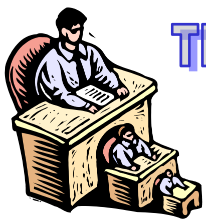
<B>Writing Your Own Business Plan



Three Elements to a Complete Business Plan

I. Description of Your Proposed Business Operation

II. Actual Business Plan Sections

III. Related Supporting Documents and Records

Introduction:

Writing a comprehensive Business Plan for your emerging company is the best single investment you can make in your firm's success. A detailed and specific plan will help you design your company for success and eliminate any one of the hundreds of problems you will encounter. A well-written Business Plan, with all of the attachments, gives you a precise blueprint of what you hope to achieve, gives your employees and staff an operating document to build on, and it gives outsiders --including lenders and investors, confidence that you know where you are going. Without a plan, you blow wherever the whims of the day take you. With a plan, you know what your measured goals and objectives are, and precisely the steps to take to reach those goals. A Business plan also spells out areas that need further study and helps make decisions before a crisis forces you to decide. In short, a Business Plan is your design for success even as you take the first steps of creating your firm.

I. Description of Your Proposed Business Operation

- **a. Exact description of the business**
  - i. Company goals and objectives.
  - ii. Mission Statement.
- **b. Examining Competition**
  - i. Who they are.
  - ii. Where and what they are.
- **c. Defining Markets**
  - i. Define and examine the "people numbers" and the "Why they buy" factors of your marketplace.
  - ii. Slicing markets into useable "targeted market segments".
  - iii. Methods to approach market segments and strategies to reach your buyers effectively.
  - iv. Your company’s “positioning statement"
- **d. Defining and finding Customers**
  - i. Research & surveys
  - ii. Testing your markets/ trial runs and feedback

iii. Why should they buy from you? (Your unique advantage).

e. Procedures for Operations

i. Systems for order-taking, delivery, handling money, returns.

ii. Accounting at the operating level.

f. Legal and Personnel

i. Organization of the business operation (sole proprietor, partnership, corporation, limited liability companies, other, etc.)

ii. Employees, independent contractors, management, payroll, and personnel policies.

iii. Local, State and Federal laws, and regulations; the IRS and taxes.

iv. Business accounting and cost accounting.

g. Start-up Capital

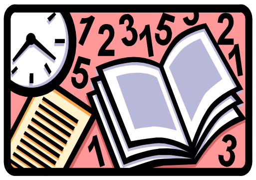
i. Sources of funds to begin or continue operations.

ii. Raw materials, supplies, office equipment, phones, vehicles.

iii. Operating funds: project expenses, operating income, reserves, "mistake funds."

iv. Sources of outside capital.

II. Actual Business Plan Sections



a. Statement of Company Purpose.
b. Direction of the Firm
c. Overview of Company Operations
d. Long-Term Company Objectives

e. Service Delivery/Product Lines
f. Markets/Market Analysis
g. Marketing Strategy/Sales Strategy
h. Management Team
i. Financial Plans/Projections
j. Anticipated Financial Needs
k. Return of Capital
l. Concluding Remarks

III. Supporting Documents and Records

a. Background/resumes of all principals.
b. Licenses and legal documents.
c. Franchise contracts (if applicable).
d. Building and Equipment leases (if applicable).
e. Letters of intent from all suppliers/service providers (delivery systems, if applicable).
f. Personal Financial Statements of Principals (Net Worth Statement)
g. Tax record of principals for the last 3 years.
h. Outstanding current indebtedness (liens, loans, promissory notes)
i. Surety interest of firm in other companies (equity/debt shares, options, etc.)

Description of Your Proposed Business Operation

a. Exact description of the Business.

i. Action Step: "What Business Am I in?" That in essence, is what the whole business plan is about. If you plan a business, then you need to know what that business will do, who it will serve, what you hope to earn from the product or service delivered, and how that business can grow. Without an answer to those five words, you might meander into some other businesses and not even know it. Writing it down gives you clarity of thought and helps with focus. It also makes you think.

The simplest, most effective way to answer the question is a blank computer screen or a pad of paper. In one to five sentences, tell us (your potential customer) exactly what you will do. If you say that you will be the fastest frozen chicken parts distributor West of St. Louis, that means you move more hot wings than anybody. However, if your goal was to deliver hot, delicious, cooked chicken to your customers, you have a problem. Make the statement clear, simple, and understandable. A well-known hamburger chain delivers quality, hot food, quickly, in a clean, safe environment. Could they deliver sushi, tacos, or pickled herring? Yes. Their goal is quick, hot food, in a clean environment. Does that mean they serve drinks and desserts? Yes again. Are they likely to create an expensive sit-down dinner house in the future? Not likely. Remember, quick, hot food, in a clean, safe place. Is a family with five squirming pre-school children welcome in that restaurant? Right. Could the company raise prices and offer different levels of food? Absolutely. Thus, the simpler your statement, the better. "Cabinets with installation, for sale in 3 Eastern states." No garage doors or plug in lamps, no dishwashers, or stoves, just kitchen cabinets. A defined specialty. Your business needs to spell out exactly what you want to do, and where.

ii. A second element of the Business Plan description is the company goals: "To produce and install more new cabinets in more new homes than anyone else in Sandusky, Ohio". A good concise statement of intent (produce and install more new cabinets, in more new homes than anyone in Sandusky, Ohio). Could the company install cabinets in Peoria or Idaho? Yes, but their first goal is "produce and install more new" cabinets than anybody in Sandusky. Could they create a second company that installs wall switches and appliances? Correct, but their first goal is more cabinets in more houses than anyone (dominance and building market share). Would that dominance in one market take them into other markets? Certainly. Would their entry be easier since they did the work in one area? Yes again. Certainty of purpose means you know what you are trying to accomplish. More mobile hot dog stands than anybody on the West Coast. Think of it. In addition, they all have your name on them.

Most companies start out doing one thing, and doing it well. Over time, companies stray from being a one-note specialty firm into multiple activity firms. That is often a mistake. A Mission Statement helps keep the company and its workers focused on the task at hand and away from oftentimes-dangerous adventures. If you do tacos well, why add roast beef sandwiches unless you want to broaden your appeal, change your pricing structure, invite confusion, and introduce undue competition. If your Mission Statement says the finest ethnic Mexican restaurant, don’t dilute your specialty by tackling too many fields at once. Are the people who want good "bratwurst", the same people who want good spaghetti?

Oftentimes, no. Specialty means honing in on your Mission and reaching goals, rather than bumping against them and straying off into unknown territory. Specialty first. Success next. Adding variety and profits as opportunities arise. However, in the early years, "stick to your knitting", and make the firm profitable and long-lived.

As part of a company's statement of objectives, every new businesses should map out a set of preliminary goals for: sales, revenue, new markets, number and type of new accounts opened, distribution/dispersion patterns, net income before taxes, net income after taxes, and specific plans for the growth and expansion of the firm. If the partnership grows, will it become a corporation? Does the firm hope to go international? Good question. Who would run the Hawaiian island division while the CEO is working in Paris? Another good question, and a good decision made now will help focus where resources get spent and where energy gets used to develop those markets. If owners don't plan where they want to end up, they end up where they come to a halt, and can't decide what to do next. Lack of planning leads only to chaos and loss of focus.

b. Examining Competition

i. Action Step: From the day a business opens its doors, it has competition. Someone down the street, some store around the corner, someone on the "net" may offer the same or similar products at a lesser price, faster, or more conveniently. The secret to success is to identify, understand, and attack your competition where they are not. Before any new business starts doing business, the owners need to decide exactly what they will be offering (choice, selection), know why they have chosen that product or service to offer, and then decide how they will compete. That means, research of products, services, styles of display, and distribution, lists of suppliers and vendors, scarcity of product, demand for the product or service, and how best to fulfill the demand. It means shoe leather and questions to all levels of industry. Before a firm opens its doors, it needs to know where the demand and the competition are located on the spectrum of sales. Does that company offer the lowest price? Does this one offer the fastest delivery of Alaskan whale blubber in Nebraska? Does another firm sell its reputation as the most sophisticated (expensive) retailer? In short, identifying what the other guys/gals are doing is the first step to know what your particular appeal will be.

If you can ship roofing tiles cheaper than anyone, that is your competitive edge. If you deliver the finest massage service, that is your edge. If you produce only local hand-made items, then price and national distribution do not even enter the picture. The key is some unique thing you do better than anyone. Oftentimes, big companies "spin-off" small unprofitable divisions that cannot be made profitable through regular distribution channels. Given new technology and alternative distribution (includes the World Wide Web), the warehouse retailer of mukluks may have thousands of new customers in Siberia. Thus, a shipping warehouse and a computer website give them access to customers who only need to find the site. Therefore, the competitive edge for every business is to find a "niche" where they are the top player and have some competitive advantage of price, location, delivery, or convenience.

One added note on competition. Every business comes with a history of how the owners got to their current situation. In any Business Plan, it is also important to briefly map out how an interest by one individual grew into a part-time income generator and that that interest eventually became the firm. Histories of products and the players in the firm often give clues to what markets they can service effectively.

ii. A former retailer of specialty glass may be the perfect person to help launch a line of specialty glass retailers on "the web". Prior knowledge of other firms, family history, training, interest spawned by exposure to a different facet of the field, may lead to success. If you have operated a gas station, you probably know what percentage of your customer base needs on oil change, and thus can predict how welcome a chassis lube and oil change franchise might be in the same, or an adjacent location. Thus, the competitive edge may come from existing players and should not be overlooked as a "unique advantage" to be used in the formation of the new company.

c. Defining Markets

i. Define and examine the "people numbers" and the "Why they buy" factors of your marketplace. Action Step: Markets used to mean the total body of buyers and sellers in a giant, indistinguishable mob. Today, Markets mean that vast array of buyers, sellers, wholesalers, retailers, distributors, producers, and consumers in very specific and very particular groupings. People who watch stock car racing are not likely to be the exact same audience for imported caviar. Runners, backpackers, and bicyclists are not generally the same people, but they might be. A plumber may love Mozart's music and an aircraft engineer may like big time wrestling. Who are these people, and how do I find them? That is precisely the question that every new business needs to find the answer to. The simple short answer is: ask them. The longer answer is to examine their buying habits, gather data "about these people" through surveys, calls, letters, flyers, ads, and personal contact. If you, as a company, think there is strong demand for skunk fur jackets without talking to your potential customers and asking them about their preferences, you may be in for quite a shock to your bottom line. Hundreds of companies have brought out new products that customers had no interest in buying. Many of those companies are now on the junk heap of bankrupt organizations that missed an entire movement in buying habits. Your goal is to identify a need that is not even visible yet, and be first with a good supply of well-priced products or services.

A second major area for marketplace research is the "external factors" that influence their buying. If gasoline prices are headed up, most folks will buy now and save a few pennies. Government policies, seasons of the year, changes in GNP, the Stock Market, or the Consumer Price Index, cause people to buy their new Hudson today or delay.

As a business, you cannot know exactly how consumer will react, but knowledge gleaned from previous customer purchases, seasons of the year, sales locations, product lines, all will give you a strong clue not to bank on selling square hula hoops just next week. Nevertheless, pet boulders in personal traveling cases might be just the ticket.

A third part of Market research is an analysis of the products and services you are offering to your customers. You may carry several inexpensive novelty items, but sales are down, why? Your product features or your service array may be wrong for the group you are talking to. People without shoes rarely buy expensive watches. Thus, a strong examination of your product lines, their features, and benefits to your customers come into play. If you sell $1,500 lawn chairs to Manhattan apartment dwellers, you may have a problem. Your upcoming line of $900 snow skis may not be a hit in rural Georgia or Tennessee. Your products may not meet changing demands for convenience, durability, price, or style. Your patents to produce pink lawn flamingos might need to be re-negotiated if you hope to sell them in Vermont in February. Thus, a serious examination of the products to match the customer might be in order. If an upcoming product line is out of favor, why spend on a risky line. If my expensive line of jewelry is being attacked by overseas imports, I may need to re-position the line and find more customers that are affluent close to home, or lower prices.

As part of that product evaluation, every business needs to address the volatile issue of product life cycles and projected revenues from product or service lines. A new line of novelty items may already be replaced by a newer, hotter trend. Products that used to have a 4-year life cycle may be off the shelves in 18 months, due to changes in manufacturing or distribution trends. Any new business needs new products or service to keep their name and reputation in front of the customer. Without new research and product development, even the most prosperous business will shut its doors. Thus, the two-edged sword of current sales and future revenues are constantly out of balance. Things that sold last year may be passé and thus will be ignored. Without a constant search for new ways to reach the customer and feed those needs, no business will exist.

ii. Slicing markets into "targeted segments"

Action Step: get your firm off to a good start, it may be necessary to "take only parts" of the total buying market and build a presence with that audience. Instead of appealing to every car buyer, many overseas car manufacturers went only for the economy car market, and then added more luxurious models as time went on. Others took the top end of the scale, the luxury market, and only produced cars for those willing to spend $40,000 and above for their vehicles. As opposed to offering every kind of car for every kind of person, profitable firms spent their cash in developing a "position" or shelf in the mind of the buyer. Service companies do the same. If I offer every financial service under the sun, then I am known as a supermarket, not a provider of quality service. If, however, I define myself as a specialist, I can add more products, but most people still think of me as a specialty firm. If your product is office supplies, perhaps your most profitable line is the $100 stapler, or the $200 pen. You might also be known as the high quality firm with a 19 cent yellow throwaway pencil. Either one is a "position", a shelf in the mind of the buyer. Your job as a firm is to create shelves for all your products. If Customer A wants a cheap desk, he thinks of us. If she wants an expensive daily planner, then that shelf belongs to my firm. Shelves happen when you define yourself and differentiate yourself from the other products on the market. Even things as simple as type face and "tone" of your print and radio ads give people a picture of your firm. How many 4WD SUVs are cheap? Answer? Not in the mind of the buyer. That is an expensive shelf. Can I make it expensive in the buyer's mind? Yes, I can. It should belong to your company. You give them the information to create the shelf in their mind. Your job is to create those shelves and load them with the name of your company first. Thus, there is no competition, just one name, for the left-handed, perforated steam bucket--that only your firm produces.

iii. Method to approach Market segments and Strategies to reach your buyers.

Action Step: Advertising executives tell us that we are bombarded by 100-200 commercial messages per day. Everything from underwear to the color of the cola can that we reach for. How then do we find our markets and get them to act the way we want? As mentioned earlier, the answer is to segment some group, like teens, little league dads, soccer moms, or elders, and ask, test, probe, survey, and listen to what they say they want in a product or service. Auto dealers do that all the time. They ask owners and non-buyers why they chose their vehicle. Two sliding doors might be one response, another might be ease of handling, and a third might say rugged good looks. Thus, when matched with the corporate objective of reaching market share in the "people group" you want, you should be “customizing" your products and lines to fit their needs. If more women drivers want better ease of entry, someone will deliver. If more men want a trouble free transmission for 100,000 miles, that can be done. In short, the preferences of the group you watch will determine what you plan for in your future. If minivans are out and SUVs are less in favor, those car dollars are going somewhere. The age, income, activities, and preferences of these "target markets" will be reflected in more custom-fitted lines. Instead of five kinds of financial sales, one "plan" pattern that includes four to six products will be introduced. Can age, income, geography, recreational interests, educational background, charitable giving habits, church attendance, and more do this sifting and winnowing? The answer is always asking and checking with the customer about his/her desires.

iv. Your Company's positioning statement.

Action Step: Once you have the information from the customer and are in line with the objectives of the firm (to build market share), you create (as before) a specific statement that defines who you are, who you serve, and what they can expect from you. "FogBog Corporation specializes in the delivery and distribution of biodegradable aggregate materials to keep Boston's streets safe and clear in winter." Could FogBog produce aggregate for summertime beaches, road tar, and gardening mulch? Yes, but its primary statement of position is that of an aggregate firm that keeps streets clear in the winter. Does FogBog sell black dirt, road salt, and potting soil? Yes again, but FogBog is KNOWN as the wintertime safe streets firm. Does anyone else have that position? No. Thus, no competition, AND a pre-set place in the mind of many that only FogBog keeps streets safe. Your market now knows that you are there and what it is you do.

d. Finding your Customers

Action Step: Once you know what your company is trying to do (goals), what your customers want done (customer needs), and how you might approach them (research and your positioning statement), you have completed three of the four steps to find and bind to those customers. The fourth vehicle is the Marketing Plan/Sales Plan. Most people see both as interchangeable terms, but marketing finds needs and venues to solve those needs. Sales deliver the benefits that marketing says they wanted. Any product or service should be a reflection of that desire to solve some need. Once identified, the sale delivers the benefit that the customer expects. Market analysis finds needs within groups. A Market Plan delivers those benefits through advertising, print and radio, seminars, flyers, mailers, infomercials, trade shows, and promotional activity. Sales close the loop by delivering the solved benefit to the customer. The happy customer goes home and thinks of a different need for solution the day after tomorrow. Your job is to be there with the next solution as soon as the customer sees that he/she needs it.

e. Procedures for Operations

Action Step: At the start of any new business, it is critical to divide the staff (perhaps all two of you) into who is responsible for what. If Mr. A is in charge of production, he should set about to line up supplies, work space, production, tools and needs, and all other items required to deliver the finished product-under budget. Ms. B meanwhile has the equally important job of seeing to it that all of the paperwork and support documents, to keep the production line moving, are standardized and-- under budget. If A buys raw materials above cost and B does not have the authority to rein him in, your firm is in trouble. Clear lines of authority, in even the smallest firm, are essential. She does the production; he handles the books. Neither function should be left to another time. Both should be spelled out as the firm gets going. Outlines and even simple procedures for order taking, payments and credits, returns, and shipping costs need to be allocated to a person in charge of the function. Once chosen, these allocated tasks should not be left to someone else. Multiple computer programs, readily available, help even the smallest firm keep track of who is doing what and who is responsible for what. Use them and teach yourself or your staff how to keep count on a daily basis. Everyone might wear three hats in a small firm, but each hat needs a head under it to be responsible for specific activity. If shipping runs out of boxes, or service has no invoices, a budding firm may grind to a halt before it begins to fly.

A second major area for the Operations function is a simple, daily, accounting system. Numerous inexpensive computer programs and scanners allow shop floor people to keep track of how many widgets were shipped, how many were returned, and who kept the count. It goes without saying that a new firm needs an absolute grip on inventory in, and receivable successfully shipped out. Without a daily tally, money is flowing out the door and no one can identify where it went. "Seat of the pants" management with shoeboxes of receipts work in Hollywood movies, but it does not bode well for a firm that wants to be profitable and long-term at the same time. Because capital is so precious in the startup phase of any business, the simplest, shortest cost, accounting system is best. That way, we can track how much it cost to produce our "little red wagon", down to the penny, and we can see whether our systems need adjustment, almost immediately. Daily, weekly, and bi-weekly operating systems work well for product firms, and daily and weekly tally sheets, or computer entries work well for service firms. Clearly, payroll, employee withholding, and sales tax filings require that any business have a handle on what went on today. If a new, small firm does not make itself "businesslike" and efficient in handling its own capital, how then can we expect others to lavish venture capital and equity on an organization that does not mind its pints and quarts as a startup? Good habits build good businesses. Good businesses build great corporations. Great corporations make owners rich men and women.

f. Legal and Personnel

Action steps: At the moment, a business begins operation; it is a sole-proprietorship or a partnership of two or more individuals. Even as the first product or service unit rolls off the line, the owners must decide exactly how they wish to position themselves in terms of the legal definition of a firm. Sole proprietors can choose to pursue any business interest they wish, but they should also understand that their entire stake of personal assets is at risk with them. If a sole proprietor produces a product that results in the death or serious injury of a customer, they are fully liable for any damages and claims against them. Sole proprietors can lose their homes, businesses, cars, stock and bond portfolios, retirement accounts, and even their life savings, if the damage claim is large enough. Thus, from the beginning, any new firm should decide exactly what type (legal definition) of a firm it wishes to be. Partnerships, both general and limited, may expose all or some of the partners to claims for debts and expenses authored by any of the partners. The so-called "subchapter S" (small) corporations have both benefits and liabilities to their type of ownership formation. New companies may decide to file with their state or federal government entities as a standard "C" corporation for reasons of liability, capital formation, taxation, and regulation. Many states allow the more current "limited liability companies" or partnerships as a vehicle to allow some types of action and restrict or shield other types of liabilities. It is however, most important, that you as a new business owner seek competent legal counsel, discuss with them your plans for your firm, and heed the warnings and benefits that each type of ownership allows. A strong, small company can be destroyed in a matter of weeks or days if the legal form of its operation clashes with tort law in your state, region, or country. The number one rule is to seek counsel, listen and decide, and operate as a law-abiding firm.

A second major arena for corporate consideration is the very fluid area of personnel policies and practices. Every company that does something has to have employees to do the work. If you are a one-person artisan's shop, your worries are much reduced. However, if you are a distributor of products and you hire 50 individuals to represent your firm worldwide, you may have to look at how those workers are classified. Moreover, make certain your definition, and that of government regulators, is in sync.

There are at least three well-known classifications for individuals working for your company. The first is the owners or principals of the firm. Without them, and their capital or skill, there is no firm. The second group is the definition of an employee. Federal tax regulations, not to mention, state and local codes, may classify people as employees, even though your firm does not see them that way. A third group may entail: temporary, seasonal, daily labor, and independent contractors. Each is a separate classification, and each is subject to local, state, or federal regulation and tax policy. At the start of any new business venture, it is imperative that all decisions about who and how to hire are discussed with your CPA, accounting firm, and local/state/national tax reporting agencies. Fines, litigation, cease and desist orders; even seizures of the business and its assets can arise out of carelessness or contempt for regulatory requirements. Far better to know, understand, and comply with your responsibilities as an employer, then to be the subject of a messy, prolonged, and destructive fight to keep the business in operation on regulatory grounds. Business is tough enough without the drag of the IRS dogging you, your employees, suppliers, and distributors.

It goes without saying that any personnel policies that you adopt should also be in compliance with the state, local, and federal standards prohibiting discriminatory practices, improper or illegal behaviors, and behaviors that restrict entry by qualified candidates from working for your firm. As before, you attorney or legal counsel can bring you up to speed on most major areas of the law, and keep you and the EEOC, IRS, HUD, or worse, as far from each other as possible. Good business means you run a good business and bring the best people you can find into your workplace. Improper practices are simply bad for business in the long run.

g. Startup Capital

Action Step: Starting your new business may be as easy as picking up the phone on your desk and making a few calls to offer a product or service. It may mean raising millions of public dollars to bankroll your new venture or it could be anywhere in between. One national trucking firm owner bought surplus Army trucks at the end of WWII, painted them a distinctive color with money from his own mustering out pay, and went from farm to farm offering farmers shipping to deliver their produce and goods to market in far cities. Another borrowed money from relatives and friends and bought a small regional hamburger chain that he thought had national potential. Others have taken out loans, mortgaged their houses, lived on credit card debt, and even sold delivery contracts they did not yet have, to get their new venture off the ground. Whether the "seed capital" for your new venture comes from you or others, it is absolutely essential to understand that a viable monthly budget and good estimates for the first year of a company's existence are the mark of a professional firm. Some places to look for money include: your own back pocket, savings, checking, and money market accounts, Series EE and H Savings bonds, stock and bond holdings, personal credit, promissory notes, signature or unsecured loans, small investment clubs or micro-lenders, accounts receivable (factoring firms), members of your family and friends, your rich Dutch Uncle Herlahee, commercial banks, credit unions, partners in other ventures, suppliers, home equity loans and lines, fraternal, social, or religious organizations, venture capital groups or individuals, federal, state, or local Small Business Administration chapters, regional or local chambers of commerce, retired individuals who may offer dollars in exchange for ownership shares, private or state universities, community colleges, college extension programs, and even correspondence schools, -- the list is literally endless. However, one fact is eternal. You must provide these investors and trusted souls with evidence that you are a professional, organized person, who will make every attempt to get this new venture off the ground, and offer them some benefit for sharing the risk with them. No investor wants to be standing next to a defunct business that swallowed up their nest egg and their hopes for a bright future by not devising a written, detailed plan to succeed. What they want is a working plan to make the company viable and sustained. They want to share a piece of your dream with you. Every business has the same goal: to make a profit, to serve a need, to grow and prosper beyond their expectations. In the final analysis, only one word matters. Plan. Then, succeed. At all costs, succeed.

II. Actual Business Plan Sections

a. Statement of Company Purpose Action Step: Based on facts, research, and estimates you have compiled in Section I of this report, you are now ready to tell readers, investors, and the public, exactly what your new firm will do. Depending on the type of business you want to operate (manufacturing/distribution, product/service), this condensed statement says why you exist and what your company's goals will be in the marketplace.

"SlagHeap Industries (not a real firm), a Tuscaloosa, Ala. limited partnership, is in business to keep the streets, sidewalks, roads, gutters, byways, and lanes of our fair state sparkling clean by retrieving, removing, and generally cleaning up road kill and recycling this unwanted animal, mineral, and vegetable matter into side body molding panels for pickup trucks throughout the Free World."

While you may object to the humor of the statement, SlagHeap* is going into the business of retrieving unwanted matter, recycling it into useable materials, and thereby improving the health, safety, cleanliness, and welfare of a rural state. The firm is a limited partnership and operates within the state of Alabama. The goal of the firm is cleaner, safer streets and distribution of their products throughout the Free World. Not bad for a couple of rural entrepreneurs who want to make a tidy profit in such an endeavor. With apologies to our friends in Alabama, SlagHeap's* statement says pretty much all they hope to do and where they hope to do it. Statements of Purpose may be more broadly drawn or oftentimes longer, but the key ingredient is an exact description of why they exist as a profit making organization.

b. Direction of the Firm

Action Step: The second major section of a Business Plan is a statement of direction. While it may include many of the same terms from the Statement of Purpose, it expands, defines, and spells out in greater detail, the vision of the owners, their goals and plans for growth and expansion, their present situation, and the perceived need that they think exists in the Marketplace. Direction statements often begin with a statement of their current situation or arrangements and may include insight into how the owners got and formed their idea for a firm. Directions may also discuss the current state of the industry they are in, present the name of the firm, its current location, number of employees, and briefly mention any patents, processes, or trademarks the firm owns or controls.

Three other items often discussed in this section are: a Mission Statement, a separate Vision Statement, and a Statement of Goals/Objectives. Mission Statements are most often described as “the how and the who" statements of a firm. Missions often talk about the values and beliefs of the owners, the technology that will be used to reach the goals, the attitudes of the firm toward its employees, markets, and commitment to profitability. Vision Statements, on the other hand, are often the "net result" of the mission. That is, will the streets and roads of our mythical Alabama recycling firm be much cleaner and disease-free because of their efforts. Visions need to be grounded in some reality. Our mythical Alabama firm cannot possibly clear up every road hazard in the entire state, but they can reduce road kill substantially and relieve county or state government of this chore. Thus, Vision is the ultimate goal that the firm strives toward.

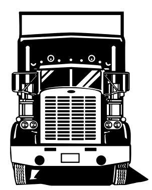
A Goals Statement, as the third major area of Company Direction, is the identifiable, measurable look at what the firm will do. If our recycling firm has one truck, two workers, and five buckets for "pickup", then the Goals Statement might identify their desire to hire eight teams of "road kill extraction specialists", equip them with white clinical coats, and supply them with 12 new "extraction recovery vehicles". The Goals Statement also maps out how many workers our firm will employ, offers a proposed 10-minute response time service, links headquarters and trucks via radio with the "extraction sites", posts profits and positive cash flow by the second quarter of next year, and adds four new trucks---if the plan is approved. The Goals Statement might also hint at new technology that will position the firm for sustained or explosive growth. Terms like Return on Investment and break-even calculations often appear in this goals section to encourage investors to participate in the growth, both financially and personally.

c. Overview of Company Operations

Action Step: The overview of Company Operations is the nuts and bolts of company activity. Items like the name, location, legal business description, stage of growth, number and type of employees, members of the management team, board of directors, and early investors might be identified. Each sub-section would address the issues of organization (how structured), integration within this and other industries, cooperation between research and operating divisions (if applicable), alliances and joint-ventures with other firms, and the relationships and regulatory environment the firm operates in. The names, prominence, and past track records of managers, board members, and outside investors are often identified in this subsection. Also mentioned are such peripheral, but often important items as weather, geographic, cultural, or indigenous advantages that the firm enjoys. A firm that uses coal to process its products, located in a region heavy with raw materials, might have a decided cost-of-production advantage over other firms in the industry. The fact that the firm has some cultural skill base in its workforce (i.e. diamond cutting, hard-rock mining), might also weigh heavily in the decision process. A unique or original marketing or distribution advantage might get prominent play here as an inducement to examine the firm further.

d. Long-Term Company Objectives

Action Step: The next section of the Business Plan involves the "longer term/short-term plans" for the firm and its direction. Some firms are startups with the idea that the firm be brought up to full marketing potential and then sold or operated by some other entity. Many owners love to form, start, grow, and sell companies after a 5-7 year period. Others might be interested in turnarounds only, or firms at or near bankruptcy. In fairness to investors, it is important to disclose this underlying design and make clear that the intent is to breathe life into an ailing system, grow the firm to a predetermined size, take it public, and then repeat the process. Investors may want ultra short-term startups with very high risk/reward rations. That goal of ultra short-term tenure for management, Board members, and investors needs to be clearly stated. Absent such a disclosure, shareholder suits and legal entanglements may drag a growing firm to the sidelines where it dies.



e. Service Delivery/Product Lines

Action Step: This section of the business Plan is a chance for the new enterprise to showcase its unique processes, developments, or manufacturing skills. In this portion of the plan, the unique, patented, trademarked, or revolutionary technological breakthroughs might be discussed. Current process methods and their advantages to investors, often give way to broad descriptions of new technology. If the firm has produced flashlights for 25 years, and because of long-term R & D work, is now ready to bring out a self-charging flashlight, here is the section to discuss their innovation. New slants on service delivery or patterns of distribution, using changed technology, are also at the forefront of this section. Changes in customer attitudes, changing demographic and aging needs, logistical bottlenecks that have all been overcome, all of these changes-not to mention the speed and changing dimensions of products and product life cycles, are the main event here.

Also, in this section of the Business Plan, suggestions for further research, study, or prototype development can be recommended or discussed in detail. If the firm has successfully used the U.S. mail service to deliver its products, but can now switch to electronic transfers and encrypted delivery, the changes in profit margins and convenience can be substantial. Items that languished in the delivery system for 10 to 15 days are now bought, paid for, and delivered in a matter of hours. The "turnover of inventory" and the potential for added ancillary services and fees could move up by a factor of ten. Returns on equity and the rate at which the firm could add services to its delivery system could mushroom by a further factor. Newer, more complex product designs and recommendations could be added to existing lines, with lesser capital impact on the current facility. Outsourced services like: legal, personnel, training, or accounting functions could boost net to the bottom line and drive the firm into newer or more profitable markets. Thus, the Service Delivery/Product Lines section is extremely important to high-tech firms who are just starting out or are headed into new markets, but can also be critical to those firms that must re-engineer themselves or else be left in the dust of change. For most firms, this "process and product" section is the most expansive, detailed, and the most important of the entire proposal. It is the section where the "sizzle" of service meets the "steak" of profitability. Without both components, the company will languish in the shadows of the past.

f. Markets/Market Analysis

Action Step: Identifying, defining, and analyzing Markets and customers is the next major component of the Business Plan. Unless companies can find, pin down, and gather information from their customers, they will be producing products and services that nobody wants or needs and that no one will pay for. In this subsection, such factors as demographic and psychographic profile details and the ability to ask questions/opinions of the company's defined market segments (or "niches" as some are called), is critical. My Markets in New England may want strong, durable, traditional clothing while my West Coast Markets want trendy or seasonal variations. Examining the industry and its general trends may give the firm clues about how to cater to both needs. Measuring industry and sector strengths and weaknesses may also lead to new strategic decisions. Our Maine factory may gear up to produce southwestern clothing during lulls in the East Coast production cycle. Our weaknesses in women's summer swimwear may help us decide to offer accessories and not swimsuits at all. That same weakness may also belie strength in soft goods for the home, using designs and styles manufactured to support the southwestern motif. Other details, like group purchasing patterns by regional or local department stores, may allow "short runs" or intentional “overruns" to be distributed into nontraditional markets. Thus, vibrant color schemes could be introduced to brighten lagging sales in the East when winter weather drives shoppers into their homes. National and economic factors, like down-sizing, regional or international economic upsets, and gradual shifts in buying patterns, due to aging, may also play a part in who we try to sell to.

A second major element of the Market Analysis subsection is the competition. Who actually is our direct competitor in the high-ticket items of the Midwest? Their strategic position, as the high-end price firm, might allow us to take market share by offering a slight discount to our northeast wholesalers. Their distribution net or their supply net may offer us chances to overtake them in pre-packaged kits and thus, undercut their demand for piece goods. Their financial weakness in the debt and equity markets may allow us to use resources for additional promotions, discounts, coupons, or national campaigns. Any and all ways to examine the strengths and weaknesses of competitors are grist for discussion in this section of the report.

A third section of the Market Analysis may include a sobering discussion of business and economic risk, along with competitive risk. The financial markets may find our industry out of favor for reasons beyond our control or because of inflationary pressures. Wars, strikes, earthquakes, and other natural disasters may drive us out of the Gulf Coast or Florida for long periods. Liability disasters like grounded tankers and the adverse publicity that goes with it, may cause our withdrawal from high profile markets. The dagger of civil, criminal, or environmental litigation, and unknowns like changing political trends, (as in cigarettes, handguns, or attitudes toward alcohol or over the counter medications), may also shift wildly in any one yearly cycle. Industrial sabotage, plant fires, and prolonged or related strike threats might knock profitable divisions off-line for as long as two years. New distribution methods (like the web), or new pricing schemes (like warehouse discount stores), might squeeze margins so tight that production is no longer profitable. The list of risks and threats could also signal a significant shift out of traditional markets and into new or experimental arenas as a way to hold onto market share. Changing policy at the corporate and board of director’s level might signal a shift away from fewer product offerings and into more service related areas. Thus, risk provides its own special set of unknowns and should be a key area for owners, investors, and employees to keep close watch over and are prepared to react to ---when conditions are ripe for change.

g. Marketing Strategy /Sales Strategies

Action Step: Given the information and risks identified in the Market Analysis section (above), the resulting Market Strategy/Sales Strategies section is that much more critical to the success of any firm. Without a good strategy to identify needs and wants, and the ability to deliver goods to Mr. & Mrs. America, the firm is out of customers and will soon be out of business. In its simplest form, Market Analysis surfaces "needs", desires, and the buying urge. Marketing Strategy, on the other hand, shapes those desires into products or services in line with the mission of the firm and keeps those "appeals" clearly in front of the customer. Related Sales Strategies deliver those benefits to Mr. Jones, and he buys. Thus, the circle of "need”, fulfillment of need, and solution to need are the three steps to any successful sale.

To further understand an overall Marketing Strategy, it is necessary to identify three activities that blend to become the strategy itself. The first part of the Marketing Strategy is an overall summary of the industry, markets and trends, and the defined "position" the firm has in that industry. One national discount chain identifies itself as "the low price leader, always." That is its position. A second major component of the Marketing Strategy is distribution channels and pricing decisions. If you distribute through regional “jobbers" or resellers, your product may not get first placement on shelves until late in the season. A distribution network of your own stores is better, but more expensive. As with the "jobbers", the markup for reselling may drive your product into the luxury category because of fixed costs, not product quality. Thus, the type of distribution may influence whether you sell "brand name" products or generics. So too with pricing, if you sell generic jeans, they are often less pricey than brands with someone's name on them.

Both elements, industry markets and trends, and distribution and pricing, lead to the third element of the Marketing Strategy, namely advertising, public relations, and promotions. Advertising is paid print, radio, and TV time to publicize your products. PR on the other hand, is identifying the new and human-interest angles of your products and services. One national mutual fund company uses the name, face, and likeness of one silver-haired man to "humanize and personalize" the firm and its good intentions. Promotions might include: newspaper ad campaigns and coupons, holiday sale items, special price incentives, tie-ins with movie, television, and radio programs, trade shows, associations, and non-profit foundations designed to make folks feel good about your firm. In your Business Plan, map out your particular industry “position", identify your distribution channel advantages, your pricing guidelines, and use promotional activities wherever you can to bring the customer's awareness to fever pitch. All three bring Ms. Jones to the department store door. Now comes the final peg to complete the sale, namely the Sales Strategy.

In brief, the Sales Strategy in your Business Plan is a specific list of activities that bring all of the "needs" together (market analysis), with the awareness of advertising (market strategy), and now delivers the "solution" in the form of buyer "benefits"(sale). One well-known soft drink company created a campaign of "gotta have it" catalog products, hyped it with TV spots, and then delivered the Sales solution at the check stand with the 12-pak and 30-pak cola containers. Need, benefit, and solution-all a pretty neat little package. In much the same way that the military plans a campaign to win wars: Analysis, Strategy, Sales Solutions -- the three pieces are mapped out, coordinated to work together, and designed to reach the ultimate goal of victory, or sales in this case. A detailed list of distributors and pricing, PR and sales plans, all create the same result, a successful campaign. Don't skimp on seeking out new distribution channels and making good pricing decisions. Don't ignore ads and PR as a way to drive customers to your products. Finally, get the sale by repeatedly presenting, closing on those aware customers through multiple contacts, and in one way or another, talk to, and ask for the order from every customer you have.

h. Management Team

Action Step: The eighth component of the Business Plan is the presentation and showcasing of the major players in the firm. Here, a brief biography and background on each of the key staff members of the organization, is presented. If they bring a long, distinguished, or celebrated track record to the table, now is the time to identify and highlight that experience. Special skills, patents, new processes, innovative new designs, or theories can be covered in some detail here.

If they bring special value to the firm, in light of prior startups, or attracting other professionals, their star needs to shine in this section. If past successes and significant Capital Markets experience is noted, investors will rest easier knowing there is an experienced hand at the wheel.

A second component of the Management Team section is to map out immediate and projected personnel needs, some thought management has on their prospective hiring patterns and availability, and at least a roughed-out version of the resulting organization chart. Small firms often dispense with the Management Team section at their peril. Not assigning people to important tasks is a mistake. Employees, investors, and venture capital people need to know that seasoned or bright new people are already assigned to important tasks. So too with the organizational chart itself.

If a firm does not devote at least 70% or more of their intellectual capital and people to effective Market Analysis, Market Strategy, and Sales operations, the best young firm will starve for lack of revenue. If good people are not assigned to cost controls, resource and materials acquisition, facility and shipping planning, the firm will have no place to work and no supplies to fill orders. Thus, no firm can get started until all the major posts are filled and the team itself begins to pull together toward the common goal of Company Purpose and Goals.

i. Financial Plan/Financial Projections

Action Step: The ninth component of our new firm's Business Plan is the most studied and debated part of the entire plan. Financial Plans for the firm and the underlying Financial Projections is the test of whether the business will be funded and/or grows. With poor research, bad projections, or a muddy understanding of markets, sales, and risks, the firm will die before it gets off the starting block. Thus, this section should be the most well researched, voluminous, and technical of the report. A history of current or past investments by the firm will often kick off the discussion. Any recent financial history by the principals of the firm in other ventures and their revenue growth should be noted. A complete listing (monthly in year 1, quarterly in years 2-3) of: sales and revenue assumptions, operating expense assumptions, balance sheet assumptions, cash flow assumptions, a preliminary break-even analysis, alternative sales forecasts (best case, middle of the road, worst case), a preliminary cost-of-goods sold estimate, and a list of other income and expenses needs to be spelled out in cold columns of figures.

The second major section of the Financial Plan is the so-called "pro-forma" lists. Each is a separate document with detailed monthly and quarterly projections for: income and expenses (the standard Profit-Loss statement), cash flow, budgets by departments, a gross profit analysis, a complete balance sheet on the entire firm (commonly known as a consolidated balance sheet), a ratio analysis, a list of capital equipment and supplies, and working capital worksheets. Without a completed worksheet for each of these areas, the company will not have a firm handle on what they are planning to do. Expenses can run the gamut from office supplies and wages, to taxes, transportation costs, rent, packaging, worker's compensation costs, salaries and expenses for the owners --- all the way down to paper clips and paving for the parking lot. Without a true set of numbers, the firm will burn through capital at a frightening rate and be cash dry within the first six months. Additionally, the firm should understand that accounting systems to monitor each of these numbers is everybody's responsibility and that ignoring or circumventing the balance sheet is tantamount to killing oneself with one's own pencil. Thus, measurements, controls, a true set of numbers, and a conservative set of sales projections are critical to any new business. Also needed is the discipline and tough-mindedness to stay on course when budget numbers start heading south and the income numbers have not yet caught up.

j. Financial Needs (Capital Funding)

Action Step: The next component of the Business Plan is the capital funding/or financial needs section of the report. Some have described this section as the corporation's "financial wish list", but there is no need to be shy if your market analysis, strategies, and sales operations are in line with reality. A small, fast-growing company could hope to raise $100 million dollars if they believe, and can justify, how the funds could return $300 million dollars over the next 2-4 years. Smaller firms might require less startup ($250,000-$1 million dollars), but the need for capital is insatiable during the initial building phases of a business buildup.

In this section of the report, the company spells out the amount of money they anticipate they need, whether the funds will be initial startup, R&D, secondary financing, or long-term financing, whether they expect the funding to be private or public, whether the public funding is debt or equity, and whether the firm expects to be sold or acquired by another firm in the future. Critical issues like the funding needs for each stage, the flow of the funds into the company (whether all at once or phased in over several quarters), milestones and sales, or revenue benchmarks are spelled out in this section along with additional or potential sources of sales or revenue. If company "A" can achieve a return on investment (ROI), far ahead of its projected schedule and has free cash flow to acquire a similarly sized competitor, they might be able to triple their output at less than double the cost. Thus, good money, well budgeted, allows unexpected opportunities to stretch the financing's multiplier effect. For each $1 well tended, the firm might be able to return $5 sooner than expected.

k. Return of Capital

Action Step: The second to last portion of the Business Plan is the "payday" for investors, the owners, and perhaps employees as well. Every plan should have a detailed schedule for return of the investor's capital, including: the mechanics of the refunding, when, and in what form the dollars will be returned. Debt instruments, like bonds, agree to repay principal after so many years and pay a fixed or floating interest rate during the holding period. So too with investments in companies. Investors (both big and small) need to know precisely what it takes to return their principal, or how to continue participation in the firm if they wish to stay on. An ill-defined or poorly written document that does not spell out the procedures for ”cash out” will breed lawsuits, bad feelings, and often adverse publicity for the firm. Whether the goal is to take the R&D firm to startup, or the startup to merger, acquisition, private sale, or an initial public offering, the exit strategy needs to be spelled out clearly and without harsh penalties for the investor. If John risked his precious "nest egg" on your firm in the early stages and the firm turned into a $500 million dollar marketing juggernaut, it would be a sad and grievous mistake to penalize him for leaving just as the "big money" comes in. The Johns and Janes of the world are the small equity risk-takers and “angels" that give birth to new businesses. Without their trust and belief, few new ventures would ever open their doors.

l. Concluding Remarks

Action Step: This last portion of your new firm's Business Plan is an opportunity to summarize, condense, focus, and direct the attention of your readers and investors on the goals, objectives, and possibilities of your new business. Unlike the Executive Summary (at the front of many Business Plans), the concluding remark is the opportunity for the new owners to "ask for the order", that is, the money and commitment. It goes without saying that if the earlier components of the Plan spelled out how you plan to successfully invent a new firm and perhaps a new industrial or information base to operate in, it is time to get the commitment, get the signatures, collect the check, and begin producing and distributing "super widgets" worldwide. Rather than being the end of the process, these remarks should encourage further participation from investors and perhaps broaden the range of those who want to share the risk of your new venture with you. As Winston S. Churchill once dryly noted during the first day of the Normandy invasion in June 1944, Normandy was not the beginning of the end, but rather, the end of the beginning. There would be much blood, sweat, toil, and tears to follow. So too with starting a new business, in a new industry, and in a new era. Much more will still have to be done before success would wash over your new venture. Good luck and good selling.

III. Supporting Documents and Records

a. Biographies/resumes on all principals of the firm.
b. Business licenses and corporate documents.
c. Franchise contracts (if applicable).
d. Building and equipment leases (if applicable).
e. Letters of intent from all suppliers/service providers/vendors (distributors/delivery systems, if applicable).
f. Personal Financial Statements of principals (net worth statements).
g. Tax records of principals for the last 3 years.
h. Listing of any outstanding corporate indebtedness (liens, loans, promissory notes, etc.).
i. Surety or ownership interests by other firms/in other firms (options, debt, equity, etc.).