

Starting a Small Business In Huron County



Huron Small Business Enterprise Centre

Box 1120, 138 Main Street South
Seaforth, Ontario
N0K 1W0

Phone (519) **527-0305**

Fax (519) 527-2240

Website www.smallbusinesshuron.ca

Huron Small Business Enterprise Centre

Business Start-up Package

Starting a small business can be exciting and challenging. With careful research and hard work, it can also be very rewarding. This package is written with the intent of pointing the potential entrepreneur in the right direction - faster and easier! In this package you will find:

- A guide to the main regulatory **rules** and regulations concerning business start-ups.
- A partial listing of **financial assistance programs** offered by the government at all levels of government.
- A review of the three **business structures** (sole proprietorship, partnership, and corporation) to help you decide which is right for your business.
- A **municipal contact list** for local information.
- **Business Plan** outlines – identifying information to be included in a formal business plan. A plan is generally required with a funding application, but can also assist a potential owner in evaluating feasibility!
- Information about **research** resources

Canada Customs and Revenue Agency Small Business Guides are available at the Business Enterprise Centre. Listed below are the guides available. Please stop in and ask for your complimentary copy.

The Business and Professional Income Guide - which explains reporting your small business income on your personal tax return.

The Guide for Canadian Small Businesses - which will introduce you to the Canada Customs and Revenue Agency's programs and gives an overview of your obligations and entitlements under the law.

General Information for G.S.T./H.S.T. Registrants - this guide provides general information such as how to collect, record, calculate and remit G.S.T.

Starting a Small Business Checklist Step-by-Step

This is a **very general list** of instructions. If you have questions regarding the regulations and licensing requirements of your specific business, please contact the Huron Business Enterprise Centre at (519) 527-0305.

Visit the Small Business Enterprise Centre

The Small Business Enterprise Centre program counsels entrepreneurs on starting a small business in Ontario. To book an appointment for a consultation or to use our business self help resource library visit:

Huron Small Business Enterprise Centre
138 Main Street South, Box 1120, Seaforth, Ontario N0K 1W0

Office Hours: 9:00 a.m. – 5:00 p.m. Monday – Friday

Rules and regulations ...

The following document lists some of the major regulatory issues to consider when opening a small business. It is meant only as a guide and you should always inquire about your specific business idea to the appropriate government office. Please refer to the small business contact sheet for addresses and phone numbers for all of these various government offices or ask the Business Consultant for further assistance.

Business Name Registration: Registration of your business name (Master Business License) with the (Ontario) Ministry of Government Services is mandatory under the Business Names Act, unless you choose to use only your legal name (eg. John Smith). This registration is required by your bank to open a business bank account. The registration fee is \$60, and **it expires in 5 years**. You can also have a name search done (this is optional) for \$8/name. This can be done via the Internet at the:

Huron Business Enterprise Centre, Seaforth (527-0305)

or

Service Ontario Centre, Goderich,

or

Stratford - Government Information Centre
5 Huron Street, Stratford, Ontario N5A 5T8 (519) 271-9995

or

Register on the Internet at www.serviceontario.ca.

Registration costs \$60 (payable by Master Card or Visa if using the Internet) and you receive the Master Business License by mail within two weeks. If you wish to pay by cash or cheque, you need to visit the Stratford or Goderich sites.

Federal Government:

If you need one or more of the following Canada Revenue Agency (CRA) business accounts (GST, Payroll deductions, Import/export, Corporate Income tax), you will be required to register for a **Federal** Business Number with Revenue Canada. You can register by phone (1-800-959-5525) or on the Internet (www.businessregistration.gc.ca).

Import/Export Account Number

Any business that will be either importing or exporting products into/out of Canada must register for a Federal Business Number.

Corporate Income Tax

Any incorporated business (either provincially or federally) must register for a Federal Business Number.

For further information on the Federal Business Number please see the publication "The Business Number and Your Revenue Canada Accounts."

Canada Customs and Revenue Agency Registrations:

- G.S.T. Registration:** If your business will be collecting \$30,000 or more in gross revenues (products and services) each year, you are required to register, collect and remit G.S.T. If your sales are less than \$30,000, registration is not mandatory. If you register you can claim G.S.T. paid on items for the business against the G.S.T. collected from your customers. There is no fee for this registration.

- Business Income Tax Inquires:** For information on business expenses and deductions read the "Business and Professional Income Guide", available at the Huron Business Enterprise Centre.

- Payroll Deductions For Employers:** If you have employees, you are responsible for calculation, deduction and remittance of income tax, employment insurance and Canada Pension Plan contributions. A free employer's kit can be obtained from the Canada Customs and Revenue Agency. For information on these three steps contact:

Canada Revenue Agency

Website: www.cra-arc.gc.ca

415 Talbot Street, 1st Floor, Box 5548

London, Ontario N6A 4R3

Phone 1-800-959-5525

166 Fredrick Street

Kitchener, N2J 4N1

Provincial Government:

There are a number of regulations to be adhered to for any business operating in Ontario.

Business Name Registration:

Ontario businesses conducting business under a name must register that name with the Ministry of Finance (see section above for details). You can register a business name as a Sole Proprietorship, Partnership, or Incorporation. There are a number of significant differences between these types of registrations and therefore you should make your decision wisely. For further information on the implications of choosing a type of registration see the handout "Comparison of Business Registration Types."

Provincial Retail Sales Tax Registration/Vendor's Permit

Businesses that sell taxable goods and some taxable services are required to charge provincial sales tax on their sales. A vendor's permit will be issued with this registration that will include your provincial sales tax exemption number. There is no fee for this registration. To inquire if your business needs this registration contact 1-800-265-1540 (London) or visit www.rev.gov.on.ca.

Ministry of Finance,
Retail Sales Tax Office
305 King Street West
Kitchener, ON N2E 1A5
(519) 576-8400

or Retail Sales Tax Office
130 Dufferin Ave., Suite 400
London, ON N6A 6G8
(519) 433-3901

Provincial Licenses

A number of businesses operating in the province of Ontario will require a special provincial license for their business. Examples include motor vehicle dealers, travel agents, door to door salesmen, security guards and many more. To find out if you require a provincial license ask the Small Business Consultant for further assistance.

Worker Compensation

Any businesses hiring employees must register with the Workers Compensation Board. As well, all self-employed individuals have the option of registering for Worker Compensation.

1-800-265-4752

www.wsib.on.ca

Employer Health Tax

Any businesses hiring employees must register for the Employer Health Tax. As well, all self-employed individuals with expected business net income of over \$40,000 must also register.

1-800-263-7965

www.rev.gov.on.ca/english/taxes/eht/
OR ServiceOntario.ca

Employee Standards

Ontario Ministry of Labour
1-800-531-5551

www.gov.on.ca/lab

Municipal Government:

Municipal Licenses

Many, but not all, businesses require a license from the municipality in which they are located. These licenses allow the business to conduct operations within that particular municipality. For more information contact the Clerk at your local municipal office. Please see the attached list of municipal offices within Huron County.

Zoning Approval

Before beginning business operations you must first make sure that your business location is zoned appropriately for the use you intend for it. If you are running a home-based business, ask your municipality to advise you on their “Home Occupation” rules. For further information contact your local municipal offices.

Other Regulations

Special Regulations/Licenses

Many businesses have special licenses and/or provincial and federal regulations to follow (i.e. travel agents, mechanics, motor vehicle dealers, etc.). Please see the attached list of municipal offices within Huron County.

Special Consumer Protection Act

In addition to the name registration, several types of businesses require further registration and adherence to specific rules and regulations: Itinerant sellers (selling services by contract away from the business premises, such as a home improvements), travel agencies, motor vehicle dealers, and some others. This is required if you are signing contracts worth \$50 or more in a residential home. It ensures protection under the Consumer Protection Act for customers. The license costs \$200 and requires that the business have at least \$5,000 worth of bonding coverage.

Ministry of Small Business & Consumer Services,
Consumer Protection Branch, Toronto 1-800-889-9768
www.cbs.gov.on.ca

Health & Safety Standards, Packaging and Labelling Act

There are several agencies with regulations and guidelines for products sold in Canada (e.g. French and English on package).

Canadian Food Inspection Agency	(519) 691-1300
Ministry of Agriculture & Food	(519) 873-4070

If you are importing a product for resale, ensure that all standards are met.:

Import Service Centre

1-800-835-4486

Environmental Information and Approvals

If you are dealing with chemicals or large amounts of waste, contact the Ministry of Environment and Energy for guidelines on storage and disposal of these materials.

Ministry of Environment and Energy

659 Exeter Rd., 2nd Floor, London, Ontario N6E 1L3

(519) 873-5000

www.ene.gov.on.ca

Health Considerations

If you are dealing with food, contact the Huron County Health Unit to make sure that the food is stored correctly. The Health Unit will require that you have passed a health inspection before you can commence business operations.

Huron County Health Unit

RR#5, Clinton, Ontario NOM 1L0

(519) 482-3416

or

1-877-837-6143

Contact: Food Safety Coordinator

Patents, Copyrights, Trademarks, Industrial Design

Registration and information can be obtained from the Patent Office in Hull, Quebec. Contact a Patent Lawyer for advice.

Industry Canada

Canadian Intellectual Property Office

1-819-997-1936

www.cipo.gc.ca

Standards and Regulations

The Standards Council of Canada (SCC) is an information service to advise on what standards should be followed for regulatory or market acceptance in Canada and foreign markets. It also identifies on where and how Standards documents can be obtained. For more information contact:

IHS Canada (Information Handling Systems)

240 Catharine Street Suite 305, Ottawa, Ontario K2P 2G8

1-800-267-8220

www.ssc.ca

The Canadian General Standards Branch is responsible for the development of national standards in Canada in more than 70 areas (including building, supplies, chemicals, food, clothing, etc.). For more information contact:

Other Special Licenses to Consider:

Carrier Safety and Enforcement
Branch
301 St. Paul Street, 3rd Floor
St. Catherines, Ontario L2R 7R4
1-800-387-7736
www.mto.gov.on.ca

Insurance Bureau of Canada
Head office: (416) 252-3440
Regional office: (416) 445-5912
www.abc.ca

Alcohol and Gaming Commission
22 Dundas St. West, 7th Floor
Toronto, Ontario M5G 2N6
1-800-522-2876
www.agco.on.ca

The Department of Foreign Affairs
and International Trade
1-800-267-8376
www.dfait-maeci.gc.ca

Canada Customs and Revenue
Agency, Trade Administration
Services
(519) 645-5843
www.cra-arc.gc.ca

Ministry of Tourism and
Recreation
www.tourism.gov.on.ca
London Regional Office
-800-265-4730

Labeling and Sizing

Labelling is regulated by the Ministry of Consumer and Business Relations and is administered through their Consumer Products Branch. The branch administers several federal acts and regulations, including the Consumer Packaging and Labelling Act, the Textile Labelling Act, the National Trademark, True Labelling Act and the Precious Metals Marketing Act. It also administers the Canada Standard Size Garment Sizing.

For more information contact:

Health Canada
Ontario Region, Health Protection Branch
Toronto, Ontario M1P 4R7 1-416-973-1600
www.hc-sc.gc.ca

Don't forget to contact an insurance agent to recommend the coverage you need for your business.

If you are operating a home based business, this is particularly important. And, you are probably now using your personal vehicle partly for business purposes, which has insurance implications.

Government Financial Assistance for Small Business

1. The Huron Business Development Corporation (HBDC) is a non-profit, *Community Futures Development Corporation* providing financing services to Huron County based businesses. Owners of qualifying companies may borrow up to \$150,000 for a variety of business-related expenditures including inventory, working capital, equipment, and property. It should be noted that in most cases, debt consolidation and real estate speculation are not eligible. However, the application may involve any type of business activity – start-up, expansion, or restructuring. Term loans are the norm, carry an interest rate of prime plus 3-4%, and may be amortized up to 10 years. In select cases, HBDC may consider an equity investment as more appropriate. While collateral security and credit history are factors in the lending decision, the primary consideration is the applicant's business plan. For more information or to make an application of financing for your business, contact Jim Niesen, Business & Loans Manager, at 527-0305.
2. The **Self-Employment Benefit** (SEB) program offers income support, training and technical assistance to those who are unemployed who wish to start their own business.

Eligible applicants must be qualified Employment Insurance claimants, not have previously participated in a self-employment assistance program funded by HRDC, be legally entitled to work in Canada, participate in the SEB Information Sessions, confirm EI eligibility criteria through your local Employment Resource Centre and be approved as an SEB client at:

Huron Business Centre
(519) 527-0305

Carol Leeming – SEB Coordinator
www.smallbusinesshuron.ca

3. The **Canadian Small Business Financing Act (CSBFA)** is a federal program (Industry Canada) that is offered by most chartered banks. It is designed to assist new and existing businesses in obtaining financing for the purchase, installation, renovation, improvement or modernization of equipment, land or buildings necessary for the operation of the business.

Loans are available for up to \$250,000 and up to 90% of the actual costs of the eligible assets may be financed. The lender may take a personal guarantee of up to 25% of the original amount of the loan. The interest rate charged by the lending institution cannot exceed the lender's prime rate plus 3%.

Request this specific loan when talking to your loan officer at your chartered bank. Under the Program, a small business must apply for a loan at a financial institution (bank, credit union or caisse populaire) of its choice. If the loan is granted by the financial institution, the federal government will reimburse 85 percent of the lender's losses in the event of default. A formal business plan must be prepared. For more information visit the website: www.strategis.ic.gc.ca/csbfa.

4. The **Business Development Bank of Canada (BDC)** offers various financial assistance programs designed to meet the specific needs of your business. They also offer business planning information and consulting. The BDC has a specific program for youths between the ages of 18-32 years of age called the "Young Entrepreneurs Financing Program". For more information contact the BDC at: Business Development Bank, 1-888-463-6232. Website: www.bdc.ca.
5. For **other** available financing options please contact the Huron Business Enterprise Centre.
 - Farm Credit Corporation
 - Export Development Corporation
 - Canada Youth Business Foundation
(for youth 18-34, up to \$15,000 loan)
 - Venture Capital or Angel Capital
 - CanAdvance (www.omafra.gov.on.ca)
(loans-geared to rural enterprises; part of the Canada Agricultural Adaptation Council)
 - Factoring Houses (they buy Receivables)
 - Leasing Companies
 - Franchises

Hiring Subsidies Program

To ensure you have a current list of available programs and subsidies, please contact the relevant office.

1. The Workplace Safety and Insurance Board's **Job Incentive Programs** provide financial incentives to employers who hire rehabilitated workers. The Board will work to match employers with individuals who have been specifically trained for the type of work offered by the employer. The employer is fully covered against incurring any liability for either a recurrence of the worker's original injury or new accident. For more information, contact the WSIB Prevention Hotline at 1-800-663-6639, or do an Internet search for "wsib+job incentive program".
2. **Targeted Wage Subsidy Programs**

The Federal Targeted Wage Subsidy program is a Service Canada program, which provides employers with a temporary subsidy of wages and other costs as an incentive to hire eligible participants who are having difficulty finding work. Participants must be hired in positions that are part of the normal business operations of employers. Contributions made by Service Canada are usually negotiated and may relate to any of the following:

 - wage of workers up to 60%
 - training costs up to \$8/worker training hour for on the job training and \$20/worker training hour for off the job training.
 - special costs for persons with disabilities up to \$10,000

- leasing or purchase of equipment up to the \$10,000
- Wages are funded for 12 - 30 weeks. For more information, contact 1-800 O-Canada (1-800-622-6232).

There is also an Ontario Targeted Wage Subsidy Program. Call the toll-free Employment Ontario hotline at 1-800-387-5656. The Ontario program is designed to:

- provide on-the-job work experience to unemployed people who are or have recently been eligible to receive Employment Insurance and are experiencing difficulty in finding work;
 - enable employers to hire people who face barriers to employment (people they might not otherwise hire) by offering temporary wage subsidies.
3. **Job Connect Ontario** is an employment preparation service funded by the Ministry of Training, Colleges and Universities. This service provides youth, 16 to 24 years old, with training and employment opportunities. A wage subsidy is available for student summer jobs with businesses and farms, as well as not-for profit and other community agencies. Wage support, for jobs that can last up to 16 weeks, is available from April to September. For further information, call Conestoga College at 271-9976 or 1-800-463-0796, or visit the web www.job-connectontario.on.ca.
 4. The **Rural Summer Jobs Service Program** offers Ontario youth free job search and self-marketing services. The program offers employers a wage subsidy to hire youth for summer employment. For more information contact the Ministry of Agriculture Food & Rural Affairs at 1-866-306-7827 or email rsjs.omafra@ontario.ca.
 5. Manufacturers & Exporters Canada in partnership with Service Canada. **ON-SITE** is a CME-sponsored industry-government job creation partnership that provides job experience to unemployed professionals and helps employers address key challenges. ON-SITE places capable individuals "on site" in companies, institutions and municipalities to assist with new activities to improve efficiency, productivity and competitiveness. ON-SITE employees are "on staff", but not "on salary". While working on the program, they receive Employment Insurance benefits and have access to technical support. The typical ON-SITE work term lasts for five to six months. The employer has the option to hire the ON-SITE worker at any point during or after the individual's work term. Funding for ON-SITE employees' wages is provided through Human Resources Development Canada and provincial labour market development agreements. Employers pay a \$2,600 administration fee for each placement in their company. ON-SITE is open to individuals who are eligible to collect Employment Insurance benefits. Most positions require a degree or diploma in science, engineering, environmental studies or business. Contact On-Site at 416-360-1323.

What Business Structure to Choose?

One of the first decisions you must make when you are starting a small business is what business structure you should choose. You need this information to comply with any government regulation and license, as well as for the bank to open your bank account. There are three basic structures to choose from:

- a) If you go into business by yourself you are considered a **sole proprietor**;
- b) If you go into business with others, sharing profits and losses, with or without employees, you are considered to be in a **partnership**; or
- c) If you get more formal, you can create a **corporation**.

Although there are many reasons for picking one of these structures, the main reasons are:

- a) tax; and
- b) risk of losing more than your investment.

Tax

As you probably know by now, income tax is a very complex topic. It is best discussed with your accountant. You may find that your accountant recommends you start the business as a sole proprietorship and then transfer it to a corporation once the start-up costs have been used to reduce your personal income. However, that is something that must be explored in great detail before you choose the form of business structure.

Risk of Loss

You must realize that if you are a proprietor or a partner, you can lose all of your personal assets if the business fails not just your investment into the business. This results from the ability the business creditors have to seize your personal assets if the business assets are not sufficient to satisfy their claims. You could therefore face personal bankruptcy and, in the case of a partnership, it may be because of a bad decision made, not by you, but by your partner(s).

The only practical way to protect against the possibility of being wiped out is to create a corporation. If that is done, the most you can lose is your investment in the corporation. Your personal assets will not be a risk, unless you choose to give a personal guarantee of the corporate debts.

Other Factors

These are not the only factors to consider in making this crucial decision. A very brief list is shown here. Remember, this is a very brief overview of each business organization type:

ADVANTAGES	DISADVANTAGES
<p><u>SOLE PROPRIETORSHIP</u></p> <ul style="list-style-type: none"> - owned by one person - low start-up costs - quick and easy to start - simple record-keeping and tax returns - owner directly controls - considerable freedom from regulations 	<ul style="list-style-type: none"> - owner and business are not legally separate - liability is not limited - cannot use the words “incorporated”, “limited”, “corporation” (or their abbreviations) as part of the name - may be considered by lenders or suppliers not as stable as a corporation or partnership - lack of continuity - difficult to raise capital
<p><u>PARTNERSHIP</u></p> <ul style="list-style-type: none"> - low start-up costs - two or more people can have ownership in the business - broader management base - relatively easy to start and limited outside regulations 	<ul style="list-style-type: none"> - liability is not limited - partners often have conflicts - a partnership agreement (extra expense) is essential - may be more complex record-keeping and tax returns - should register partnership name
<p><u>CORPORATION</u></p> <ul style="list-style-type: none"> - distinct legal entity - gives owners limited liability - business can have unlimited number of owners - increased credibility - easier to raise capital through sale of shares - ownership transferable - “perpetual” existence 	<ul style="list-style-type: none"> - more expensive to start - must have legal and accounting help - more administration - more complex record-keeping and tax returns - closely regulated

Hybrid Structures

Remember, too, that there are variations on these themes. For example, a partnership can either be a general partnership or a limited partnership. Limited partners make only financial contributions to the business. If they take no active part in it, that is the maximum that they can lose. This vehicle may be a way of having additional investors in the partnership, without the complexity of creating a corporation and issuing shares to them.

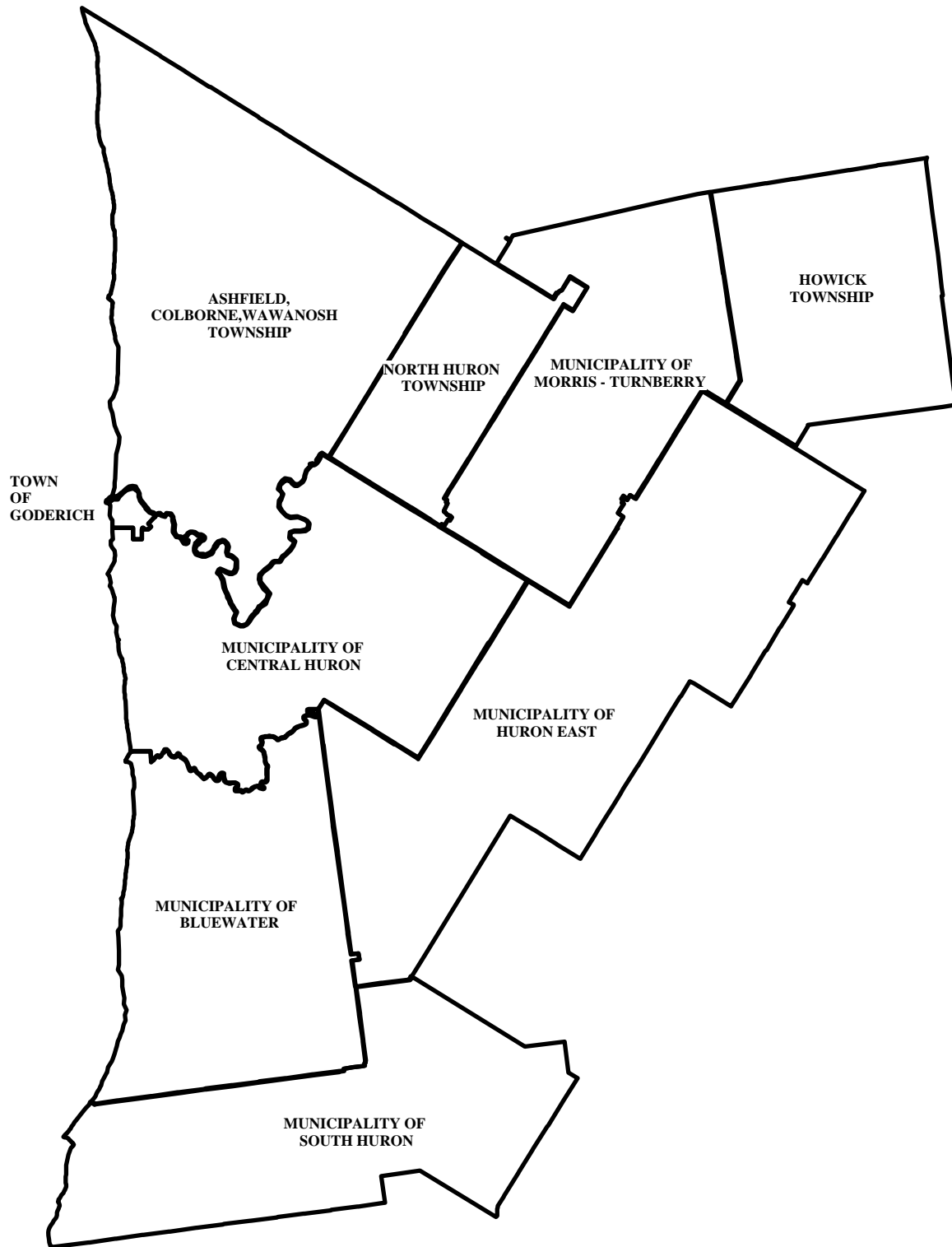
Partnership/Shareholder Agreement

A word about your business relationships with your co-owners. The time to create the code under which you will deal with fellow shareholders and partners is at the beginning, not when disputes arise. It is crucial that you have a partnership agreement or shareholder agreement prepared by a lawyer skilled in working with small business. The parallels between a marriage, on the one hand, and a relationship with partners and shareholders, are striking. Like marriage, a business relationship is relatively easy to create. It can be difficult to maintain. It can also be very troublesome to dissolve.

The partnership agreement or shareholder agreement should therefore deal with:

1. Are the job responsibilities clearly defined? What the parties expect each other to do while they are in business (is one partner expecting to sit behind a desk while the other partner makes the product, sells it, pays the bills, collects the invoices, deals with the accountant, lawyer and banker, etc.)?
2. How could the partnership be dissolved? What happens if one person dies, becomes disabled or goes personally bankrupt?
3. What kind of decisions must be made by all parties rather than just by one or two of you? Is there a dispute resolution mechanism?
4. What will your response be if the marriage of one business associates breaks up, and a judge orders that the spouse be given an interest in the business?

These and many other issues must be dealt with **before** any dispute arises and at a time when the parties are still talking to each other.



Huron County Municipalities

For detailed information regarding business licenses, business taxes, sign by-laws, building permits, zoning by-laws and other local information, contact the relevant Municipal Office.

County Offices

County of Huron
1 Courthouse Square
Goderich, Ontario
N7A 1M2
Phone: (519) 524-8394
Fax: (519) 524-2044

Planning & Development Dept.
1 Courthouse Square
Goderich, Ontario
N7A 1M2
Phone: (519) 524-8394, press 3
Fax: (519) 524-5677

Municipalities

North Huron

Box 90, 274 Main Street
Wingham, Ontario N0G 2W0
Phone: (519) 357-3550
Fax: (519) 357-1110

Bluewater

Box 250, 14 Mill Street
Zurich, Ontario NOM 2T0
Phone: (519) 236-4351
Fax: (519) 236-4329

Township of Howick

Box 89, Main Street
Gorrie, Ontario N0G 1X0
Phone: (519) 335-3208
Fax: (519) 335-6208

Huron East

Box 610, 72 Main Street South
Seaforth, Ontario NOM 1W0
Phone: (519) 527-0160
Fax: (519) 527-2561

Morris-Turnberry

RR#4, 41324 Morris Road
Brussels, Ontario N0G 1H0
Phone: (519) 887-6137
Fax: (519) 887-6424

Central Huron

Box 400, 23 Albert Street
Clinton, Ontario NOM 1L0
Phone: (519) 482-3997
Fax: (519) 482-9183

Ashfield-Colborne-Wawanosh

RR#5, 82133 Council Line
Goderich, Ontario N7A 3Y2
Phone: (519) 524-4669
Fax: (519) 524-1951

South Huron

Box 759, 322 Main Street South
Exeter, Ontario NOM 1S6
Phone: (519) 235-0310
Fax: (519) 235-3304

Town of Goderich*

57 West Street
Goderich, Ontario N7A 2K5
Phone: (519) 524-8344
Fax: (519) 524-7209

Urban Settlements

Clinton (Central Huron)
Box 400
23 Albert Street
Clinton, Ontario
NOM 1L0
Phone: (519) 482-3997
Fax: (519) 482-9183

Exeter (South Huron)
Box 759
322 Main Street South
Exeter, Ontario
NOM 1S1
Phone: (519) 235-0310
Fax: (519) 235-3304

Seaforth (Huron East)
Box 610
72 Main Street South
Seaforth, Ontario
NOK 1W0
Phone: (519) 527-0160
Fax: (519) 527-2561

Wingham (North Huron)
Box 90,
274 Josephine Street
Wingham, Ontario
NOG 2W0
Phone: (519) 357-3550
Fax: (519) 357-1110

Bayfield (Bluewater)
Box 99
Bayfield, Ontario
NOM 1G0
Phone: (519) 565-2455
Fax: (519) 565-2333

Blyth (North Huron)
Box 393
Blyth, Ontario
NOM 1H0
Phone: (519) 523-4545
Fax: (519) 523-9895

Brussels (Huron East)
Box 119
Brussels, Ontario
NOG 1H0
Phone: (519) 887-6572
Fax: (519) 887-9182

Hensall (Bluewater)
Box 279
Hensall, Ontario
NOM 1X0
Phone: (519) 262-2812
Fax: (519) 262-2821

Zurich (Bluewater)
Box 280
Zurich, Ontario
NOM 2T0
Phone: (519) 236-4974
Fax: (519) 236-7687

*All entrepreneurs are
optimists,*



*... but successful entrepreneurs
are also realists.*

Basic Components of a Business Plan

1. Executive Summary

- your opportunity to sell both your idea and your ability to deliver it
- a clear, concise summary of your plan
- what you do; for whom; where you'll do it; when you'll do it; what about funding
- any special market niche; production/sales objectives; financing
- one paragraph to two pages (no more) -**DO THIS LAST!**

2. Management and Business Organization

- your business name and registration; location; ownership details
- consideration of regs/legalities (insurance, zoning, GST, payroll, bookkeeping, etc.)

3. Your product/ service

- a detailed description of your service/product
- details of your *niche* advantages

4. Proof of demand

- what makes you think your product/service will sell?
- what information do you have about your specific market
- can you outline 3-5 reasons why you think your idea can succeed? **and** provide proof to support the reasons?

5. Your Target Customers

- to whom (*exactly*) do you intend to sell your service/product ?
- what do you know about that customer?

6. Promotion and Advertising

- how will you promote your service/produce to those customers?
- where will you advertise? How will you promote?

7. Your Competition

- who are your competitors?
- what are their strengths and weaknesses - and yours...?

8. Financial Data

- Start-up costs - including written estimates for any major purchases
- total business receipts and expenses for the 12 months/ cashflow
- Sales projections – details about how you arrived at your revenues?

9. Appendix

- resumes; flyers, brochures, business card.....
- any letters of support for your business idea/you
- articles/info about relevant trends
- accurate estimates re start-up costs
- sales brochures/ads about your product, if available

The BDC Business Plan

Available at www.bdc.ca

TABLE OF CONTENTS

1 Business Overview

Description of the business	Products & services
Major demographic, economic, social and cultural factors	Pricing and distribution
Major players (suppliers, distributors, clients)	Market trends
Nature of the industry	Implications or risk factors
Trends in the industry:	Competitors and type of competition
Government regulations	Competitors' strengths and weaknesses
Market segment	Competitive advantage

2 Sales & Marketing Plan

Customers	Pricing & distribution
Suppliers	Customer service policy
Advertising & promotion	

3 Operating Plan

Business location & requirements / advantages / lease details
Equipment / technology / R&D / environmental aspects

4 Human Resources Plan

Key employees
Policies & procedures

5 Action Plan

Action plan & timetable

6 Executive Summary

A brief description of the project, the financing required, and additional information that help explain the business plan
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7 APPENDIX: Financial Plan

The company's financial performance, both historical and projected (available as a downloadable Excel spreadsheet). Includes sales, cost of goods sold, expenses, income statement, balance sheet, cash flow budget, financial requirements, performance indicators, and personal status.

• **Business Planner**

c. 1995, Jeffrey S Sturman dba JS Consulting

The Document

What's in a successful business plan?

Business plan formats vary because different businesses require different plans. However, there are essential areas that must be covered in most plans. The following is a list of areas that should be addressed in most start-up business plans. Note: Whether or not your business is product or service oriented will affect the structure of the plan.

- Cover Page
- Table of Contents
- Executive Summary
- Management
- The Product
- Competitor Analysis
- Market Research and Sales Projections
- Marketing Plan
- Financial Projections
- Tax Planning
- Operating Controls
- Goals, Strategies, and Tactics
- Legal Issues
- Potential Problems and Contingency Plans
- Location
- Capital Requirements
- Repayment Plan
- Collateral
- Debt and Equity Positions
- Personal and Financial Histories of Owners and Key Personnel
- Appendices

The length of the plan is not an issue. If the plan requires 20 pages, then it should be 20 pages. If the plan requires 60 pages, then it should be 60 pages. Many business-planning guides offer guidelines such as “Never exceed 40 pages” or “The plan should have one page for each \$2,000 being sought”. Adhere to these guidelines at your own peril. The best advice: Keep the plan succinct and thorough by omitting unnecessary information and including pertinent information. I would not recommend including lengthy product and pricing information. However, have that type of information available in case the lender requests it.

Seeking outside assistance is important if you are treading unfamiliar territory. But I must point out that if you are qualified to operate the business, you should not require substantial outside assistance in writing the business plan.

The assistance I recommend you do seek is that of an accountant and an attorney. Employ professionals who specialize in small business issues.

The final plan should be professional in appearance. Don't rush to the bank before double and triple checking the plan for accuracy, organization, and thoroughness. It may be unfair, but a sloppy plan reflects poorly on the author's organizational and analytical skills. Have non-authors proofread the plan, and have an accountant proofread the financials and make suggestions.

Cover Page

The cover page should include the company name, the time span over which the plan was created, and the name and phone number of the contact person (i.e. company representative who can readily be reached). First impressions are important, so the cover page should be professional in appearance. If you have one, include the company's logo on the cover page.

In some cases it may be advisable to include a Non-disclosure Statement at the beginning of the plan. However, most readers of the plan will not sign the statement (especially banks). If the plan contains new technology that is not legally protected, it would be wise to seek legal advice.

Table of Contents

Make this an accurate road map of the plan that will allow the reader to quickly reference needed information. Include subtitles that highlight specific areas (company strengths, important company advantages).

Executive Summary

This is the last part of the plan to be written. It is a quick (one or two page) summary of the entire plan. Make it interesting! Be sure to briefly cover the capital requirements, the projected financial performance, the management, and other areas that will encourage the reader to keep reading. If this section is not effective, the rest of the plan may not be read. Be creative!

Management

Discuss the functions that will be required to support the business, for example, the sales force, the accounting department, and the customer service personnel. Then identify which owners and managers will be responsible for those functions. The education, experience, and other qualifications of each principal should also be covered, and their respective resumes should be referenced to in the appendices.

The Product or Service

It is important to display your knowledge of the product or service you will be offering. Do not talk technical terms that may only confuse the reader. An effective way to approach this section is to act like you are trying to explain your product or service to a potential customer. Be a salesperson! But be factual, thorough, and knowledgeable.

Competitor Analysis

Organize your competitive research and present a realistic, accurate picture of the proposed operating environment. Be sure to include all competitors, both direct and indirect. Summarize the strengths, weaknesses, opportunities, and threats that exist because of, and due to, competitor.

Market Research and Sales Projections

Start by listing the sources of the information included in your research. List all databases, books, professionals, industry journals, and other sources you tapped for the market information. An effective way to do this is to frequently reference an appendix that includes all of this information. Then develop your analysis into a cohesive presentation of the total market, the target market(s), and the market potential. The result should be a sales forecast that is reliable and accurate.

Marketing Plan

This is where the pricing, the promotion, and the placement of the product must be discussed. This mix of information should clearly present the manner in which prices will be set, how the advertising and promotions will be carried out, and how the product or service will be obtained by the business and ultimately delivered to the consumer.

Financial Projections

The plan should have financial projections for at least the next three years, including balance sheets, income statements, and cash flow statements. The income and cash flow statements should be on a monthly basis for the first year, and on an annual basis thereafter. A pro forma balance sheet may also be included, which is a special balance sheet that shows the condition of the business just prior to receiving the loan funds, and just after receiving the loan funds.

Tax Planning

This section should outline the specific planning and control procedures that will be employed by the business to assure tax compliance. This section should be short and succinct, highlighting the plans for income, sales, employee, and municipal taxation. It is important to show the potential lender that the business will not encounter tax problems due to ignorance.

Operating Controls

Operating controls such as paperwork, forms, computerization, and budgeting are all important areas of a thorough business plan. Be sure to discuss in detail the methods and tools that will be employed to control inventory, payroll, purchases, accounting and other operational aspects of the particular business.

Goals, Strategies and Tactics

A goal is a destination. The company will have \$250,000 in sales in the third year of operations is a goal.

A strategy is a direction. In order to accomplish this, the business will shift its marketing efforts from a local to an inter-provincial focus during the second and third years of operation is a strategy to accomplish the goal.

A tactic is a specific course of action. Mail order catalogues will be created and mailed to the surrounding provinces, and toll free phone lines will be installed to accept inter-provincial and international orders is a tactic of the strategy to accomplish the goal.

The preceding is provided to help you understand the differences between the three important aspects of short- and long-term planning: Goals, Strategies and Tactics.

In this section define your growth plans for both the short-term (the next year) and long-term (more than a year in the future). What will sales be, why will sales grow, and how will sales grow? The answers to those three questions are your sales goals, strategies, and tactics. What markets will be exploited, why will these markets need your products, and how will the business target these markets? The answers to those three questions are your sales, goals, strategies, and tactics. What markets will be exploited, why will these markets need your products, and how will the business target these markets? The answers to those questions are your marketing goals, strategies, and tactics. What will profits be in the fourth year, why will those profits be produced, and how will those profits be produced? You get the idea.

Legal Issues

Businesses vary greatly in their exposure to legal risk and regulations. Businesses that operate in regulated industries will require a Legal Issues section. Use your own judgement, but do not make the mistake of not addressing important legal issues.

Potential Problems and Contingency Plans

This section of the plan is rarely included. But here's the reason it should be included. When a potential lender reads the plan, he or she is going to have questions and doubts about the plan that are not adequately addressed. If the plan does not discuss these 'obvious' problems, the lender may feel the plan author is not being thorough or realistic. In order to demonstrate the author's competence, the plan should address these obvious problems and offer alternative solutions to these problems.

All plans will have inadequacies, and these questionable areas must be discussed. Good examples may include: 'What if the competition reduces its prices?' 'What if the main supplier files for bankruptcy?' 'What will be the affects of any potential governmental regulation in the industry?' and 'What if the company's key personnel leave the company?' Don't 'What if' yourself to death, but be sure to address those specific potential problems and solutions that will likely be observed by the astute reader.

Location

A business plan without a location section is a poor plan. The location must be addressed in all cases. Location is pertinent to all plans, even though in varying degrees. This section should address rent/mortgage payments, lease agreements, insurance projections, traffic statistics, and other information about the future location.

Capital Requirements

The plan should address this subject in many areas, but it is often effective to devote a separate section for a simple, thorough proposition. For example: ABC Company is seeking \$150,000 to launch a new widget manufacturing business. These funds will be used to purchase machinery (\$65,000), furniture and fixtures (\$20,000) and inventory (\$40,000). The remaining funds (\$25,000) will be used for working capital cash to finance accounts, purchases, and unanticipated expenses.

This may also be an effective place to include the pro forma balance sheet.

Repayment Plans

The financial projections should include how the funds will be repaid. However, a separate section devoted to the repayment plan adds credibility. It helps demonstrate your commitment to repayment, which is very important.

Remember, a basic rule of lending is that the cash flow from the business must repay the debt; debt is not repaid by profits, collateral liquidation, or personal guarantees. Reinforce your commitment to repay the loan!

Collateral

This section should outline all the necessary information needed by the lender to make an accurate assessment of the collateral availability and value. List all collateral that will be available to secure the loan, along with respective liens (debt owed on that property), history, and conditions. Property values should be substantiated by tax assessments or current appraisals.

Debt and Equity Positions

This section should clarify the equity (owner's proceeds) and debt (lender's proceeds) composition of the new business. By the way, as a general rule, most lenders like to see the owners risking from 20% to 33% of the total capital requirement. Use a schedule to indicate how the equity and debt relationship will change over time, and discuss any anticipated changes in this relationship, such as additional borrowing and equity injections.

Personal and Financial Histories of Owners and Key Personnel

This section should include the current personal financial statements, and the personal tax returns for the past three years for all principals (owners, partners, key personnel).

Appendices

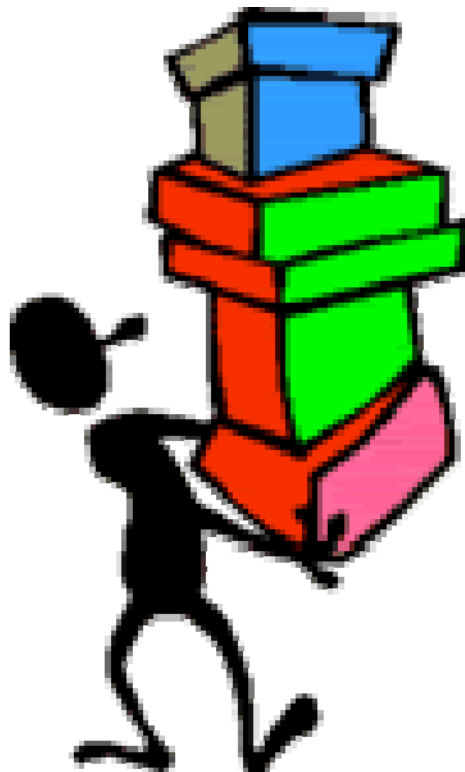
Included here should be tables, charts, graphs, and summary lists of pertinent information. Try to avoid putting these 'things' in the body of the plan because they will make the plan hard to read and understand. Put this information in

the appendices, and reference the appendices at the relevant points in the plan. Also included here, if applicable, should be the articles of incorporation and amendments, partnership agreements, licenses, permits, patents, leases, tax returns, resumes, association memberships, and other documentation that will be needed by the lender.

Summary

These sections do not have to be organized in this order. Nor is this intended to be a comprehensive listing of section requirements. Include what will be needed for the lender to make a positive lending decision, and organize it so the reader does not get confused.

The time spent on a successful business plan will vary for many reasons, including the author's experiences and knowledge, and the business' complexity. I would doubt that any successful plan requires less than 100 hours of research, organization, and creation. Most plans will require much more.



Research

From an article by Jeffrey S. Sturmandba JS Consulting, 1995

What information do I need?

The information needed to create a successful business plan can be divided into three categories:

- *Industry Information*-history, trends, statistics, suppliers competitors, etc
- *Market Information* - competitors, consumers, the economy, etc.
- *Operating Information* - management, marketing, accounting, sales, production, etc.

Within each of these categories are many specific types of information you will need. All of this information is available from numerous sources. What follows is a discussion of many of the most effective sources and techniques for gathering business planning information.

Industry Information

Industry Associations, Journals and Regulation Groups

Diligently follow these steps and you will soon have 80% of the information needed to write your business plan. First, you need the names and phone numbers (preferably toll-free phone numbers) of industry associations, journal publishers and regulatory groups. How do you get this information? There are dozens of EASY methods! Following are a few of the most effective methods. Note: In the following discussion, the word 'association' is used to refer to industry associations, journal publishers and regulatory groups. These are, however, different sources. Be sure to contact all three.

- *Consult The Directory of Associations in Canada*
Published annually by Micromedia Limited, this resource is a comprehensive listing of Canadian Associations. Most of the larger libraries will have one for reference. A copy is located in the resource library of the **Huron Business Centre**.
- *Call Your Competitors*
Call your competitors and ask for the names and phone numbers of industry associations. Industry associations exist in every industry to some degree. These associations are usually non-profit corporations that collect, organize and distribute industry information in various journals and other publications. If one competitor won't give you the names and phone numbers, call the next one. In fact, call every competitor in the Yellow Pages and ask the same questions because many industries have more than one prominent association. With a little politeness, creativity and persistence you should soon have a list of associations and phone numbers. If your competitors won't give you these names and phone numbers, try the next method. If you got the information you needed, try the next method anyway!

- *Call the 800 Directory*

Call 1-800-555-1212, the national toll-free phone directory. Again, be polite and creative. Ask the operator for 800 numbers for associations in your industry. This can be tricky, so here's a real example to help:

I once helped a friend collect information on the Retail Office Supply Industry. I called the directory and asked the operator for the 800 numbers of any listings that had the words Office, Supply, and Association in their description. With today's modern computers, the operator is able to do a nationwide search like this in seconds. The result - the operator told me she couldn't do that ... so I hung up, called the directory again, talked to a different operator, made my request again, and she did it! The first operator either didn't want to help me or didn't know how to help me. This is common; so don't hesitate to call the directory many times until you get the info you need. After several calls over the next hour, using several different search words, I had a list of 10 different associations, regulatory groups and journal publishers!

- *Visit Your Competitors*

Get in your car and visit your competitors. I don't want to recommend you do anything illegal or unethical, but quite frankly I don't think the following can be classified as either. In your competitors' places of business look around for catalogues, supply books, journals, etc. Most businesses leave this sort of material lying all over the store for anyone to view, so why shouldn't you view it? You want to remember the names on these books, so write them down as soon as you get into your car. One place many of these materials can be viewed is near, on or behind the check out counter. Once you have the names of these publications, call the 800 directory and ask for the publishers' phone numbers.

- *Look in the Yellow Pages*

These associations may be listed in your local phone book.

- *Go to Your Local Library*

At your local library, find industry articles from the mainstream media (Canadian Business, The Financial Post, etc.). Quite often these articles mention prominent associations. Other library sources are the numerous association directories; these directories are nothing more than phone books of industry associations. Ask the librarian where they are located.

- If none of the preceding methods work, get creative. There are associations in your industry. Find them! If the U.S. is to be an important target market (and even if it isn't), make sure you have contacted the relevant U.S. Associations. After you have the names and phone numbers of these associations, proceed to the final step!

- *The Final Step*

Industry associations, journal publishers and regulatory groups are marketing devices. One of their main objectives is to promote the growth and prosperity of the particular industry. They have warehouses full of FREE information in some cases. In most instances you will have to pay a nominal fee, ranging anywhere from \$5 to \$100 on average. Call these groups and join the associations, subscribe to the journals and beg for free information. In addition, your name will likely be sold onto numerous mailing lists, which will in turn result in more FREE information. Your mailman won't be very happy, but you will!

Mainstream Media

The next source of research information is the mainstream media, such as Canadian Business, The Financial Post, etc. Depending on your industry, there may be a wealth of information, or practically nothing. The best way to find out is to go to your local library and use the various computer systems to search for articles on your industry. If you haven't been to the library in the past ten years, don't be intimidated by the automation and the computers. Find a librarian and politely explain your situation. Librarians are notoriously generous and helpful.

Don't read the articles at the library. Make photocopies of the articles so you can take the information home with you. A few hours in the library should result in a stack of photocopies. These articles are invaluable:

- The information in these articles is 'reliable'. Reliable, because it is more than likely current and accurate. But it is reliable in another important aspect; you can cite facts and statistics from these articles in your plan, which will add credibility to your plan!
- The information in these articles will probably be broad-based, economic data. This information is helpful in developing sales forecasts, predicting trends and assessing the current industry. These articles can also lead to a greater understanding of how the industry fits into the overall economy.
- Finally, you can find other sources of information in these articles. For example, if the article mentions an association, you can contact that association. If the article quotes an industry expert, you can contact that industry expert and ask for help or information. If the article mentions dominant competitors in the industry, you will have the names of the competitors you may wish to emulate. If the article focuses on government regulation, you will have a starting point for legal research.

Suppliers and Competitors

These two sources are listed together because you can use the same techniques to get information from both sources. However, remember the information from suppliers is quite different than the information from

competitors. Why comes later. Right now you just want to get the information. Here's how:

- Call every competitor and supplier listed in your local Yellow Pages. It is also a good idea to go to the library and use the Yellow Pages National Edition to contact competitors and suppliers all over your province, region, or the entire country. Ask the competitors and suppliers to send you their catalogues, advertisements, fliers, pamphlets, etc. In the 1990's it is rare when a business doesn't offer direct mail and mail order materials. Most of these materials should be free, but a few may cost \$1 to \$10. Again, this is cheap, good information so pay the small fee. Your name will again be sold onto mailing lists, and presto, your mailman is even less happy!
- When you start getting the industry publications you already ordered, thumb through them. More than likely there will be dozens of advertisements from competitors and suppliers. Call them all and request their catalogues, etc!
- Finally, visit your competitors and suppliers if convenient. Pay attention to how they do business! This sort of 'espionage' is invaluable. While you're there, ask for catalogues, brochures, pamphlets, fliers, etc. Be Creative!

Books, Magazines, Periodicals, Etc.

The final source of information I will suggest may or may not be a good idea for your particular situation. But, if you find information is hard to come by using the preceding methods, you may consider visiting your local bookstore. I would suggest going to the biggest bookstore in your community because this sort of information is rare in many cases. If you can find a book or a magazine that focuses on your industry, buy it. The book or magazine will likely contain dozens of leads to more information.

Market Information

The preceding sources will provide you with mainly Industry Information. However, much of that information is also Market Information. But there are specific types of Market Information you still need. As always, your situation will dictate how you collect Market Information, but following are a few general sources of Market Information.

Most libraries will have the books you need, but it is a good idea to go to the largest library that is convenient for you. Visiting the business libraries of the University of Western Ontario in London, Wilfred Laurier University in Waterloo, or the University of Waterloo is excellent use of your time.

- The first book you want is entitled Finding Canadian Facts Fast, written by Stephan Overbury and published by McGraw-Hill Ryerson. Use it as a starting point on where to find key information. More

importantly perhaps, it also provides clues on what information sources should be considered in your search.

- Next, find the Statistics Canada publication Family Expenditure In Canada. This resource contains a wealth of information on the buying patterns of Canadian families.
- Statistics Canada also publishes many other resources. For a complete list, consult the Statistics Canada Catalogue. Do not forget to consult Statistics Canada's extensive collection of census data, economic statements, market research reports etc. A complete library of Statistics Canada publications is available at the University of Waterloo and the University of Western Ontario.

There are dozens of other directories and periodicals that are available throughout the library system. It is not necessary to purchase most of the information that you will require. However, it is absolutely essential that you make the effort to locate the data that is relevant for your particular industry.

The Internet and World Wide Web

An important tool in researching your business should be the Internet. While there are other components, the *World Wide Web*, or simply, the *Web*, is its most common form, and, easiest to use. By itself, it can provide you with more information that you can imagine and all at your fingertips. Access should not be an issue. The **Huron Business Centre** has public internet access free of charge and available during business hours. Staff can provide you with the basic tools to '*navigate*' the Web like other types of research, ultimately; you are responsible for finding the information relevant to your industry. If you ignore the information that is available through the Web, you lessen your chances for success. In fact, many of the desired publications may be available '*online*' with information that is even more current than otherwise available.

Summary

Collecting information for your business plan is important. Your chances of creating a successful plan increase proportionately as you collect more and accurate information. It doesn't take a lot of effort, just a lot of creativity. Please note that there are dozens of other sources of information available that are not discussed here. If these sources don't work for you, find others.

Another useful source of business related information is the Canada-Ontario Business Service Centre (COBSC). A knowledgeable Information Officer will guide you through to the business information you need! Their services include research and planning tools; an on-line interactive business planner; and export programs and services.

COBSC www.cbsc.org/ontario **1-800-567-2345**

Business Start-up Contacts – Huron County

Name Registration	Ministry of Finance www.mgs.gov.on.ca/english/business/index.html London Region, 400-130 Dufferin, London N6A 6G8 1-800-265-1540 or (519) 433-3901
	OR Huron Business Centre , Seaforth (519) 527-0305
	OR Service Ontario office , Goderich 38 North Street, N7A 2T4 1-800-267-8097
	OR Register from home on the Internet at www.serviceontario.ca . Under “Service and Forms” at the right side of the screen, select “Search, Register, Renew a Business”.
GST	Canada Revenue Agency (CRA) www.cra-arc.gc.ca 415 Talbot St, 1 st Floor, Box 5548, London N6A 4R3 1-800-959-5525
PST (Vendor’s Permit)	Ministry of Finance www.trd.fin.gov.on.ca 1-800-265-1540 or (519) 433-3901
Municipal Licences	Huron County , Planning and Development (519) 524-8394, press 3 NOTE: You will be directed to the Municipality in which the business is located (ACW, Bluewater, Central Huron, Goderich, Howick, Huron East, Morris-Turnberry, North Huron, or South Huron)
Payroll Deductions	CRA , Canada Revenue Agency 1-800-959-5525
Workers’ Compensation	Workplace Safety and Insurance Board , London www.wsib.on.ca 148 Fullarton, London 1-800-265-4752 or (519) 663-2331
Labour Relations	Ministry of Labour, Employment Standards www.gov.on.ca/lab/es/ese.htm 457 Richmond St., London 1-800-531-5551 or (519) 645-4047
Import & Export Regulations	CRA , 1-800-959-1953
	OR Ontario Exports Inc., 1-877-468 -7233
General Business Information	Huron Small Business Enterprise Centre www.smallbusinesshuron.ca 138 Main St. S., Box 1120, Seaforth N0K 1W0 (519) 527-0305