

If you've been able to build the financial reserves you need to handle inventory peaks and even potential business expansions, consider yourself a very good steward. The truth is, manufacturers, distributors and retailers often need an influx of outside cash to meet business expansions or changing conditions. That need may be for the start up of a new division, an expansion of an existing building, the need to balance inventory or the desire to take the advantage of a special buying opportunity.

The fact is that money truly makes the world go around especially in the business world. When you find that your business has the need for or can benefit from additional outside cash your most important asset in achieving that goal may well be a complete business plan.

Several years ago when I was director of Maintenance and Engineering for a large manufacturing facility it was my responsibility to keep the facility in good operating condition while staying within budget. One day my head electronics technician, who was extremely talented but short on communication skills, stuck his head in my office and asked without explanation, "Can I spend \$20,000?" Without glancing up I simply said, "No." Several days later I ran into him on the shop floor and asked, "Bob, the other day you asked me for \$20,000. Why did you



want the money?" Excitedly he told me of his plans to automate some of our material handling systems resulting in a substantial savings in our operating cost. "Great idea," I said, "write up the order and I'll authorize it." As I turned to leave he stopped me and asked, "Why didn't you give me the OK when I talked to you the other day?" "Simple," I responded, "you never told me why you needed the money."

Forgive me for that personal story but the point is that the biggest mistake that people make when seeking a loan is in not telling the complete story in a way that the lender can easily understand.

Pat Nagle, Commercial Services Officer of the First Commonwealth Bank, recently told me, "A bank is

just like any other business except our business is lending money. Contrary to popular belief we are actually looking for people to whom we can lend money. However, we want those loans to be based on good ideas, responsible people and a solid business plan."

"When most business owners seek a loan they feel that they have a unique situation but the truth is that business basics apply to all business regardless of the type of business involved," Nagle continued. "I tell all of my customers that their business is not unique so don't try to reinvent the wheel. The best advice I can give a customer seeking a loan is to keep his request direct and complete. You may have a great idea and a legitimate need, but remember I have to



Large additions such as this one which is presently being added to Freedom Archery's shop located in Duncansville, Pennsylvania normally require external financing. One of the first steps in acquiring such a loan is determining the information any lending institution requires for application. A complete and thorough business plan is always a required part of the procedure.

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sell your needs to my boss. Only approximately twenty five percent of the business loan applications that cross my desk are properly prepared the first time I see them. A complete and accurate business plan is a critical piece of any loan application and normally it is missing or incomplete."

When anticipating a need for a loan for your business a good first step is a visit to your local bank to find out exactly what information they require and what assistance may be available to help you complete the application.

No-cost assistance in developing a sound business plan is readily available at Small Business Development Centers, (SBCD), located at colleges and universities throughout the country. These centers are not only experienced at business plan development but they are also knowledgeable about other resources, normally government business development grants, which may offer monetary assistance for business development, retail outlets and economic development. By properly structuring his business plan the business owner may find that he can qualify for some of this money. Depending upon the size of the loan required banks often develop partnerships with these organizations to offer the client a complete package of assistance.

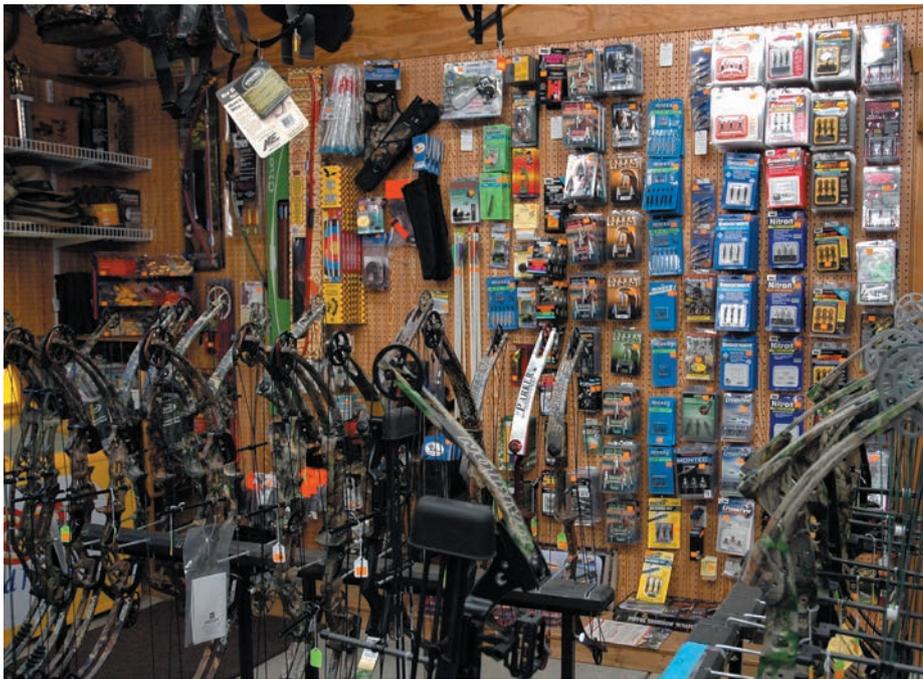
Pat Nagle is a Commercial Lending Officer with First Commonwealth Bank. "Most customers look upon a lending institution such as a bank as an adversary when seeking a loan," Nagle said. "The truth is that banks are in business to lend money. The best way to ensure that you get the loan you are seeking is to have all of the information required by the bank to fully understand your needs and what you wish to accomplish. One of the most important parts of that submission is your business plan."



A business plan has many facets and its approval is directly proportional to the effort put into making it a complete package. Deciding that your business needs an infusion of cash is only the first step. It is important that your business plan include what is planned for the money being sought as well as what results are anticipated. In other words, how will the loan make your business better and more profitable? It is equally as important to also address your competition. How will your business plan make you more competitive and how it will increase your market share and your bottom line in light of existing competition?

While your lender will be well versed on business practices don't assume that they understand the nature of your business. Include in your plan the demographics of your area as well as your customer base which can demonstrate that support for your business exist. If you have competition, don't hide it but instead outline how your business is





Commercial loans are not only used for physical expansions or additions to a business. Money is often required in the form of a revolving line of credit to balance inventories, stock up for the busy season or take advantage of special buying opportunities. In any of these cases a detailed business plan will greatly increase your odds of getting the money you need.

different and how you plan to make your business the customer's first choice. For example when competing against a big box store stress personal service and the extent of your inventory, not pricing competition.

Another common mistake made by many business owners when seeking a loan is in asking for the minimum amount of money required. In any business venture there are always unanticipated problems and costs. It is far better and makes more sense to add in a percentage of extra money in your business plan to allow for such contingencies. Including and identifying extra funds that may be required in the original request demonstrates to the lender that you have thought the process out thoroughly. If you don't need the money you can simply return the surplus, reamortize the balance and reduce the payment.

When developing your business plan be sure to include all of the details to complete the project. This includes but is not limited to required permits, licenses and zoning requirements. If your existing location is leased or rented be sure to include your rental contract and

options. A personal financial statement should be part of the package as well as a personal tax return. Normally business tax returns and financial statements for three years are required for existing businesses as well as an interim business statement for the past ninety days. Cash flow projections and aging of accounts receivable and payables should also be included. List any existing term debts involved as well as any partnership agreements. Several business owners with whom I have talked also included photographs of their existing businesses and/or have invited the lender to visit their place of business in an attempt to develop a better relationship and understanding of their overall plan. Although it is impossible to identify all the information required for any one plan the more complex the plan the more detail will be required.

Barry and Charlene Morgan, owners of Freedom Archery Located in Duncansville, Pennsylvania are presently adding a large addition to their shop. "When we applied for our loan I shopped around for a lender that was familiar with our sport,"

Barry Morgan said. "I have learned that a good business plan must educate the lender about the business involved. When in doubt I think it is best to assume that the lender knows nothing about the archery business and you can't give them enough information. It is also important to communicate in a language that they accept and understand. In addition to the building plans and cost of my addition I included sales and income projections. I also included my local demographics showing the support for my business and included information about the National Archery in the Schools Program which is designed to grow the sport of archery. I explained how we were dealers for both Mathews and Gold Tip, two manufacturers that are both leaders in the industry and who are presently enjoying a generous market share. While the plan may be long and involved it is important to keep it simple but complete. Above all keep copies of everything because trust me there will be plenty of questions."

Most big jobs can be better accomplished by a team as opposed to one man and a business is no different. Develop your own team and include your banker, your accountant, your lawyer and your insurance agent. By combining the above resources with that of your local Small Business Development Center representative you will be able to develop a complete business plan that will ensure you receive the money you need for not only your present needs but the future needs of your business as well. As an added benefit a complete business plan also gives you a view of your business through the eyes of others which is a great planning tool for the future.

Editor's Note: In addition to his writing duties, John Kasun is an outdoor seminar speaker and a business consultant with experience in corporations large and small. He can be reached at 126 Hickory Ln, Duncansville, PA 16635, by phone at (814) 695-5784 or by email at kasun@aasdc.com