantee an investor’s funds or owns some real estate, the business may be able to obtain a mortgage from a bank or a savings and loan. Or, the business might be able to purchase the equipment it needs under a term loan or lease it, with the equipment pledged as collateral. After the business has survived for a few years, bank financing may become available on a seasonal basis, but not for permanent growth capital.

I’ll talk more about this when we get to the topic of financial projections. Just keep the business opportunity in your mind’s eye and ***Business Plan Secrets Revealed*** will show you what it takes to sell it.

Wishing your venture the greatest success,

A handwritten signature in black ink that reads "Mike Elia". The signature is fluid and cursive, with the first name "Mike" and last name "Elia" clearly distinguishable.

Mike Elia

5. Writing in Plain English

If you can't explain your business or your transaction clearly, either what you're trying to do is not clear in your own mind, or you might be making these common writing mistakes.

Nine Common Writing Mistakes

Business plans are less readable and less understandable when they contain:

1. Long sentences
2. Passive voice
3. Weak verbs
4. Superfluous words
5. Legal and financial jargon
6. Too many defined terms
7. Abstract words
8. Unnecessary details
9. Unreadable design and layout

The following pages and examples are from Chapters 4 and 5 in *A Plain English Handbook* by the U.S. Securities and Exchange Commission Office of Investor Education and Assistance (<http://www.sec.gov/pdf/handbook.pdf>); it offers advice on ways to correct these mistakes. It also helps you write clearly and concisely.

Let's start by looking at some typical boiler plate language that's often in business plans or prospectuses, as an example:

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS JOINT PROXY STATEMENT/ PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

Here's one possible way to re-write this using plain English:

You should rely only on the information in this document or that we refer you. No one else is authorized to provide you information to the contrary.

The plain English rewrite uses everyday words, short sentences, active voice, regular print, and personal pronouns that speak directly to the reader.

Throughout this section, you'll find "before" examples from real documents and "after" examples in plain English to illustrate specific plain English principles. Some "before" examples contain ambiguities that can only be successfully resolved by studying them in the context of their original document, so recognize that there are many ways to rewrite them and these are only examples. Be original. Write your own plain English versions to fit your views and needs. Let's not create a new generation of plain English "boiler plates."

Use the following principles to improve your writing dramatically. Be careful not to cast these principles aside for their simplicity.

Use the Active Voice with Strong Verbs

Many documents become bloated with verbosity, leaving readers yearning for clear words and short sentences. The quickest fix to this lies in using the active voice with strong verbs. Strong verbs liven up and tighten your sentences, causing information to spring from the page. When you start to rewrite or edit your work, highlighting all the verbs can help. The number of weak verbs that show up might surprise you, especially forms like "to be" or "to have."

Weak

The Company is making its products with proprietary manufacturing techniques.

Stronger

The Company's proprietary manufacturing techniques produce products faster and with higher quality.

The time you spend searching for a precise and strong verb is time well spent. When you replace weak verbs with verbs that carry more meaning, you eliminate unnecessary words that bolster them.

Weak verbs keep frequent company with two more grammatical undesirables: passive voice and hidden verbs. In tandem, they add unnecessary length and confusion to a sentence.

The active and passive voices.

If you need it, here's a quick refresher on the active and passive voice.

Active

The investor buys the stock.

In the active voice, the subject of the sentence, the investor, performs the action, buying the stock.

Passive

The stock is bought by the investor.

In the passive voice, the subject, the stock, is acted upon. The person or the thing doing the action is introduced with “by.”

But sometimes, the person or thing doing the action is omitted, leading to...

Passive with agent deleted

The stock is bought.

You don’t know who bought the stock. You’ll find many examples of the “passive with agent deleted” in business plans and disclosure documents.

Readers understand sentences in the active voice more quickly and easily, because it follows how we think and process information. Many times the passive voice forces readers to take extra mental steps as they convert the passive into the active.

To recognize the passive voice, ask yourself:

Does the sentence use a form of the verb “to be” with:

- Another verb in the past tense; or
- A prepositional phrase beginning with “by”?

Remember that it’s harder to recognize the passive voice when the object (the phrase introduced with “by”) is left out. When you rewrite the sentence in the active voice, use a strong verb. These examples show how strong verbs and the active voice transform sentences, making them shorter and easier to understand.

To rewrite a sentence from passive to active, ask yourself, “Who is doing what to whom or to what?”

Before

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Fund will bear directly or indirectly.

The “before” example uses the passive with agent deleted. We don’t know who “intended” to assist investors. Note how long it took to get to the meat of the sentence – the costs and expenses. Dispensing with the filler words “...to assist investors in understanding...” moves the reader more quickly to the important points.

After

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Here's another example:

Before

The proxies solicited hereby for the Heartland Meeting may be revoked, subject to the procedures described herein, at any time up to and including the date of the Heartland Meeting.

After

You may revoke your proxy and reclaim your right to vote up to and including the day of the meeting by following the directions on page 10.

The plain English version tells you who may revoke a proxy and where to find the information on how to do it. It replaces the abstract "subject to the procedures described herein" with concrete, everyday words, "by following the directions on page 10." It's not enough merely to translate existing texts – the key is to add useful information, so that your document is clear and unambiguous.

Don't ban the passive voice; use it sparingly.

As with all the advice in this handbook, we are presenting guidelines, not hard and fast rules you must *always* follow.

The passive voice may make sense when the person or thing performing the action is of secondary importance to another subject that should play the "starring role" in the sentence. Use the passive voice only when you have a very good reason for doing so. When in doubt, choose the active voice.

Find hidden verbs.

Does the sentence use any form of the verbs "to be," "to have," or another weak verb, with a noun that could be converted into a strong verb?

In these sentences, the strong verb often lies hidden in a nominalization, a noun derived from a verb that usually ends in "tion."

Find this noun and try to make it the main verb of the sentence. As you change nouns to verbs, your writing becomes more vigorous and less abstract.

Before

We made an application...
We made a determination...
We will make a distribution...

After

We applied...
We determined...
We will distribute...

Before

We will provide appropriate information to shareholders concerning...

After

We will inform shareholders about...

Before

We will have no stock ownership of the company.

After

We will not own the company's stock.

Before

There is the possibility of prior Board approval of these investments.

After

The Board might approve these investments in advance.

Try Personal Pronouns

No matter how sophisticated your audience is, if you use personal pronouns, the clarity of your writing will dramatically improve. Here's why.

1. Personal pronouns aid your reader's comprehension, because they clarify what applies to your reader and what applies to you.
2. They allow you to "speak" directly to your reader, creating an appealing tone that will keep your reader reading.
3. They help you avoid abstractions and use more concrete and everyday language.
4. They keep your sentences short.
5. First- and second-person pronouns aren't gender-specific, allowing you to avoid the "he or she" dilemma. The pronouns to use are first-person plural (we, us, our/ours) and second-person singular (you, your/yours).

Observe the difference between these two examples:

Before

This Summary does not purport to be complete and is qualified in its entirety by the more detailed information contained in the Proxy Statement and the Appendices hereto, all of which should be carefully reviewed.

After

Because this is a summary, it does not contain all the information that may be important to you. You should read the entire proxy statement and its appendices carefully before you decide how to vote.

Bring Abstractions Down to Earth

Abstractions abound in the financial industry.

What pictures form in your mind when you read these phrases: mutual fund, the Dow Jones Industrial Average, zero coupon bond, call option, or foreign currency trading?

Most people don't have an image in their minds when they hear abstract words like these. And yet, it's far easier to comprehend a concept or a situation when your mind can form images.

In a study conducted at Carnegie-Mellon University, a cognitive psychologist and an English professor discovered that readers faced with complex written information frequently resorted to creating "scenarios" in an effort to understand the text. That is, they often made an abstract concept understandable by using it in a hypothetical situation in which people performed actions.

You can make complex information more understandable by giving your readers an example using one investor. This technique explains why "question and answer" formats often succeed when a narrative, abstract discussion fails.

Here is an example of how this principle can be used to explain an abstract concept – call options:

For example, you can buy an option from Mr. Smith, that gives you the right to buy 100 shares of stock X from him at \$25.00 per share, anytime between now and six weeks from now. You believe stock X's purchase price will go up between now and then. He believes it will stay the same or go down. If you exercise this option before it expires, Mr. Smith must sell you 100 shares of stock X at \$25.00 per share, even if the purchase price has gone up. Either way, whether you exercise your option or not, he keeps the money you paid him for the option.

Although it is impossible to eliminate all abstractions from writing, always use a more concrete term whenever you can.

Read this list of progressively less abstract and more concrete terms, and consider how you might make abstract concepts you write about more concrete:

Asset → Investment → Security → Equity → Stock → Common stock → One share of IBM common stock

The following examples show how you can replace abstract terms with more concrete ones and increase your reader's comprehension:

Before

Sandyhill Basic Value Fund, Inc. (the “Fund”) seeks capital appreciation and, secondarily, income by investing in securities, primarily equities, that management of the Fund believes are undervalued and therefore represent basic investment value.

After

At the Sandyhill Basic Value Fund, we will strive to increase the value of your shares (capital appreciation) and, to a lesser extent, to provide income (dividends). We will invest primarily in undervalued stocks, meaning those selling for low prices given the financial strength of the companies.

Before

No consideration or surrender of Beco Stock will be required of shareholders of Beco in return for the shares of Unis Common Stock issued pursuant to the Distribution.

After

You will not have to turn in your shares of Beco stock or pay any money to receive your shares of Unis common stock from the spin-off.

Omit Superfluous Words

Words are superfluous when they can be replaced with fewer words that mean the same thing. Sometimes you can use a simpler word for these phrases:

Superfluous

in order to
in the event that
subsequent to
prior to
despite the fact that
because of the fact that
in light of
owing to the fact that

Simpler

to
if
after
before
although
because, since
because, since
because, since

Another source of superfluous words is “shot-gunning”: letting loose a blast of words, hoping that at least one conveys your intended meaning. The simplest solution here is to replace your laundry list of adjectives with a single word or phrase that adequately expresses your intended meaning.

Omitting superfluous words is one of the easiest ways to improve your business plan, because it doesn’t require you to revise sentence structure.

Before

The following summary is intended only to highlight certain information contained elsewhere in this Prospectus.

After

This summary highlights some information from this Prospectus.

Before

Machine Industries and Great Tools, Inc. are each subject to the information requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”).

After

We file annual, quarterly, and special reports, proxy statements, and other information with the Securities and Exchange Commission (SEC).

Before

Drakecorp has filed with the Internal Revenue Service a tax ruling request concerning, among other things, the tax consequences of the Distribution to the United States holders of Drakecorp Stock. It is expected that the Distribution of Beco Common Stock to the shareholders of Drakecorp will be tax-free to such shareholders for federal income tax purposes, except to the extent that cash is received for fractional share interests.

After

While we expect that this transaction will be tax free for U.S. shareholders at the federal level (except for any cash paid for fractional shares), we have asked the Internal Revenue Service to rule that it is tax free.

Write in the Positive

Positive sentences are shorter and easier to understand than their negative counterparts. For example:

Before

Persons other than the primary beneficiary may not receive these dividends.

After

Only the primary beneficiary may receive these dividends.

Also, your sentences will be shorter and easier to understand if you replace a negative phrase with a single word that means the same thing. For example:

Negative compound

not able
not accept
not certain
not unlike
does not have
does not include
not many
not often
not the same
not ... unless
not ... except
not ... until

Single word

unable
reject
uncertain
similar, alike
lacks
excludes, omits
few
rarely
different
only if
only if
only when

Use Short Sentences

No one likes to read a sentence that is two pages long. And yet, lengthy, information-packed sentences choke many business plans today. To complicate matters further, these sentences are filled with jargon and legalese. The longer and more complex a sentence, the harder it is for readers to understand any single portion of it.

Before

The following description encompasses all the material terms and provisions of the Notes offered hereby and supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Debt Securities (as defined in the accompanying Prospectus) set forth under the heading “Description of Debt Securities” in the Prospectus, to which description reference is hereby made. The following description will apply to each Note unless otherwise specified in the applicable Pricing Supplement.

If you really want to root out the problem with this paragraph, you need to think of the deeper reasons why it doesn’t work. If you look beyond the language used, you’ll find that it presents complex information without first providing a context for the reader.

The rewrites that follow show two ways to provide the context, with and without tabulation.

After

We provide information to you about our notes in three separate documents that progressively provide more detail: 1) the prospectus, 2) the prospectus supplement, and 3) the pricing supplement. Since the terms of specific notes may differ from the general information we have provided, in all cases rely on information in the pricing supplement over different information in the prospectus and the prospectus supplement; and rely on this prospectus supplement over different information in the prospectus.

Or

We provide information to you about our notes in three separate documents that progressively provide more detail:

1. The Prospectus
General information that may or may not apply to each note.
2. The Prospectus Supplement
More specific than the prospectus, and to the extent information differs from the prospectus, rely on the different information in this document.
3. The Pricing Supplement
Provides final details about a specific note including its price. To the extent information differs from the prospectus or the prospectus supplement; rely on the different information in this document.

Information-packed sentences leave most investors scratching their heads. So many of these sentences have become “boiler plate” that writers cut and paste them into new documents without thinking about how they can be improved. Since overly long sentences can be so intimidating, let’s tackle another one:

Before

The Drake Capital Corporation (the “Company”) may offer from time to time its Global Medium-Term Notes, Series A, Due from 9 months to 60 Years From Date of Issue, which are issuable in one or more series (the “Notes”), in the United States in an aggregate principal amount of up to U.S. \$6,428,598,500, or the equivalent thereof in other currencies, including composite currencies such as the European Currency Unit (the “ECU”) (provided that, with respect to Original Issue Discount Notes (as defined under “Description of Notes – Original Issue Discount Notes”), the initial offering price of such Notes shall be used in calculating the aggregate principal amount of Notes offered hereunder).

After

The Drake Capital Corporation may offer at various times up to U.S. \$6,428,598,500 worth of Global Medium-term notes. These notes will mature from 9 months to 60 years after the date they are purchased. We will offer these notes in series, starting with Series A, and in U.S., foreign, and composite currencies, like the European Currency Unit. If we offer original issue discount notes, we will use their initial offering prices to calculate when we reach \$6,428,598,500.

As you can see, one long sentence became four shorter sentences. The paragraph moves from the general to the specific, contains short, common words, and is written in the active voice. You only need to read the paragraph once to understand it.

Replace jargon and legalese with short, common words.

Ruthlessly eliminate jargon and legalese. Instead, use short, common words to get your points across. In those instances where there is no plain English alternative, explain what the term means when you first use it.

If you have been in the financial or legal industry for awhile, it may be hard to spot jargon and legalese in your writing. Consider asking someone outside the industry to check your work for incomprehensible words.

Don't create new jargon that's unique to your document in the form of acronyms or other words. It's asking too much of your readers to memorize a new vocabulary while they are trying to understand complicated concepts. This holds true for individual and institutional investors. Note the following, which is the first sentence on the cover page of an exchange offer:

NLR Insured Mortgage Association, Inc., a Delaware corporation ("NLR MAE"), which is an actively managed, infinite life, New York Stock Exchange-listed real estate investment trust ("REIT"), and PAL Liquidating REIT, Inc., a newly formed, finite life, self-liquidating Delaware corporation which intends to qualify as a REIT ("PAL Liquidating REIT"), hereby jointly offer, upon the terms and subject to the conditions set forth herein and in the related Letters of Transmittal (collectively, the "Offer"), to exchange (i) shares of NLR MAE's Common Stock, par value \$.01 per share ("NLR MAE Shares"), or, at the option of Unitholders, shares of PAL Liquidating REIT's Common Stock, par value \$.01 per share ("PAL Liquidating REIT Shares"), and (ii) the right to receive cash payable 60 days after closing on the first of any Acquisitions (as defined below) but in no event later than 270 days (nine months) following consummation of the Offer (the "Deferred Cash Payment"), for all outstanding Limited Partnership Interests and Depository Units of Limited Partnership Interest (collectively, "Units") in each of PAL Insured Mortgage Investors, a California limited partnership ("PAL 84"), PAL Insured Mortgage Investors - Series 85, A California Limited Partnership, a California limited partnership ("PAL 85"), and PAL Insured Mortgage Investors L.P. - Series 86, a Delaware limited partnership ("PAL 86"). See "THE OFFER."

This sentence suffers from many shortcomings. It's long and laden with defined terms and other data that mask the fundamental information: the two companies are offering to exchange their stock for the investors' limited partnership holdings. Some of the information, such as par value and places of incorporation, can be moved to another part of the document. Much of the language modifies the subjects and the objects: this language, too, can be moved to a separate sentence or another section of the prospectus.

This example shows the hazards of creating unfamiliar acronyms. They provide false economies, especially when they are introduced on the cover page and in the first pages of the prospectus. They may save a few words, but they may also frustrate and force the reader to take more time and effort to understand the document. Where acronyms, such as

REIT, are widely understood by the investing public, they can safely be used without creating confusion.

Occasionally, it's necessary to assign a shorter word to a long proper noun and use this word throughout the rest of the document. In these rare instances, try to choose a word that has an intuitive, logical relationship to the one it's replacing. This reduces the number of new words or phrases the reader needs to memorize to understand the document.

Choose the simpler synonym.

Surround complex ideas with short, common words. For example, use "end" instead of "terminate," "explain" rather than "elucidate," and "use" instead of "utilize." When a shorter, simpler synonym exists, use it.

Keep the subject, verb, and object close together.

Short, simple sentences enhance the effectiveness of short, common words. We've covered a number of guidelines for writing shorter sentences, but there are a few more you can use to streamline your writing further.

To be clear, sentences must have a sound structure. Here are a few ways to ensure yours do.

The natural word order of English is subject-verb-object. Your sentences will be clearer if you follow this order as closely as possible. In business plans, this order is frequently interrupted by modifiers. For example:

Before

Holders of the Class A and Class B-1 certificates will be entitled to receive on each Payment Date, to the extent monies are available therefore (but not more than the Class A Certificate Balance or Class B-1 Certificate Balance then outstanding), a distribution.

After

Class A and Class B-1 certificate holders will receive a distribution on each payment date if cash is available on those dates for their class.

Before

The following description of the particular terms of the Notes offered hereby (referred to in the accompanying Prospectus as the "Debt Securities") supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Debt Securities set forth in the Prospectus, to which description reference is hereby made.

After

This document describes the terms of these notes in greater detail than our prospectus, and may provide information that differs from our prospectus. If the information does differ from our prospectus, please rely on the information in this document.

Write using “if-then” conditionals.

Conditional statements are very common in business plans – although they are rarely written that way. When we rewrote the last example as a conditional, we followed the natural English word order very closely. That’s why the sentence is easier to read.

Here are four rules of thumb to help you write conditional statements effectively:

1. One “if,” one “then”: When there is only one if and one then, starting with the “if” may spare some of your readers from having to read the rest of the sentence. In these cases, the “if” clause defines who or what the “then” clause applies to.

If you invested in Class A shares, then...

2. One “if,” multiple “thens”: When there is only one “if” and more than one “then,” start with the “if” and create a table for the “thens.” For example:

If you do not properly proofread, then:

- 1) Readers will be confused.
- 2) You may be unintentionally communicating the opposite of what you mean.
- 3) Investors get a poor impression of your capabilities.

3. Multiple “ifs,” one “then”: When there is only one “then” and more than one “if,” start with the “then” and create a table for the “ifs.” For example:

Then, you must pay taxes if:

- 1) Your profits exceed your expenses.
- 2) You didn’t withhold enough money from your pay.
- 3) You failed to make adequate estimated tax payments.

4. Multiple “ifs” and “thens”: When there is more than one “if” and more than one “then,” you’ll probably need to break it down into more than one sentence, taking care to specify which “ifs” apply to which “thens.” If the information is still unclear, consider presenting the information in a table.

Keep your sentence structure parallel.

A long sentence often fails without a parallel structure. Parallelism simply means ensuring that a list or series of items is presented using parallel parts of speech, such as nouns or verbs.

In this section, we’ve shown each parallel structure we’ve used in bold.

Here’s an example that lacks parallel structure, from a mutual fund prospectus:

Before

If you want to buy shares in Fund X by mail, fill out and sign the Account Application form, making your check payable to “The X Fund,” and put your social security or taxpayer identification number on your check.

After

If you want to buy shares in Fund X by mail, fill out and sign the Account Application form, make your check payable to “The X Fund,” and put your social security or taxpayer identification number on your check.

Here is a more subtle example from another mutual fund prospectus:

Before

We invest the Fund’s assets in short-term money market securities to provide you with liquidity, protection of your investment, and high current income.

This sentence is unparallel because its series is made up of two nouns and an adjective before the third noun. It’s also awkward because the verb provided is too closely paired with the nominalization protection.

One logical revision to the original sentence is to change the noun series to a verb series.

After

We invest in short-term money market securities to provide you with liquidity, to protect your investment, and to generate high current income.

All writers, regardless of their degree of expertise, occasionally write unparallel sentences. The best way to rid your document of them is to read through it once, solely to find these mistakes. Reading your document aloud can make unparallel constructions easier to spot.

Steer clear of “respectively.”

How easy is it to read the following sentence once and understand what it means?

Before

The Senior Notes and the guarantee (the “Guarantee”) of the Senior Notes by Island Holdings will constitute unsecured senior obligations of the Issuer and Island Holdings, respectively.

After

The senior notes are an unsecured senior obligation of the issuer, while the guarantee of the senior notes is an unsecured senior obligation of Island Holdings.

Whenever you use “respectively,” you force readers to go back and match up what belongs to what. This may save words, but your reader has to use more time and read your words twice to understand what you’ve written.

6. Designing Your Document

A plain English document reflects thoughtful design choices. When you choose the right design, your document is easier to read and its information easier to understand. Choose the wrong design, and you'll have a "failure to communicate" again!

In this section, you'll learn how basic design decisions, like typeface selection, can dramatically improve the readability of your document. Be cautious when you use expensive design features that give artistic appeal, but only obscure the text. In a plain English document, design serves the goal of communicating your information as clearly as possible.

Beginning the Design Process

Note to public companies: If you have an in-house printing or graphics department, check to see whether they have already dealt with design issues in other documents or whether they have skilled designers who can help you with your document. If your company or underwriter has a style manual, it typically will define a required "look" that specifies typefaces and layouts. Since some standards or guidelines in your style manual may precede plain English, review them to ensure they contribute to good design and ease of reading.

If you plan to use a designer, keep the following in mind:

- Good design requires clear communication between you and the designer. Keep the lines of communication open and flowing.
- Take the time to explain the nuances of your document to your designer.
- Don't move into the design phase until your text is final. Once the document is put into page layout software, or once it is at the printer, making text changes can be tedious and expensive.

If you don't have a design professional, fear not. You can apply many of the simple concepts discussed in this chapter to produce a readable, visually-appealing document.

Side note for do-it-yourselfers:

If you'd like to learn about design, you may want to checkout Neil Tarvin's e-book...

How to Design and Create a Great e-Book

<http://greatebook.bizplansecrets.com/>

You'll notice Neil's site also has all kinds of resources for document design and development – free Word templates, software, and e-books to help you design and develop crisp layouts for your business plan. If you're acting as your own design professional, you'll want to add this site to your browser's "favorites" list.

While the field of design extends broadly, this section covers five basic design elements and how they contribute to creating a plain English document:

- hierarchy or distinguishing levels of information
- typography
- layout
- graphics
- color

Hierarchy

Much like an outline, a document's hierarchy shows how you've organized the information; it helps the reader understand the relationship between different levels of information.

A typical hierarchy in a business plan might include:

- The document title
- Section headings (first level)
- Subsection headings (second level)
- Paragraph headings (third level)
- General text (fourth level)

Designers use different typefaces or type sizes in the headings to distinguish these levels for the reader. As a rule of thumb, there should be no more than six levels in the document, excluding the document's title.

You can signal a new level by varying the same typeface or by using a different typeface. Here's a demonstration of how we've used different typefaces to distinguish levels in this manual:

Section headings

Subsection headings

Paragraph headings

General text

Typography

Although it may seem like a minor decision, your typeface selection will be one of the elements that most strongly defines the design and readability of your document.

Kinds of typefaces

Typefaces come in two varieties: serif and sans serif.

serif
N

sans serif
N

All serif typefaces have small lines at the beginning or ending strokes of each letter. Virtually all newspapers and many magazines use some form of serif type for their general text because serif fonts are easier to read than sans serif. Popular serif typefaces are: Perpetua, Georgia, Century, Garamond, and Times. Here are some examples:

serif

This is an example of Perpetua.

This is an example of Georgia.

This is an example of Century.

This is an example of Garamond.

This is an example of Times.

Sans serif typefaces lack those extra strokes, the small connective lines. This manual uses a serif typeface called Times New Roman for general text. The type used for most headings throughout this document is a sans serif typeface, Gautami. Arial, Franklin Gothic, Verdana, Century Gothic and Tahoma are other examples of sans serif typefaces.

sans serif

This is an example of Arial.

This is an example of Franklin Gothic.

This is an example of Verdana.

This is an example of Century Gothic.

This is an example of Tahoma

Generally, serif typefaces are easier to read in documents like business plans than sans serif because the small connective lines of serif help to lead your eye more quickly and smoothly over the text. It is best to use sans serif typefaces in small quantities – for emphasis or headings, but not for general text. Both serif and sans serif fonts work well for headings.

Selecting the right typeface

When choosing a typeface, think carefully about where the typeface will appear in the document. For example, will it be general text, or will it apply to information that needs to be highlighted? Will it introduce a section?

Some typefaces are harder to read than others, and were never intended for general text. Typefaces like Haettenschweiler or other bold, italic, or condensed typefaces were designed for headlines or for large display type, such as on signage and posters. These examples show how difficult it is to read text in these typefaces.

Haettenschweiler

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work... and you'll find there's a very strong trend now to align type on the left and leave the right ragged. - Robin Williams, *The Mac Is Not a Typewriter*

Franklin Gothic Condensed Bold

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged. - Robin Williams, *The Mac Is Not a Typewriter*

You can mix different typefaces, but do so with discretion; not all typefaces work well together. Mixing a serif and sans serif can look good and create a clear contrast between your levels. Mixing two serif or two sans serif typefaces can look like a mistake. As a general rule, do not use more than two typefaces in any document, not counting the bold or italic versions of a typeface.

Type measurement

All typefaces are measured in points (pts), but strangely, different typefaces in the same point size are not necessarily of equal size. For example, here are four typefaces set in 11pt:

This is an example in 11pt. Franklin Gothic Book

This is an example in 11pt. Century Gothic

This is an example in 11pt. Garamond

This is an example in 11pt. Georgia

This is an example in 11pt. Times

Choose a legible type size.

A point size that is too small is difficult for everyone to read. A point size that is too large is also hard to read. Generally, type in the 10pt to 12pt range is most common. But as you can see from the examples above, some typefaces in 11pt will strain some readers. If you have special concerns about legibility, especially for an older audience, you should consider using 12pt or larger.

Emphasizing text.

It's common in business plans to see blocks of text in bold and uppercase letters. The capitalization and bold type attempt to catch the reader's attention. Unfortunately, those capitals make the text difficult to read. All uppercase sentences usually bring the reader to a standstill because the distinctive shapes of words disappear, causing the reader to slow down and study each letter. Ironically, readers tend to skip sentences written in all uppercase.

To highlight information and maintain readability, use a different size or weight of your typeface. Try using extra white space, bold type, shading, rules, boxes, or sidebars in the margins to make information stand out. This manual uses different weight and highlights.

Whatever method you choose to highlight information, use it consistently throughout your document, so your readers can recognize how you flag important information.

Before

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

After

The Securities and Exchange Commission has not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

After

The Securities and Exchange Commission has not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Layout

Designers think carefully about white space, column width, line-spacing, and paragraph length. These design elements determine whether reading is easy or becomes too much of a physical or mental chore.

Side note for do-it-yourselfers:

Select a layout for your plan quickly...

Word Templates for e-Books

by Neil Tarvin

<http://ebooktemplates.bizplansecrets.com/>

Neil has put together a great series of Word templates that you can use for your business plan.

Use white space effectively.

Generous use of white space on the page enhances readability, helps to emphasize important points, and lightens the overall look of the document. White space especially affects the readers of business plans, because these documents usually feature dense blocks of impenetrable text.

You should fight the impulse to fill up the entire page with text or graphics.

A wide left or right margin can make the document easier to read. The use of white space between sections or subsections helps readers recognize which information is related.

Use left justified, ragged right text.

Research shows that the easiest text to read is left justified, ragged right text. That means that the text is aligned, or is flush to the left edge and is loose, or ragged, on the right edge.

The text you are reading here is left justified, ragged right.

Fully justified text means both the right and left edges are flush, or even. When you fully justify text, the spacing between words fluctuates from line to line, causing the eye to stop and constantly re-adjust to the variable spacing on each line.

Currently, most business plans are fully justified. This, coupled with a severe shortage of white space, makes these documents visually unappealing and difficult to read.

Be especially wary of centering text, or using text to form a shape or design. Uneven margins may make a visual impact, but they make reading extremely difficult.

Recommended: left justified, ragged right

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work... and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Not recommended: fully justified text

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work... and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Not recommended: centered text

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work... and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Use line-spacing to lighten the page.

Line-spacing, or “leading” (rhymes with “sledding”), refers to the amount of space between lines of text. Leading controls the density and readability of the text. Just as type is measured in points, so is leading. A type description of 12/16 means that 12pt type has been set with 4pts of additional leading between the lines. Generous leading can give a long paragraph a lighter, “airier” feeling and make it easier to read.

Avoid setting type without any additional leading (such as 10/10 or 12/12), sometimes referred to as being “set solid.” Typically, you should allow at least 2pts of leading between lines of type. You may want to add more leading, depending on the “airiness” you would like the document to have. Review the following examples to see how leading affects readability.

11/11

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

11/13

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

11/15

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Keep lines to a reasonable length.

A comfortable line length for most readers is 32 to 64 characters. Go any longer than that, and your readers will lose their place when they read from line to line. A safe rule to follow is: the smaller the type size, the shorter the line length. This is why when you pick up any newspaper, magazine, or large book you'll rarely see text that goes from one side of the page clear to the other, as you do in some business plans.

Use columns for large amounts of text.

Columns also help your readers to move quickly and easily through large amounts of text. An average column width can vary from 25 to 40 characters. Remember to use ample white space between columns, too. Note that while columns may make text more

readable on the page, they can reduce readability when someone is reading a document on their computer screen.

Don't

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Do

Justified text was the style for many years – we grew up on it. But there as been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Do

Justified text was the style for many years – we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Keep paragraph length relatively short.

To reduce dense text, keep paragraphs as short as possible. Even though paragraph length is determined by content, here are some design tips that can help to lighten a long paragraph.

- Use bullets to list information wherever possible. This makes information easier to absorb in one quick glance, as the following illustrates:

Before

The funds invest mainly in the stocks of U.S. and foreign companies that are showing improved earnings and that sell at low prices relative to their cash flows or growth rates. The Fund also invests in debt, both investment grade and junk bonds, and U.S Treasury securities.

After

We invest the fund's assets in:

- Stocks of U.S. and foreign companies that
 - show improved earnings
 - sell at low prices relative to their cash flows or growth rates
- Debt, both investment grade and junk bonds
- U.S. Treasuries

- Use tables to increase clarity

Use tables to increase clarity and cut down the amount of text. Tables often convey information more quickly and clearly than text. The information in this table is more easily grasped in a table than in a narrative form:

Before

Our investment advisory agreements cover the Growth Fund, International Fund, Muni Fund, Bond Fund, and the Money Market Fund. The effective date for agreements for the Growth Fund and the International Fund is June 1, 1993, and for the Muni Fund, Bond Fund and Money Market Fund, June 1, 1994.

After

Our Investment Advisory Agreement covers these funds:

Investment Advisory Agreement Effective date	Fund name
June 1, 1993	Growth Fund International Fund
June 1, 1994	Muni Fund Bond Fund Money Market Fund

Graphics

Graphics often illuminate information more clearly and quickly than text. This section introduces some basic guidelines about using graphics in your document.

Side note for do-it-yourselfers:

If you want to learn more, there are several books and articles that cover this topic in rich and rewarding detail. The best known work, *The Visual Display of Quantitative Information* (<http://visualdisplay.bizplansecrets.com/>), by Edward R. Tufte, provides practical advice on creating graphics.

In the introduction to *The Visual Display of Quantitative Information*, Edward R. Tufte writes about the importance and value of graphics:

At their best, graphics are instruments for reasoning about quantitative information. Often the most effective way to describe, explore, and summarize a set of numbers – even a very large set – is to look at pictures of those numbers. Furthermore, of all methods for analyzing and communicating statistical information, well-designed data graphics are usually the simplest and at the same time the most powerful.

On page 51 of his book, Tufte formulates a number of basic principles to follow in creating excellent graphics. Among them are these:

Graphical excellence is that which gives to the viewer the greatest number of ideas in the shortest time with the least ink in the smallest space.

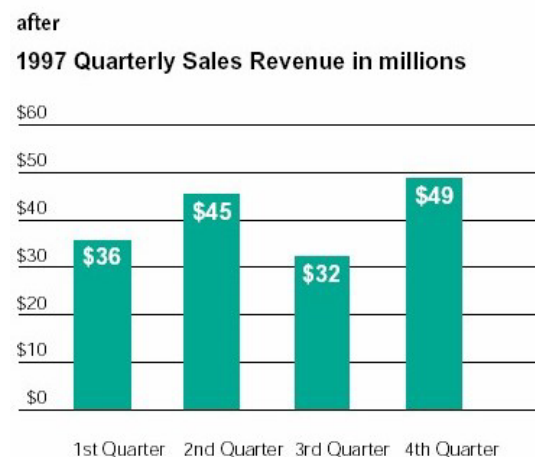
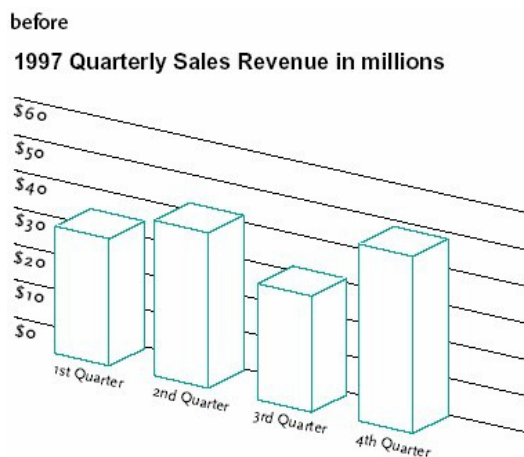
And graphical excellence requires telling the truth about data.

A few experts have studied the use of graphics in business plans, isolating the areas presenting the most problems. We can boil down their advice to these guidelines.

Keep the design simple.

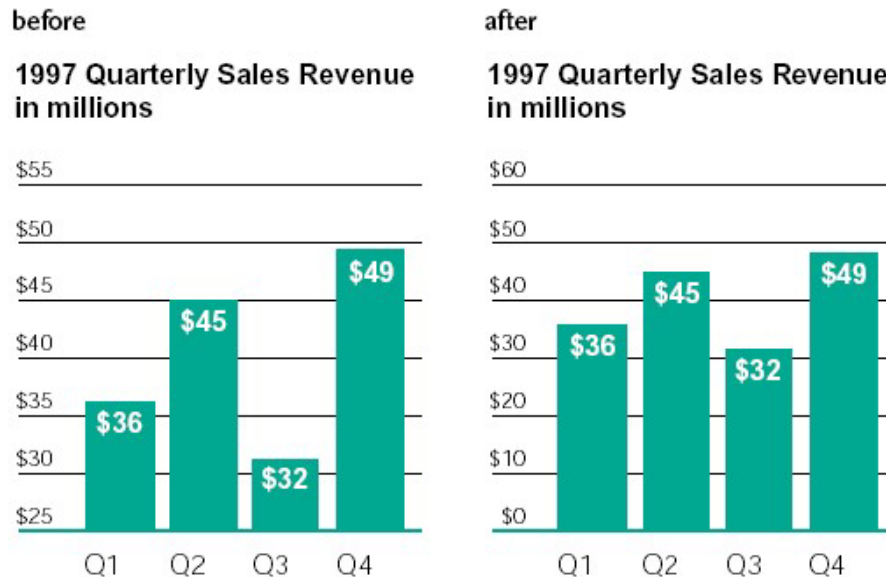
Keep the design of any graphic as simple as possible. Pare away any non-essential design elements so the data stands out. Think of it this way: as much of the ink as possible in a graphic should deal with a data points, and not decoration. Some of the worst mistakes occur when design elements interfere with the clear presentation of information, such as needless 3-D effects, drop shadows, patterns, and excessive grid lines. Don't let a design element turn into what Tufte calls "chartjunk."

This example shows how a 3-D bar graph provides initial visual appeal, but is harder to read and understand than a straightforward presentation of the same information. The multiple lines of the 3-D bars confuse some readers because the fronts of the bars appear to have a lower value than the back of the bars. The lines in the 3-D bar graph also make the graph look crooked.



Check proportions of visuals.

Generally, you should avoid graphics that start at a non-zero baseline, because they distort differences by destroying correct proportions. Compare these two bar charts to see how the non-zero baseline can mislead the reader as to the magnitude of change from quarter to quarter.



Draw graphics to scale.

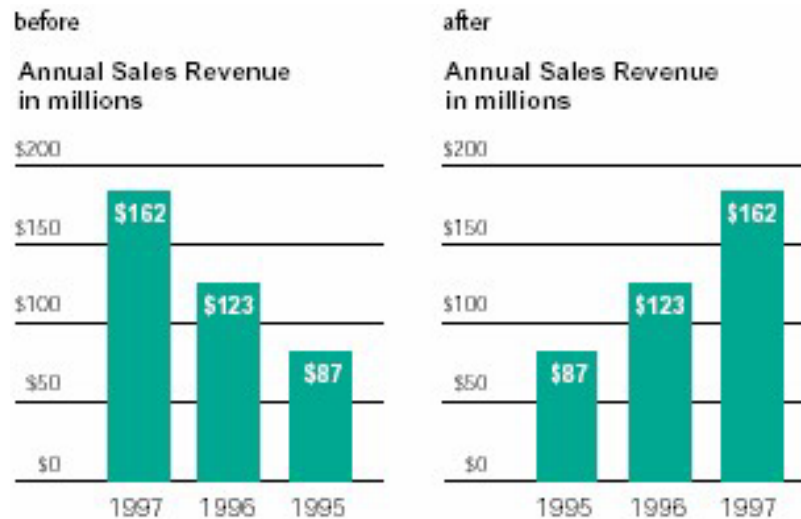
Any graphic should be proportionately correct or drawn to scale. For example, if you are showing an increase in oil production through a series of oil barrels in ever-increasing sizes, make sure a barrel isn't represented as 50 percent bigger when production went up only 25 percent that year.

Be consistent when grouping graphics.

If you group graphics side-by-side, avoid changing your scale from one graphic to another, as in the examples above. Also, lining up three graphics that present data in billions, millions, then dollars can mislead the reader.

Don't reverse time.

In graphics showing information over time, time should flow forward, not backward. With the exception of cultures where language runs right to left (e.g., Hebrew, Arabic), people read all material as progressing from left to right – we are psychologically trained to read material this way. In these examples, even though the first graphic is clearly labeled, it gives a false visual impression that earnings are going down over time rather than up.



Organize data to hasten insights.

Choose an organization that helps the reader grasp information and comparisons quickly. For instance, if you have a list of foreign stock markets showing their returns in one year, list them in descending order by the magnitude of their returns instead of in alphabetical order.

before	after
1994 Foreign Markets Total Returns in U.S. dollars	1994 Foreign Markets Total Returns in U.S. dollars
Argentina -23.6 %	Brazil +64.3 %
Brazil +64.3	Singapore + 5.8
Greece + 0.6	Greece + 0.6
Hong Kong -28.9	Philippines - 10.1
Indonesia -26.3	Malaysia -20.2
Malaysia -20.2	Argentina -23.6
Mexico -39.7	Indonesia -26.3
Philippines - 10.1	Hong Kong -28.9
Singapore + 5.8	Mexico -39.7
Turkey -50.5	Turkey -50.5

Integrate text with graphics.

A graphic and its text should be together. You don't want to break your reader's concentration by separating the two, forcing your reader on a detour to another page in search of the graphic that goes with the text.

Think twice about pie charts.

According to Tufte, “...the only worse design than a pie chart is several of them.” Pie charts can be useful in illustrating parts of a whole, but not when you divide the pie into more than five or six slices. Most readers find it difficult to draw accurate comparisons between pie slices or between multiple pie charts, because the slices form irregular shapes. Showing the same information in a table can often be clearer.

Don't forget your typography.

When choosing a typeface for text such as labels for the axes on a graph, consider using a sans serif typeface if the type is small and the text is short in length. If you want to insert a note or explanation directly on the graphic, use a serif font if the text is long. Continue to use upper and lowercase type for increased legibility. The guidelines for good typography we discussed earlier still apply when creating graphics.

Trust your eye.

Finally, one guideline rises above all others in importance and rests squarely with you: Cultivate an appreciation of graphics and then trust your eye. If a graphic seems unclear or unhelpful to you, no matter how many “guidelines” it follows, it probably needs to be revised.

Graphics communicate numbers and concepts visually. You turn to graphics when they stimulate a deeper or quicker understanding and appreciation of a situation than words alone. To create a good graphic, you must study the design critically and assess whether it conveys information honestly, accurately, and efficiently.

Color

According to Neil Tarvin, author of several books on e-book design and development, “There are numerous reasons and ways to use color – the trick is using it effectively.”

Black is a color.

The majority of your documents will be produced in black and white. When designing these documents, it's easy to forget that you are using a color: black. Since black is such a powerful color, balancing it on the page can be a tightrope act: too little emphasis can grey-out the page, too much can blacken it.

If you are using only black, your use of type is usually the way you balance the page's color. Some typefaces are heavier or lighter than others, and most type families are available in varying weights. For example:

Heavy
Less Heavy
Lighter

Choosing the proper combinations of type weights will help to make your document look more inviting.

Some additional ways to introduce visual appeal to a one-color document are through:

- Shading
- Graphics
- Rules or lines
- Colored paper stocks

Again, your use of these elements should not overwhelm or distract from the legibility of your text.

With all this said, a little color used effectively in your business plan can affect your investor's emotions, and even stir a few physical reactions too. You can also use color to highlight and emphasize important points in your plan and to help readers scan your document more easily.

The key is not to turn your document into a first-grade finger painting. If you want to use color in your business plan, try...

The “But I am Not an Artist” Guide to e-Book Design.

by Neil Tarvin

<http://ebookdesign.bizplansecrets.com/>