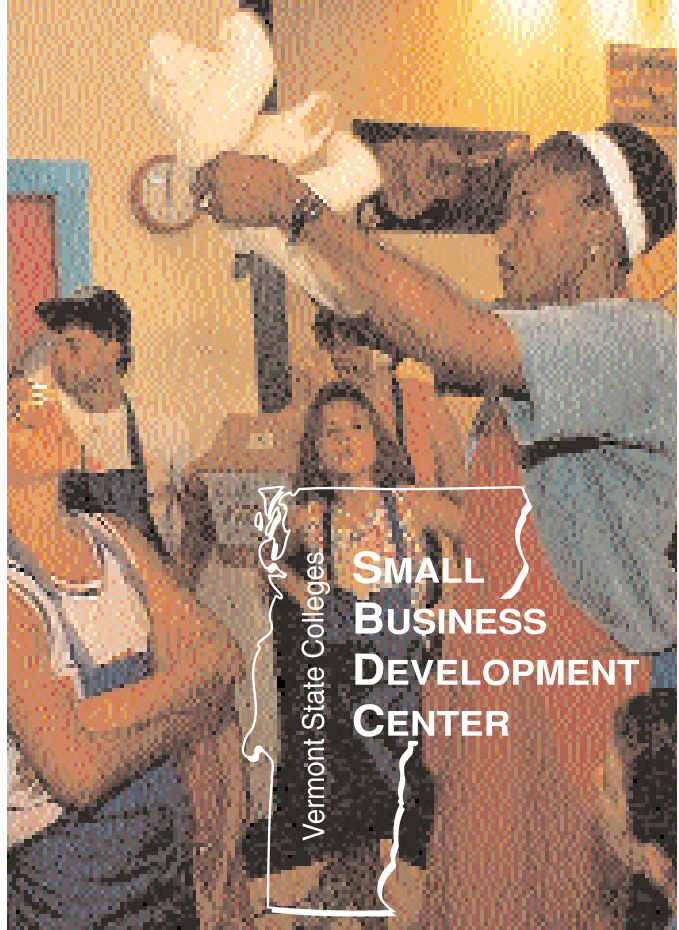


Business Plans Your First Step On The Pathway to Success



Vermont State Colleges
**SMALL
BUSINESS
DEVELOPMENT
CENTER**

Why go to the trouble of writing a business plan?

If you need help with your business plan contact the SBDC in VT 800-464 -7232 (802) 728-9109,
or visit our web site at www.vtsbdc.org

A business plan is an important tool for any entrepreneur. The process of developing your business plan will help you outline your goals and the methods by which you plan to reach them. A business plan is a tool for you to use to judge the effectiveness of what you have been doing. It is your measuring stick, your way of knowing whether or not you're on track. After all, if you don't know where you're going, how will you know when you get there?

Your business plan can also be a useful tool to help you raise capital for your business venture. Lenders like to lend money to businesses they think will be able to make it. Your job is to convince them that your business is going to be successful. Your business plan is a communication tool; a way of providing lenders with the information they need to make a lending decision. It is important to keep the kind of information they need in mind when you are preparing your business plan for use in raising capital.

General Guidelines

Some points to remember when modifying your business plan for investors or lenders:

- ⇒ Be honest - do not try to hide limitations and weaknesses.
- ⇒ Write in easy to understand terms. Avoid jargon.
- ⇒ The plan should represent the company's image and should convince the lender you understand all aspects of the business.
- ⇒ The plan should provide the lender with an understanding of your business and how you will use the loan.
- ⇒ A major focus of evaluation will be the company's management team.
- ⇒ The successful plan should answer at least three questions:
 - Where are we now?
 - Where do we want to be?
 - How do we get there?

Request Page (Cover Letter)

The request page should be separate from your business plan and written on company letterhead, if you have any printed. This letter should summarize your loan request. Information that should be in this letter includes your company name, the dollar amount required, when the loan is required, the purpose of the loan and how money will be spent, the amount and type of equity, the name and title of the person at your company whom the lender should contact if there are questions.

Section 1- Executive Summary

The executive summary should summarize the key points in your plan critical to the success of your venture. It is the first exposure a reader will have to your idea so it is important that it really "sell" your venture. For many lenders, the summary is all that they might read to decide whether to even consider your proposal. It should be at least one page but no more than three pages in length.

Most important—even though it is read first, the executive summary should be written last. The best way to write an effective executive summary is to write the full business plan and then abstract only the most important details.



Section 2- Business Description

This section should give the reader a good understanding of the background of your business and its history. Important points to include are:

- Business name & address
- History of the company and its development
 - ⇒ If the company is new, include information about how your idea was developed.
 - ⇒ Details about the legal structure of the company. When and how was it formed and what, if any, changes have taken place?
 - ⇒ The number of employees and how that number has changed over time.
- Mission statement of the business.
- Discussion about where the company is today (current status) and where it wants to be (company goals). State goals quantitatively. Analyze your company in terms of opportunities, threats, strengths, and weaknesses.
- Discussion of the company's product or services.
 - ⇒ Description of product or services
 - ⇒ What makes your product different from existing products
 - ⇒ What features give you a competitive edge
 - ⇒ The state of development (i.e. need further research & development, blueprints developed but not prototype, prototype built & ready for production)
 - ⇒ Protection of product (copyrights, trademarks, patents)

Section 3 - Management Team

The most critical aspect of the plan. Points to cover are:

- Key management personnel and their duties and responsibilities. Include resumes that show the experience and skills the management team has that are needed to manage the company -emphasize each person's past successes and current role in the business.
- Organization chart, salary structure and ownership share.
- Board of Directors and outside advisory services.
- Staffing plan - management needed in the organization to fill key slots, hiring plans, and the date positions will be filled.
- Names of stockholders and shares owned.
- Internal control, accounting, inventory, and management reporting systems.
- Investment involvement of principals.
- Unique competitive advantage from management experience or skills.

Section 4 - Market Analysis

The market analysis should address four major segments:

- Customers
 - ⇒ Who are your primary targets?
 - ⇒ Where are they located?
 - ⇒ Market size and trends - current unit and dollar size; future industry growth and trends; support with documentation.
- Competition
 - ⇒ Who are your prime competitors?
 - ⇒ Where are they located?
 - ⇒ What are their annual sales volumes and market share?
 - ⇒ What is the competitive advantage of your company and product compared to theirs?
- Estimated market share and sales
 - ⇒ What are your projected unit and dollar sales?
 - ⇒ What will be the area of sales territory and target markets?
 - ⇒ What marketing methods do you plan to use to reach these goals?
- Key assumptions

Section 5- Marketing Plan

This section should convince the reader you know how and where to sell your product. Discuss:

- Overall marketing strategy. A key element to discuss is the market niche the company will have. Discuss how customers will be identified, pricing policy versus competition policy, service and warranty policies, and how you will win customers from the competition. Include goals and timetables.
- Sales Methods - discuss advertising and promotion policy; sales force management; staffing - manufacturer's reps or company sales force; sales area; distribution and sales methods - factory direct, dealers, wholesalers; how sales methods will insure projected sales levels are attained.
- Test marketing planned and completed.
- Key assumptions.

Section 6 - Operational Plan

For Retail Or Service Businesses

- Description of product lines or services.
- Store location and layout, if known.
- Comparison to competitors products or services.
- Requirements of regulatory agencies.



For Manufacturing Ventures

- Description of product line or service.
- ⇒ Patents, copyrights, trademarks.
- ⇒ Comparison to competitors product or services.
- ⇒ Requirements of regulatory agencies.
- ⇒ Unique competitive advantages.
- Size of facility needed with a plant layout sketch.
- State location of site, if known.
- Production methods and production process.
- How the manufacturing operation will make the business a success. Detail production capacity versus sales needs. Describe number of workers needed, the skills needed, and training programs. Include product literature on key pieces of equipment that you will purchase and why you are buying those pieces.
- Inventory policy for raw materials and finished goods.
- Quality control programs.
- Raw materials needed and sources of supply. List key suppliers.
- Key assumptions.
- Environmental factors.
- Condition of production facilities and equipment.
- Unique competitive advantage in manufacturing process.

Section 7- Financial Data

- Income projections - 3 year with notes of explanation (see example).
- 12 month cash flow with notes of explanation.
- Pro Forma Balance Sheet with notes and explanation (see example).
- If you will be submitting your business plan to a potential investor or lender, you may also wish to include the following:
 - ⇒ Sources and application of funding.
 - ⇒ Equipment list- model and serial number.
 - ⇒ Breakeven Analysis.
 - ⇒ Detailed cost of goods sold schedule.
 - ⇒ Financial statements for past 3-5 years.
 - ⇒ List of collateral offered to secure loan.
 - ⇒ Aging of accounts payable and accounts receivable.
 - ⇒ Personal financial statements of all owners with 20% or more ownership.

Section 8 - Supporting Documents

- Letters from future customers.
- Plant layout.
- Product brochure, promotional materials.
- Management resumes.
- Market research data.
- Patent or trademark data.
- News articles about your business or product.

Income Projection Suggested Format

SALES:		\$ _____	
Cost of sales			
Material	_____		
Inventory (parts)	_____		
Labor	_____		
Supplies	_____		
Inbound Freight	_____		
GROSS PROFIT		\$ _____	_____ %
			As a percentage of total sales
OPERATING EXPENSES:			
Officers salaries	\$ _____		
Office/Mgr's salaries	_____		
Payroll	_____		
Payroll taxes	_____		
Office Supplies	_____		
Advertising	_____		
Travel	_____		
Depreciation	_____		
Outbound Freight and Postage	_____		
Insurance	_____		
Utilities	_____		
Accounting/Legal	_____		
Telephone	_____		
Repairs/Maintenance	_____		
Miscellaneous	_____		
Vehicle	_____		
Rent/Lease	_____		
TOTAL EXPENSE		\$ _____	_____ %
			As a percentage of total sales
NET OPERATING PROFIT:			
Interest Expense	_____		
Other Income	_____		
Other Expense	_____		
NET PROFIT (Before Income Taxes)		\$ _____	_____ %
			As a percentage of total sales
Estimated Income Tax		_____	
NET PROFIT		\$ _____	_____ %
			As a percentage of total sales



Balance Sheet Suggested Format

CURRENT ASSETS:

Cash _____
 Accounts Receivable _____
 Inventory _____

TOTAL CURRENT ASSETS \$ _____

PROPERTY AND EQUIPMENT:

Land and Building _____
 Fixtures and Equipment _____
 Vehicles _____
 Less Accumulated Dep. (_____)

NET FIXED ASSETS \$ _____

OTHER ASSETS:

License _____
 Goodwill _____

TOTAL ASSETS \$ _____

CURRENT LIABILITIES:

Notes Payable (1 year) _____
 Accounts Payable _____
 Accrued Expenses _____
 Taxes Owed _____
 Long Term Debt (Current Amt) _____

TOTAL CURRENT LIABILITIES \$ _____

LONG TERM DEBT \$ _____

Loans _____

TOTAL LIABILITIES \$ _____

STOCKHOLDERS EQUITY:

Capital Stock _____
 Paid-In Capital _____
 Retained Earnings _____

TOTAL NET WORTH \$ _____

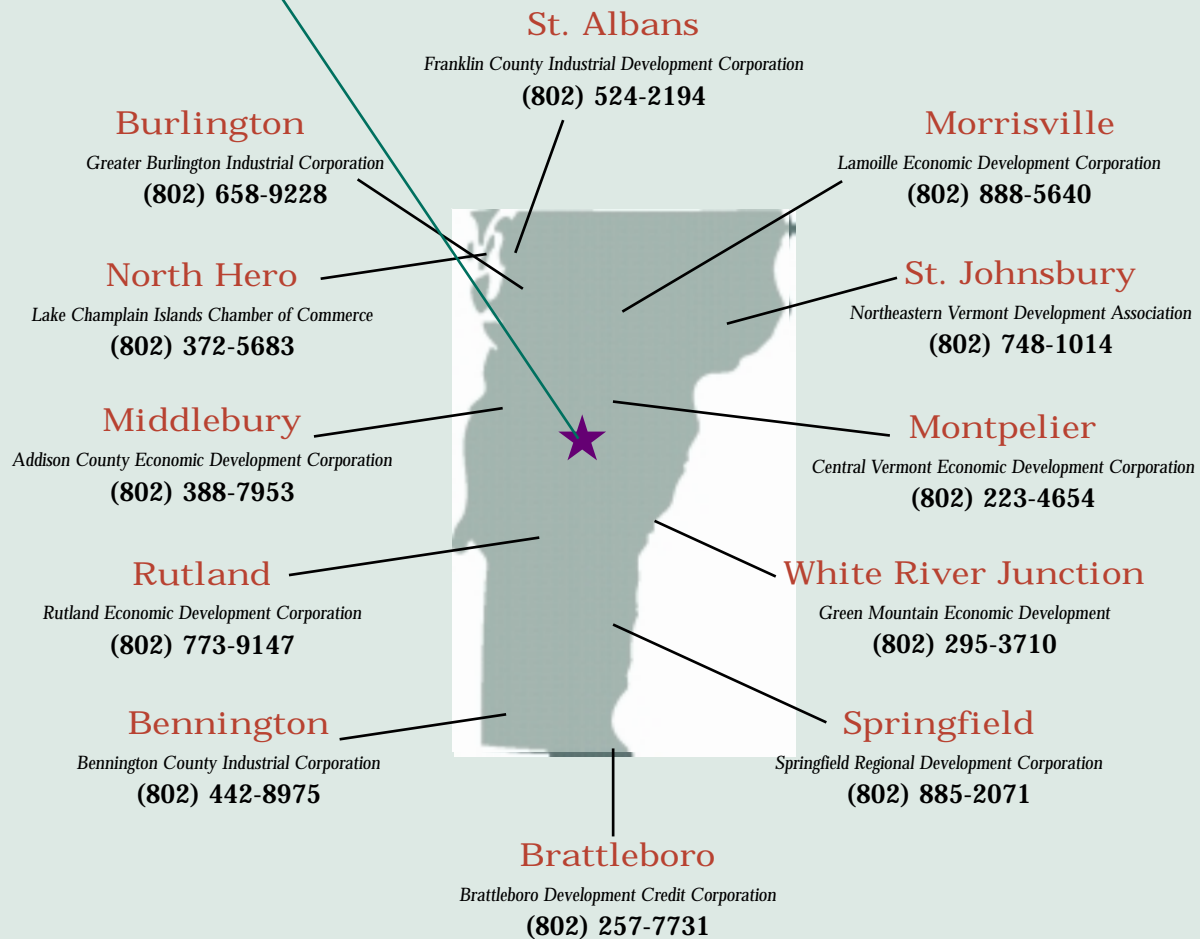
TOTAL LIABILITIES AND NET WORTH \$ _____

Where To Find Us

Contact your local Small Business Development Center, co-located at the Regional Development Corporations across Vermont, for assistance.

The SBDC Administrative office, our Environmental Assistance Program, and Training Manager, are located at the Vermont Technical College in Randolph Center.

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