Appendix L: Sample Business Plan

Business Plan

Name of Company

Address ____

Company Contact ____

Phone ____

Proposal in Response to the Prospectus for:

________________(specify recreation areas you are interested in)____________________

on the

__________ Ranger District(s)

Mark Twain National Forest

Eastern Region

USDA Forest Service

Contents

Part I: The Business

Purpose and Goals

As we proceed through our business careers, it is vital that we set goals for the future. Although this is difficult and time consuming, the final reward is worth the effort. As you fill in the following, be as realistic as you can. Answers you develop now will be the basis of your business plan.

What is your purpose in pursuing this business?

Define your business goals for the next year and what you foresee five years from now.

Description of the Business

This section should describe the nature and purpose of the company, background on its industry, and what opportunities you see for its products or services. It provides you with insights that allow you to better correlate the projections and estimates presented in subsequent sections.

Brief description of the business.

Briefly describe your knowledge of this industry.

List the products and services you will provide.

Legal Structure

There are several ways in which your business can be legally organized. To determine the best one for you and your organization, you need to seek competent legal and tax advice. To give you a general frame of reference, the more popular forms and their reasons for use are outlined in Part V, Appendices.

How is your company legally organized? (Are you an individual, a partnership or a corporation?)

Why is this legal organization most appropriate for your business?

Does your operation require a state registration number? YES ____ NO ____ If ``Yes,"please include a copy of the registration in the Supporting Documents.

Include any appropriate information, including shareholder or partnership agreements, in the Supporting Documents, and complete the following list of owners:

Name	***Address***	***SSN***	***% Ownership***

Location of Your Business

Describe the planned geographical location of the business and discuss any advantages or disadvantages of the site location in terms of wage rates, labor availability, closeness to customers or suppliers, access to transportation, state and local taxes, laws, and utilities. Describe your approach to overcoming any problems associated with the location.
Planned geographical location.

Discuss advantages or disadvantages of the site location.

Describe your approach to overcoming any problems.

Market And Customers

The purpose of this section is to present sufficient facts to convince the evaluator that the product or service has a substantial market and can achieve sales in the face of competition. Discuss who the customers are for the anticipated product or service. Where are the major purchasers for the product or service?
Describe your anticipated target market (e.g., age, income, hobbies, regional, national, international).

Describe the size of the current total market and potential annual growth.

Discuss your advertising campaign in terms of how, when, and where you will advertise, and estimated annual cost.

Competitive Analysis

Each business has (or should have) a uniqueness that separates it from its competitors. Make a realistic assessment of the strengths and weaknesses of competitive products and services; name them, and compare competing products or services on the basis of image, location, price, advertising, and other pertinent features. Explain why you think that you can capture a share of their business. *Identify three or four of your key competitors, and discuss their strengths and weaknesses.*

Compare your product or service on key areas. For each area of comparison rank yourself and your selected competitors on a scale of 1 (high) to 5 (low). Remember: no ties.

		Competitors		
Area of Comparison	**You**	**A**	**B**	**C**
Image				
Location				
Price				
Advertising				
Service				
Uniqueness				
Other				

Why do you think you can compete with your competitors and capture a share of the market?

Management

Your management team is the key to turning a good idea into a successful business, and needs a balance of technical, managerial, and business skills and experience. Be sure to include complete résumés for each key management member in the Supporting Documents section.
List owners and key management personnel and their primary duties. If any key individuals will not be onboard at the start of the venture, indicate when they will join the staff.

Discuss any experience when the above people have worked together that indicates how their skills complement each other and result in an effective management team.

List the advisors and consultants that you have selected for your venture. Capable, reputable, and well- known supporting organizations can not only provide significant direct and professional assistance, but also can add to the credibility of your venture. (Accountant, Attorney, Banker, Insurance Broker, Advertising, Others)

Personnel

One of the key elements in any business is PEOPLE, and how you develop and maintain your workers.
Identify essential employees, their job titles, and required skills.

Discuss any training or retraining that you plan for your employees, including any necessary first-aid certification or recertification, etc.

Part II: Financial Data

Capital-Equipment List

This section will help you plan purchases of capital equipment needed to start your business. Capital equipment is defined as assets which have useful lives of more than one year. Examples include machines, equipment, vehicles, livestock, tack, gear, and computers. Describe the equipment, the quantity, whether the equipment is new or used (N/U), the expected useful life, and the cost. This includes equipment purchased from existing businesses.

Equipment	Quantity	N/U	Life	Cost
Total Cost of Capital Equipment				**$ ____________**

Start-Up Expenses

Start-up expenses are the various costs it takes to open your doors for business. Some of these will be one-time expenditures, whereas others will occur every year.

Item	Cost
Total cost of capital equipment	$ ____________
Beginning inventory of operating supplies	____________
Legal fees & Accounting fees	____________
Other professional fees	____________
Licenses and permits	____________
Remodeling and repair work	____________
Deposits (public utilities, etc.)	____________
Advertising	____________
Insurance	____________
Bonds	____________
Advance permit fees	____________
Other expenses:	
Total Start-Up Expenses	**$____________**

Sources and Uses of Financing

This section is another critical financial forecast. What will be the sources of your initial financing? The following step of how you will use this financing to buy the assets needed to open your doors for business is equally important, and will be of major interest.

Note: This section will not be used if you own an existing business, unless you're planning a major refinancing and restructuring of your business.

In the table below:

- Estimate your ``working capital'' needs, (as an absolute minimum you should have three months of expense money in the bank). You should discuss this with your banker, and you may want to consider a pre-approved loan called a ``line of credit,'' from which you draw funds only when you need to have them. DON'T SKIP THIS STEP! Sources should be > uses.

Sources of Financing

Investment of cash by owners & shareholders	$ ____________________
Investment of noncash assets by owners & shareholders (Examples include equipment, vehicles, and buildings)	____________________
Loans to business	____________________
Other sources of financing (specify)	____________________
Total Sources of Financing	**$** ____________________

Uses of Financing

Buildings	$ ____________________
Equipment	____________________
Initial inventory	____________________
Working capital to pay operation expenses (that money which you'll need to pay operating expenses for the first few months of business operation).	____________________
Noncash assets contributed by owners (use same amount as in Sources, above)	____________________
Other assets (specify)	
________________________________	____________________
Total Uses of Financing	**$** ____________________

Monthly Cash Flow Projection

The cash flow projection is **the most important financial planning tool available to you**. If you were limited to one financial statement, the Cash Flow Projection would be the one to choose.For a new or growing business, the cash flow projection can make the difference between success and failure.
Your Cash Flow Projection will show you:

- how much cash your business will need, and when
- whether you should look for equity, debt, operating profits, or sale of fixed assets; and
- where the cash will come from.

The cash flow projection attempts to budget the cash needs of a business and shows how cash will flow in and out of the business over a stated period of time, and deals only with actual cash transactions. Noncash expense do not appear on a cash flow. Use the Cash Flow Projection chart on the next page; add any items that are peculiar to your business. The level of detail you provide is a judgement call.

Start-Up Balance Sheet

Balance sheets are designed to show how the assets, liabilities, and net worth of a company are distributed at a given point in time. The format is standardized to facilitate analysis and comparison. Balance sheets for all companies, great and small, contain the same categories, arranged in the same order. The difference is one of detail, differing according to the kind and size of your business, and the amount of information your bookkeeping and accounting systems make available.

Name of the Business
Date (month, day, year)
Balance Sheet

Assets		
Current Assets		$ ____________________
Fixed Assets	$ ____________________	
Less Accumulated Depreciation	$ ____________________	
Net Fixed Assets		$ ____________________
Other Assets		$ ____________________
Total Assets		**$** ____________________
Footnotes:		
Liabilities		
Current Liabilities		$ ____________________
Long-Term Liabilities		$ ____________________
Total Liabilities		**$** ____________________
Net Worth or Owner's Equity		**$** ____________________
(Total assets minus total liabilities)		
Total Liabilities and Net Worth		**$** ____________________
Footnotes:		

Start-Up Income Statement Projection

Income Statements, also called Profit and Loss Statements, complement balance sheets. The balance sheet gives a static picture of the company at a given point in time. The income statement provides a moving picture of the company during a particular period of time.

Income projections are forecasting and budgeting tools, estimating income and anticipating expenses in the future. For most businesses (and for most bankers), income projections covering one to three years are adequate. They become the base of your budgets. Try to understate your expected sales and overstate expenses. A suggested format for an income projection follows. The content in the sample may have to be modified to fit your particular operation, but do not change the basic form.

Part III: Historical Financial Reports for Existing Business

Each applicant is encouraged (but not required) to submit all four items listed below to establish their financial record.

____ Balance sheet (past three years)
____ Income statement (past three years)
____ Tax returns (past three years)
____ Current credit report from major credit bureau

Part IV: Supporting Documents

Each applicant is **required** to submit **items 1 & 5** listed below. Items 2-4 may also help to establish proof of business history that may result in greater points in this criteria rating.

1. ____ Personal résumés of business owners, officers, and partners

2. ____ Personal financial statements of business owners, officers, and partners

3. ____ Bank or investor letters of intent to finance project

4. ____ Copies of business leases pertinent to this business

5. ____ Copies of all pertinent existing permits or licenses applicable to this business

Cash Flow Projection (or Cash Flow Budget) by Month: Year One

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1		**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**March**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**TOTAL**
2	Cash Receipts													
3	Sales Receivables													
4	Other Services													
5	**Total Cash Receipts**													
6	Cash Disbursements													
7	Cost of Goods (incl delivery expenses													
8	Variable Labor													
9	Advertising													
10	Insurance													
11	Legal and Accounting													
12	Fixed Cash Disbursements*													
13	Mortgages (Rent)													
14	Term Loan													
15	Line of Credit													
16	Other													
17	**Total Cash Disbursements**													
18	**Net Cash Flow**													
19	**Cumulative Cash Flow**													
20	*Fixed Cash Disbursmnts/yr													
21	Utilities, incl telephone													
22	Salaries, incl Payroll Taxes and Benefits													
23	Office Supplies, incl Paper, etc													
24	Maintenance and Cleaning													
25	Licenses													
26	Miscellaneous													
27	FCD/Month													
28	Cash on Hand													
29	Opening Balance													
30	+ Cash Receipts													
31	- Cash Disbursements													
32	Total = New Balance													

Income Projection by Month: Year One

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1		**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**March**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**TOTAL**
2	Sales													
3	Use Fees													
4	Firewood, Ice, etc													
5	Total Sales:													
6	Cost of Materials													
7	Variable Labor													
8	Cost of Goods Sold													
9	Gross Margin													
10	Operating Expenses													
11	Telephone & Other Utilities													
12	Salaries													
13	Payroll Taxes and Benefits													
14	Advertising													
15	Paper & Office Supplies													
16	Insurance													
17	Maintenance and Cleaning													
18	Legal and Accounting													
19	Licenses													
20	Depreciation													
21	Miscellaneous													
22	Rent													
23	Total Operating Expenses:													
24	Other Expenses													
25	Interest (Term Loan)													
26	Interest (Line of Credit)													
27	Total Other Expenses:													
28	Total Expenses:													
29														
30	Net Profit (Loss) Pre-Tax													

Part V: Appendices

A. Legal Organization

There are several ways in which your business can be legally organized. To determine the best one for you and your organization, you need to seek competent legal and tax advice. Some of the more popular forms and their reasons are outlined below.

Sole Proprietorship

A sole proprietorship is a business owned by one person. This form of business is regulated by the state only in that some states require you to register your trade name to do business as a sole proprietor.

Advantages

v Simple to start.
v Easy to dissolve.
v Owner makes all management decisions.
v Pay only personal income tax; business entity not taxed separately.

Disadvantages

v Unlimited liability (owner legally liable for all debts, claims and judgments).
v Difficulty in raising additional funds.
v No one to share the management burden.
V Impermanence (company can't be sold or passed on; however, you may sell or pass on assets of the company).

General Partnership

A partnership is an association of two or more persons to carry on as co-owners of a business for profit. Some states require that you register your name if it is a trade name (not your full legal name). You must file state and Federal ``information returns,'' but business income and losses flow through to the partners' personal taxes. The business pays no separate income taxes. Partners share in the business according to a written Partnership Agreement outlining the ownership, responsibilities, and eventualities of dissolution or liquidation for the business.

Advantages

v Simple to start.
v Fairly easy to dissolve.
v Additional sources of capital from partners.
v Broader management base.
v More opportunity for each partner to specialize.
v Tax advantages: no separate income tax.
v Limited outside regulation, compared to a corporation.

Disadvantages

v Unlimited financial liability for all general partners (some partners' personal debts can even be charged to the business).
v Difficulty if raising outside capital.
v Divided authority.
v Continuity problems (business dies when any partner leaves or dies, unless succession has previously been spelled out in a Partnership Agreement. Partnership terminates in the event of a personal bankruptcy on the part of any partner).
v Difficult to find suitable (compatible) partners.
v One partner may be responsible for the actions of another partner, regardless of whether that partner had prior approval.

Corporation

A corporation is a business entity separate and distinct from its owner(s) or shareholder(s). You must file incorporation papers with the state and annual reports with the Secretary of State, and may have to file separate quarterly income tax returns. The corporation exists forever, can be bought and sold, and is regulated by the state.

``C'' Corporation Advantages

- Limited liability (as long as you *act* like a corporation-which means having a separate checking account and phone number, paying interest on any borrowed money, keeping up a corporate record book, filing annual reports, meeting with your Board of Directors at least annually, etc.).
- Easier to bring in additional capital.
- Ownership is transferable.
- Company has continuous, perpetual existence.
- Possible tax advantages (seek adequate advice from a tax professional).
- Gives you more sense of permanence, thus more ``weight,'' in the business world.

``C'' Corporation Disadvantages

- More expensive to organize.
- Highly regulated.
- Extensive record-keeping requirements.
- Double taxation (corporation pays its own income taxes; if you pay yourself a salary or a dividend, you also pay personal income taxes).
- Shareholders/Board of Directors may counter your management decisions.

``S'' Corporation Advantages

- Filing a Subchapter Selection with the Internal Revenue Service allows you to be taxed on your corporate profits through your personal tax return
- You still maintain the limited liability of a corporation.
- If you have additional personal income against which to deduct company losses, or if your personal tax rate is lower than the corporate tax rate, this form may be advantageous for you. Again, please seek professional tax advice to make this determination.

``S'' Corporation Disadvantages

- There are some restrictions on S Corporations, mainly in how you can sell your shares. You can have a maximum of 35 shareholders, all of whom must be U.S. citizens, and be individuals (not corporations).
- You must request permission from the IRS to be an S Corporation, and generally, must maintain the calendar year as your fiscal year.

Limited Partnership

In a Limited Partnership, there are two kinds of partners: general partners, who carry full liability; and limited partners, who carry limited liability. Limited partners must make known, through filing with the Secretary of state, that they indeed are limited partners, and they may not participate in the day-to-day management of the business. As in the ``S'' Corporation, profits from Limited Partnerships are taxed through each partner's personal tax return. Limited partnerships are popular in industries where a great deal of ``up-front'' money is needed for projects that are expected to produce a high return, such as in real estate, energy, movie production, and sports teams.

Limited Liability Company (LLC)

While wearing the corporate form, essentially, an LLC is similar to a Limited Partnership, except the general partner also carries limited liability. Profits are taxed through individual owners' personal tax returns. The advantage of this form over an ``S'' Corporation is that other corporations may be owners, and the Limited Liability Company may also hold 100% ownership in subsidiary companies. If you are a small corporation, but have interest from institutional or corporate investors, this form of organization may hold distinct advantages for you.

Be aware, however, that the LLC is a relatively new business form. Legal precedents have not yet been set to outline clearly all the legal and tax ramifications of this form of organization. If interested in becoming an LLC, you are strongly urged to seek competent, professional legal and tax advice.

B. Break-Even Analysis

You certainly don't want to sell your product or service below cost, expecting to make it up in volume! You need to know how much to sell each month in order to stay afloat, or to make a certain profit. Separate your costs into fixed costs and variable costs, based on the category to which it *most* conforms.

Variable Costs

These costs vary directly with the sale of your product or service: costs you won't have if you don't make the sale. (If I rent motor boats, I won't have gas costs if I don't rent any boats. The gas costs are variable costs.) Generally, materials and labor to make the product or produce the service are considered variable costs. Ask yourself, ``If I didn't have the sale, would I have the cost?''

Fixed Costs

If you answered ``Yes'' to the above question, you have a fixed cost: costs you have to pay regardless of whether you sell your product. Examples of fixed costs include telephone expenses, automobile expenses, administrative salaries, rent, bank charges, insurance, and utilities.

Breaking Even

Since variable costs vary with sales, and we also need to cover fixed costs as well, a formula has been developed that helps us determine if we are selling below cost. Sales Price Per Unit Sold minus Variable Costs Per Unit Sold will give us the Contribution Margin (per unit sold). This tells us how much we have left over on each sale to contribute to our fixed costs. If we know what those fixed costs are for each month, we can divide them by the Contribution Margin to see how many units we have to sell.

(Sales Price) - (Variable Costs) = Contribution Margin

(Fixed Costs) ÷ (Contribution Margin) = Break-Even Point in # of Units that Must Be Sold

Another method is to look at the total dollar volume you must sell instead of the number of units. This is done by expressing the Contribution Margin as a percentage of the Sales Price and then dividing the Total Fixed Costs by that percentage.

(Contribution Margin) ÷ (Sales Price) = % of Sales Price

(Total Fixed Costs) ÷ (% of Sales Price) = Break-Even Point in Dollar Volume that Must Be Sold