

EasyStart Business Guide in New York City



New York City Department of Small Business Services

www.nyc.gov/sbs

The Department of Small Business Services makes it easier for companies in New York City, to form, do business and grow by providing direct assistance to business owners, fostering neighborhood development in commercial districts, promoting financial and economic opportunity among minority- and women-owned businesses, preparing New Yorkers for jobs and linking employers with a skilled and qualified workforce.

To learn more about each item listed below, call 3-1-1 and mention any of the programs that you are interested in and say they are offered by the Department of Small Business Services.



The Division of Neighborhood Development ensures the long-term vitality of the City's diverse commercial districts by creating greater opportunity for neighborhood-based small businesses and ensuring that communities are well served by small businesses; promotes the development and economic well-being of growing businesses by providing answers to questions, offering classes, making referrals, coordinating SBS services and leveraging government and community resources and contacts.

NYC Business Solutions - connects small business owners to available public- and private-sector business development resources; provides information in such areas as procurement, training, marketing, tax identification numbers, insurance, and financing; offers free one-on-one counseling to New York City small businesses and entrepreneurs; helps small businesses navigate government, resolve issues with other City, State, or Federal agencies or utility companies; the Emergency Response Unit assists businesses when they are forced to interrupt their operations as a result of disasters (e.g., fires, water main ruptures, explosions or natural disasters), by helping them gain access to their premises, apply for available emergency assistance -- including government programs and private insurance -- and reopen as soon as conditions allow; leads special effort to help small businesses in Lower Manhattan through a grant provided by the National Football League.

NYC Business Solutions Centers - are neighborhood-based satellite offices of the Agency where the local business owner can receive assistance in his or her own neighborhood.

Business Improvement District (BID) Program - a Business Improvement District (BID) is a designated commercial or industrial area in which property owners agree to collectively fund supplemental services such as sanitation, marketing and security. SBS works with commercial property owners and community stakeholders to develop new districts, and manage the ongoing partnerships between BIDs and City government. There are 50 BIDs in New York City, providing over \$78 million in supplemental services.

Commercial Revitalization (CR) Program - makes seed investments to stimulate activity in emerging commercial districts. Program goals are to attract private investment to underwrite the ongoing supplemental needs of the district and grow the number of community-based small businesses.

Business Incentives - connects eligible businesses to City, State and Federal programs that promote investment; encourage employment, relocation and retention; and reduce operating costs. SBS also administers the following incentive programs: Energy Cost Savings Program (**ECSP**); Industrial Relocation Grant Program (**IRG**); Lower Manhattan Energy Program (**LMEP**); and the Printers Relocation Fund (**PRF**).

Empire Zones Program - encourages business development in designated areas by offering targeted incentives and benefits to new and expanding businesses. Eligible companies can take advantage of employment, investment, real property, sales and wage tax credits, as well as utility cost discounts. There are currently 10 Empire Zones in New York City, throughout the five boroughs.

The Micro-Enterprise Program - provides entrepreneurs and business owners with training in basic business and computer skills at sites throughout the City in English, Spanish and Chinese.

(more)



The Division of Workforce Development connects employers with a skilled workforce and provides employment services to the City's adult private-sector workforce.

The New York City Workforce1 Career Centers – are the centerpiece of the adult workforce system. The New York City Workforce1 Career Centers are operated by the New York City Department of Small Business Services, the New York State Department of Labor and the City University of New York, combining the expertise of many different organizations to provide a seamless network of employment services and business development resources. The Centers provide jobseekers with a full array of employment services including career advisement, job search counseling, skills training and job placement. Services for businesses include human resources consulting, customized training, access to skilled workers and retention enhancement services. There are Workforce1 Career Centers in Upper Manhattan, the Bronx, Queens and Brooklyn, with centers in Staten Island and Lower Manhattan scheduled to open in the summer and fall of 2004.

Business Workforce Partnerships – creates partnerships with private employers and community-based organizations that SBS trains and places individuals with employers who are hiring in all five boroughs; works with the Workforce1 Career Centers and creates customized training initiatives tailored to the specific needs of employers to meet their workforce needs; monitors the Individual Training Account Program (**ITA**), which gives vouchers to individuals to receive employment training.

Policy and Planning- oversees efforts to partner with foundations and coordinates long-term strategy in Workforce Development for the City of New York; develops demonstration projects and manages SBS' role in the One-Stop System operator consortium which includes the New York State Department of Labor and the City University of New York.

Contracts and Reporting – oversees 39 employment service providers that serve dislocated workers and special adult populations, including through targeted outreach and occupational skills training, and generates State-mandated reports.



The Division of Economic and Financial Opportunity administers the Minority- and Women-Owned Business Enterprise Program (**MWBE**) which works to ensure the participation of minority- and women-owned businesses in the New York City procurement process; the Procurement Outreach Program (**POP**) which identifies Federal, State and City contracting opportunities for New York City businesses, and provides technical assistance to give businesses the tools they need to bid successfully; the Locally- Based Enterprise Program (**LBE**) which helps eligible small construction and construction-related firms to do business with the City by certifying them as LBEs; and the Bonding Technical Assistance Program which helps New York City's small construction firms obtain surety bonds and identify sources for working capital loans for construction and construction-related contracts.



Mayor Michael R. Bloomberg
Deputy Mayor Daniel L. Doctoroff
Commissioner Robert W. Walsh

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Introduction

NYC Business Solutions is at the forefront of the Bloomberg Administration's commitment to support and grow New York City's small businesses. Members of the Business Solutions staff provide free, comprehensive assistance, covering a variety of business related topics including:

Expert advice and guidance on obtaining financing: Be it start-up capital or funding to expand, the NYC Business Solutions staff will help fine-tune business plans to make them attractive to banks and other lenders, and connects small businesses to specific opportunities, such as the Seedco Small Business Loan or Accion's micro-lending program.

Hiring and Training Employees: Finding and retaining a skilled workforce is critical to a small business' success and NYC Business Solutions understands this. Its professionals work with small businesses to develop custom recruitment or training programs.

Navigating Government: Whether it is a question about licensing and permits, an issue involving regulatory agencies or a way to access cost-saving incentives, NYC Business Solutions can quickly identify where to turn and save time by facilitating access to government agencies.

Increasing Contracting Opportunities: With both the public and private sector, the staff certifies minority or woman-owned businesses with the city. Staffed professionals walk businesses through the procurement process to give them the competitive edge they need while compiling a bid for a government or private sector contract.

This Easy Start Business Guide provides you with basic information and advice to assist you in starting a business in New York City. If you have further questions, please feel free to contact one of our Business Solutions Centers by calling 311, logging on to <http://nyc.gov/smallbiz>, or by visiting one of the Business Solutions Centers located in each of the five boroughs: 149th Street in the Bronx; Bond Street in Downtown Brooklyn; 125th Street in Upper Manhattan; 91st Avenue in Avenue in Jamaica, Queens; Bay Street in Staten Island; and John Street in Lower Manhattan.

*NYC Business Solutions "Business Basics" seminars are also held regularly every month at the Business Solutions Centers. Each week covers one of five different topics ranging from start up assistance and financing, to procurement. The center also offers several industry specific seminars a month as well as courses in Spanish. A full schedule of the seminars can be viewed at <http://nyc.gov/smallbiz>

1.1 Checklist for Starting a Small Business

You are considering whether to start your own business. Before jumping right in, there are several steps we recommend that you take to improve your chances of success. The following is a checklist that you can customize to guide you in thinking about whether owning your own business is right for you, and if so, in completing the multiple tasks necessary to start it.

Personal Assessment

The first – and most important – thing you should do is a self-evaluation. Being a business owner can be challenging. Knowing your strengths and weaknesses helps you focus your initial efforts on the things you do best, while finding ways to improve upon or compensate for your weaknesses.

To test yourself, click below to take the U.S. Small Business Administration's "Is Entrepreneurship for You?" self-evaluation test.

http://www.sba.gov/starting_business/startup/areyouready.html

There are many workshops and classes you can attend to learn the ropes. The Business Solutions Center offers a business basics class. We can also refer you to business workshops in your community.

Writing Your Business Plan*

A business plan precisely defines your business, identifies your goals, and serves as your company's resume. The basic components include a current and pro forma (future projection) balance sheet, an income statement, and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.

Know All Of Your Expenses

You should know all of your expenses, both one-time, startup expenses and ongoing cash requirements. You should itemize each purchase and expense and research its realistic cost. You should consider: equipment, insurance, business filings, stationery, signage, furniture, supplies, inventory, accounting and legal services, bank fees, salaries, benefits, etc. For help thinking about expenses, review the Managing Your Cash Workbook (all additional resources are available on SBS' website at <http://www.nyc.gov/businesssolutions>).

Secure Necessary Capital

This could be in any form, including bank loans, personal savings, family contributions, etc. SBS has two additional informational sheets that can provide more detailed information about financing options: Financial Resources and Getting A Loan for Your Business. You can also call us to sign up for a Financial Basics class or to meet with a loan officer to discuss your financing needs.

- Legal Considerations**
Determine any legal issues that you need to resolve, including the type of business structure (e.g., sole proprietorship, partnership, or corporation), the terms of your lease, Contracts with vendors or financing organizations, etc. For help finding legal advice or an attorney, read the SBS informational sheet Legal Considerations.
- Registering Your Business**
Obtain a tax identification number and other tax registrations as required. Phone the IRS for a free "Small Business Tax Kit" at (800) 829-3676 or find it online at the IRS' website, <http://www.irs.gov>.
- Establishing A Business Bank Account**
Establish a business checking account that is separate from any personal accounts you may have. Shop for the bank and services that best suit your needs. Consider large national banks and smaller local banks, as each has different strengths to offer to small businesses.
- Setting Up Your Accounting System**
You will not know if you are making or losing money, over- or under-stocking inventory, etc. without maintaining records about your sales, inventory, expenses, and cash flow. These records will also allow you to compare your actual results to your projections and they will be necessary to file taxes at the end of each year. See http://www.sba.gov/starting_business/index.html or meet with a Business Solutions Center business counselor for assistance.
- Assess Your Real Estate Needs**
Determine the type of space you need: square feet, properties' physical condition, layout suitability, traffic flow, parking, utility requirements, and cost. Pay particular attention to how the cost/square foot compares with other comparable locations. When you have found the space, contact the **Department of City Planning** to make sure that your location is in the appropriate zone for your type of business before you sign a lease. See <http://www.nyc.gov/html/dcp/html/zone/zmapintr.html> to view a map of your zoning area by borough.
- Identify Your Vendors**
Identify those companies or individuals from whom you will buy the products and services you need. Consider their reliability carefully.
- Assess Your Personnel Needs**
Identify other positions at the company that you will need to fill. Establish job descriptions and clear required qualifications for these positions.
- Start Networking**
Join trade associations or your local Chamber of Commerce to promote your business and meet others in your industry.

Research General Business Assistance Opportunities

Continue to identify classes, workshops, or one-on-one business counseling assistance that will help you better understand how to start and run your business. You will have particular strengths, but as an entrepreneur, you will need to understand every aspect of your business. Strengthen your weaker areas by taking courses, meeting with business counselors or reading materials. In the appropriate circumstances, business service professionals, such as accountants, marketers and attorneys, can be an important investment in the success of your company.

2.1 Tips on Structuring a Business

This section is designed to help small business owners make informed decisions regarding their business structure needs and provides an overview of different types of legal business structures.

Basic Legal and Practical Issues to Consider

One of the first decisions that you will have to make as a business owner is how the company should be structured. There is no one legal structure that's best for all small businesses. Whether you're better off starting as a sole proprietor or choosing one of the more complicated organizational structures such as a partnership, corporation or Limited Liability Company (LLC) usually depends on several factors including those listed below. This guide only provides basic information on some of the legal and practical issues to consider when setting up a business. **IT IS NOT A SUBSTITUTE FOR PROFESSIONAL ADVICE.** Persons contemplating starting a business are strongly encouraged to consult legal, financial and tax advisors. You can log onto <http://www.nolo.com> or other websites for more detailed legal information.

In making a choice, you will want to take into account the following:

- Your vision regarding the size and nature of your business
- The number of people owning equity in the company
- The level of "structure" you are willing to deal with
- The business's vulnerability to lawsuits
- Tax implications of the different ownership structures
- Expected profit (or loss) of the business
- Whether or not you need to re-invest earnings into the business
- Your need for access to cash out of the business for yourself

Sole Proprietorship

The vast majority of small businesses start out as sole proprietorships because this is the simplest type of business organization to establish for an individual starting a business. Under this structure, your business is you. With the exception of complying with any applicable licensing requirements and obtaining a "Doing Business As" certificate if you plan to operate under an assumed name (e.g., Candy's Treats), there is nothing else you need to do. This is a good structure if risks and liabilities are expected to be low.

- Easiest and least expensive form of ownership to organize
- Sole proprietors are in complete control, and within the parameters of the law, may make decisions as they see fit
- Profits from the business flow through directly to the owner's personal tax return
- The business is easy to dissolve, if desired
- Sole proprietors have unlimited liability and are legally responsible for all debts against the business - their business and personal assets are at risk

- May be at a disadvantage in raising funds and are often limited to using funds from personal savings or consumer loans
- May have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business
- As the sole owner, the demands of running a business are high

Partnerships

General Partnerships

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. While partnership agreement is not necessary, it is strongly advised to clearly set out each partner's contribution, involvement in the business and what will happen in the event of liquidations. It may be difficult to think about a "break-up" when the business is just getting started, but many partnerships split up in times of crisis and a legal agreement can prevent problems from escalating.

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement
- A general partnership has flow-through taxation meaning the partnership does not pay taxes. Instead, the individual partners are taxed on the income they receive from the partnership. Each partner will pay taxes on their share of the business income on their personal tax returns
- Each partner is personally liable for the entire amount of any business debt or claim even if it was incurred by the other partner
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner

Limited Partnership (LP) and Partnership with Limited Liability (LLP)

"Limited" means that most of the partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally attracts investors interested in making capital investments for short-term projects. This form of ownership is not often used for operating retail or service businesses. Forming a limited partnership or Limited Liability Partnership is more complex and formal than that of a general partnership.

Corporations

C- Corporations

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders.

The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

- A corporation which is properly formed and operated as a corporation assumes a separate legal and tax life distinct from its shareholders

- A corporation pays taxes at its own corporate income tax rates and files its own corporate tax forms each year
- A corporation's management and control is vested in the board of directors who are elected by the shareholders of the corporation
- Dealings with third persons are conducted through officers and employees of the corporation to whom authority is delegated by the directors of the corporation (President, Vice-President, Secretary, Treasurer)
- Shareholders are the owners of a corporation
- The Board of Directors is responsible for the Management and policy decisions of the corporation
- In most states, one or more persons may form and operate a corporation
- A corporation is taxed for its own profits; then, any profits paid out in the form of dividends are taxed again to the recipient as dividend income at the individual shareholder's tax rate
- As a separate legal entity, a corporation is capable of continuing indefinitely. Its existence is not affected by death or incapacity of its shareholders, officers, or directors or by transfer of its shares from one person to another
- The process of incorporation requires more time and money than other forms of organization
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations

Sub-Chapter S-Corporation

Owners who want the limited liability of a corporation and the "pass-through" tax-treatment of a partnership will often make the S-Corporation election.

If you plan on drawing a very low salary and leaving most of the corporate earnings in the corporation for re-investment, the S corporation may not be the solution for you. The Internal Revenue Service requires that the owner pays him or herself a "reasonable" salary – that is equivalent of what it would cost to pay someone to do that job subject to geographic differences and level of company profits. If you do not do this, the IRS can reclassify all of the earnings and profit as wages, and you will be liable for all of the payroll taxes on the total amount.

- A Corporation must first be filed at the state level
- All Sub-Chapter S-Corporations are required to have a calendar year end (to coincide with when individuals file their tax returns). You can petition for a date other than December 31,
- by applying to the IRS for permission or under the provisions of IRS code section 444
- Maximum of 75 shareholders
- ALL shareholders must be either U.S. Citizens or Permanent Resident Aliens. Non-resident aliens are NOT acceptable
- The corporation must have issued only ONE class of stock
- No more than 25 percent of the corporation's gross income can be derived from passive investment activities such as interest or real estate income

Limited Liability Company (LLC)

The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. Formation is more complex and formal than that of a general partnership.

The owners are members, and the duration of the LLC is usually determined when the organization papers are filed. The time limit can be continued if desired by a vote of the members at the time of expiration.

- A limited liability company is relatively easy to form compared to that of a corporation
- The limited liability company has a much broader management base than a partnership
- The liability of the members of a limited liability company is limited to the member's personal investment in the company
- Limited Liability Companies tend to have a much more complex tax filing system
- Tax and liability treatment of limited liability companies is not uniform across state lines
- Limited liability companies have some restrictions placed on the transfer of ownership

3.1 Registering Your Business

This section is designed to provide tips on how to obtain a Business Certificate or incorporate your business in New York State.

Applying for a Business Certificate

(Also known as “Doing Business As” or Trade Style Certificate)

Who Must File a Business Certificate?

If you plan on conducting for-profit business in NYC under any name other than your own, or if you plan on conducting business as a partnership then you are required by law to file a Business Certificate in the appropriate County Clerks Office. For example, if you want to sell your bakery goods as “Anna’s Best Cookies” you will need to register that name.

County Clerks’ Offices

Brooklyn	Supreme Court Building, 360 Adams St., Room 189 Brooklyn, NY 11201	(718) 643-5256
Bronx	851 Grand Concourse, Room 118, Bronx, NY 10451	(718) 590-3682
Manhattan	Supreme Court Bldg, 60 Centre St., Room.103B, New York, NY 10007	(212) 386-5955
Queens	88-11 Sutphin Blvd., Room 106, Queens, NY 11435	(718) 298-0600
Staten Island	130 Stuyvesant Place, 1 st Floor, Staten Island, NY 10301	(718) 390-5396

Which Forms Do I Need?

Sole Proprietorship (One owner):	Form X-201
Partnership (More than one owner):	Form X-74
Amend a Business Certificate:	Form T-224
Close a Sole Proprietorship:	Form T-341
Close a Partnership:	Form T-176

Where Do I Get the Proper Forms to File?

Forms may be available at commercial stationary stores that sell legal forms or you may phone Blumberg at (800) 221-2972 for a store location near you that carries the forms.

(<http://www.blumberg.com>). Completed forms must be notarized by a Notary Public.

How Many Forms Should I Obtain?

Three (3) forms are recommended: one for the County Clerk, one for your bank if you plan on opening a business account, and the third for display at your business.

How Do I Determine Whether the Name I Want to Use Is Available?

You must complete a name search at the County Clerks office to assure that the chosen name is not already in use. The County Clerks office will conduct a search on their system at the time of the filing for availability.

(Note: Form X-201-You may not use a term that suggests that there is more than one owner of the business such as associates, limited, consultants, groups, etc., nor use the words: club, social club, U.S.A., United States. You may not use *only* the first and last name of an individual in the name of your business.)

Requirements

The Business Certificate Must Include:

- Completed forms must be notarized
- The name of the business
- The full street address (NO, P.O. Box or C/O)
- The full name of the business owner(s)
- Proof of home address

Proof of Home Address:

- Driver's license or car registration
- Voter registration card
- Post marked envelope addressed to you in your full name
- Recent credit card statement with your name and address
- Bank statement or passport which has your full name and address

***The fee is \$100 to file plus \$10 each to certify both additional copies for a total of \$120. (All fees must be paid with cash, certified check, or money order.) Two copies of the form certified by the County Clerk will be returned to you. One is for a bank to open a bank account for your business; the other is for your place of business.**

How to Form a Corporation in New York State

What Is a Corporation?

A corporation is a legal entity separate and distinct from the individual(s) who composes the business.

Which Form do I need?

Business Corporation: Certificate of Incorporation

Limited Liability Company: Articles of Organization

Limited Partnership: Certificate of Limited Partnership

Limited Liability Partnership: Certificate of Registration

Where Do I Get the Proper Forms to File?

There is no required format for the certificate of incorporation but the basic standard form may be obtained at Division of Corporations. Or if you wish to have a corporate seal for your corporation, or to obtain a corporate kit, they may be available at commercial stationary stores that sell legal forms or you may phone Blumberg at (800) 221-2972 for a store location near you that carries the kits. (<http://www.blumberg.com>).

*A corporate kit contains a corporate seal, blank stock certificates for the shares the corporation is authorized to issue, and forms for recording the minutes of meetings of the corporation. The kits are not available at The Department of State and a corporate seal is no longer required by NY State.

Where Do I File It?

Corporations are formed by filing a **Certificate of Incorporation** with the New York Department of State. If you are mailing the certificate, the completed signed form together with the necessary filing fees should be sent to the NYS Department of State, Division of Corporations, State Records and Uniform Commercial Code, 41 State Street, Albany, NY 12231. Or you also may bring the certificate for processing to the Department of State at the address stated above.

*The filing fee for a certificate of incorporation is \$125, plus an additional minimum of \$10 representing the tax on the shares the corporation is authorized to issue. To determine the amount of the tax due, please refer to the state publication, "Forming a corporation in New York State." Fees must be paid by cash, check or money order and checks drawn for more than \$500 must be certified.

How Do I Determine Whether the Name I Want to Use Is Available?

Business Corporation, Limited Liability Company & Limited Partnership

The Department of State will make a determination of name availability in response to written requests addressed to the Albany office of the Department of State that are accompanied by a fee of \$5 for each name to be searched for availability.

*Please note that the Department's determination regarding the availability of a name applies only to the date and time that the name search was completed. Requests for name availability cannot be handled by telephone.

Limited Liability Partnership

There is no statutory requirement that limited liability partnership names be checked for availability. Therefore, any name that otherwise meets statutory requirements will be approved for use for a limited liability partnership.

For Further Information

Automated Information

This automated system provides general information on filing procedures and fees.

Phone: (518) 473-2492. (24hrs/7days)

Customer Service Representatives/Certificate Filing Assistance

Between the hours of 8:00 A.M. and 5:00 P.M. Customer Service Representatives and Business Document Specialists are accessible through the automated system. Customer service personnel can assist callers with general information while the specialists assist callers with specific instructions and information regarding certificate filings.

Phone: (518) 473-2492

Website: <http://www.dos.state.ny.us/corp/corpwww.html>

4.1 TAX FAQ

This section provides resources for help with tax preparation as well as answers to frequently asked questions regarding where to obtain an Employer Identification Number (EIN), a Sales Tax Number or a Resale Certificate.

Preparing Your Business Taxes

You will likely need assistance in preparing your business taxes to tackle such questions as – What and how much can I deduct? Are there any personal expenses that may be deductible as business expenses? How do I depreciate my equipment? And so on.

Resources

Internal Revenue Service

- To access free tax information visit <http://www.irs.gov>.
- Small businesses should go to the “Small Business/Self-Employed” on the Businesses page
- Small businesses, corporations, partnerships and trusts that need help preparing business returns can contact the Business and Specialty Tax Line at (800) 829-4933.
- Order forms, instructions and publications by calling (800) TAX-FORM (800-829-3676)
- TTY/TDD users may call (800) 829-4059 to ask tax questions or to order forms and publications
- For “fax tax service” use the phone attached to your fax machine to dial the IRS at (703) 368-9694. They will fax you forms and publications

Post Offices and Libraries

- Check post offices and libraries in your area for tax related forms and publications (many offer this information)

How to Obtain a Federal Employer Identification Number (EIN)

Who Must Obtain an EIN?

An EIN is required for most businesses; only sole proprietors with no employees are not required to have an EIN. (Sole proprietors can use a Social Security number as an EIN.)

Quick Checklist: You will need an EIN if you answer "Yes" to any of the following questions:

- Do you have or plan to have employees or contractors?
- Do you plan to operate your business as a corporation or a partnership?
- Do you plan to file any of these tax returns: Employment, Excise, or Alcohol, Tobacco and Firearms?
- Do you plan to withhold taxes on income, other than wages, paid to a non-resident alien?
- Do you plan to have a Keogh plan?
- Are you involved with any of the following types of organizations?

- Trusts, except certain grantor-owned revocable trusts, IRAs, Exempt Organization Business Income Tax Returns
- Estates, Real Estate mortgage investment conduits
- Nonprofit organizations
- Farmers' cooperatives, Plan administrators

Which Forms Do I Need and Where Do I Obtain Them?

To obtain an EIN, you must complete **IRS Form SS4**, Application for Employer Identification Number and file it with IRS.

- The form is available directly at <http://www.irs.gov/business/small/article/0,,id=9876,00.html> or from one of the local [IRS](#) offices listed below
- You can also call (800) 829-3676 or Tax Info: (800) 829-1040

Brooklyn	625 Fulton St. Brooklyn, NY 11201	Monday-Friday 8:30 A.M. to 4:30 P.M.	(718) 488-2068
New York (Harlem)	55 W. 125th St. New York, NY 10027	Monday-Friday 8:30 A.M. to 4:30 P.M.	(212) 436-1000
New York (Downtown)	290 Broadway New York, NY 10007	Monday-Friday 8:30 A.M. to 4:30 P.M.	(212) 436-1000
New York (Midtown)	110 W. 44th St. New York, NY 10036	Monday-Friday 8:30 A.M. to 4:30 P.M.	(212) 436-1000
Staten Island	10 Richmond Ter. Staten Island, NY 10301	Tuesday-Wednesday 8:30 A.M. to 4:30 P.M.	(212) 436-1000
Queens	59-17 Junction Blvd. Rego Park, NY 11368	Monday-Friday 8:30 A.M. to 4:30 P.M.	(718) 760-6019

How Long Will it Take to Get an EIN and Where Do I File it?

You should apply for an EIN early enough to have your number when you need to file a return or make a deposit.

By Phone

You can get an EIN quickly by calling the Tele-TIN phone number for your state.
Tele-TIN: TOLL FREE (866) 816-2065

By Internet

You can get an EIN quickly by visiting the website below. (Please note, there are a few entity types that can not get an EIN via the Internet. For further information see the website below.)
Website: <http://www.irs.gov/businesses/small/article/0,,id=102766,00.html>

By Fax

If you prefer, you can fax a completed **Form SS-4** to the [service center](#), and they will respond with a return fax in about one week. If you do not include a return fax number, it will take about two weeks.
Fax-TIN: (631) 447-8960

By Mail

If you apply by mail, send your completed Form [SS-4](#) (PDF) at least four to five weeks before you need your EIN to file a return or make a deposit.

NYS Service Center
Attn: EIN Operations
Holtsville, NY 00501

How to Obtain a Sales Tax Number—Registered Vendor / Resale No.

Who Must Be a Registered Vendor?

A Sales Tax Number is required for all businesses that will be making sales in New York State that are subject to sales tax. You may be required to collect the sales tax from the person to whom you make the sale. (Please refer to Publication 750 for list of Taxable Sales.)

Which Forms Do I Need and How Long Will it Take to Get a Certificate of Authority?

To obtain a Certificate of Authority, you must file form **DTF-17** – "Application for Registration as a Sales Tax Vendor" for your business with the New York State Department of Taxation and Finance at least 20 days (but no more than 90 days) before you begin operating your business.

The Tax Department will review your application. If the application is approved, the Tax department will mail you a Certificate of Authority. You cannot legally make taxable sales or issue or accept most exemption certificates until you have received your valid Certificate of Authority. If you listed several places of business on Form DTF-17-ATT, the Tax Department will provide you with a valid Certificate of Authority for each location.

Types of Certificate of Authority:

- **Regular** – if you will be making taxable sales from your home, a shop, a store, a cart, a stand, or any other facility or facilities from which you regularly conduct your business
- **Show/Entertainment** – if your only business activities in the state will be operating as a show or an entertainment vendor
- **Temporary** – if you expect to make taxable sales in New York State for no more than two consecutive quarterly sales tax periods in any 12-month period

Where Do I Get the Proper Forms to File and Where Do I File Them?

Applications for a Certificate of Authority are available by:

- Internet: <http://www.tax.state.ny.us>
- Fax: (800) 748-3676
- Telephone: General Tax Info: (800) 225-5829 (Telephone assistance is available from 8:30 A.M. to 4:25 P.M., Monday to Friday)
- Business tax info: (800) 972-1233
- To order forms and publications: (800) 462-8100

New York State Department of Taxation and Finance Offices

Manhattan:	86 Chambers Street, New York, NY 10007	(212) 417-2082
Brooklyn:	55 Hanson Place, Brooklyn, NY 11217	(718) 722-2030
Queens:	80-20 Kew Gardens Rd, Kew Gardens, NY 11415	(718) 459-6791
Staten Island/Bronx:	N/A	

Helpful Publications

- Publication 20 – New York State Tax Guide For New Businesses
- Publication 750 – A Guide to Sales Tax in New York State

The Signed Application Must Be Mailed to:

New York State Tax Department,
Sales Tax Registration Unit
W A Harriman Campus
Albany, NY 12227

5.1 Introduction to Permits and Licensing

With numerous city and state rules and regulations it can be difficult to understand which permits or licenses you need to start your business. The **Department of Small Business Services (SBS)** is available to answer the main questions:

- Which permits do I need?
- Which agency or agencies provide these permits?
- What information do I need to provide?
- Do I need permits from more than one agency, from both the City and State?

Tips on Applying for Permits

- **Start Early.** Prepare your application well in advance of the date you wish to start any activity that may require a license; it can take time to get a license approved, especially if you need a permit that requires inspections or approval from multiple city departments (e.g., Consumer Affairs, Buildings, Fire, or Transportation) or qualifying exams.
- **Take Steps in the Right Order.** Knowing what is required to obtain the permit will save you time and aggravation. For example, know what documents you will need to submit with the application and prepare them in advance. If the permit you need requires multiple agency approval or both City and State approval, you should get them in the order indicated.
- **Know the Rules.** It is not enough to get a permit. You need to be informed about what you can and cannot do under the regulation or law because, even if you don't know the rules, inspectors do. If you have questions, call the relevant agency and ask. Don't ignore fines. Seek help.

These are the key agencies that issue permits. For more detailed information, use the websites or phone numbers provided.

Licensing Agency	General Business Activities
<p>Department of Consumer Affairs (DCA) Address: 42 Broadway, 5th Floor New York, NY 10004 Phone: 311 Website: http://www.nyc.gov/consumers</p>	<p>Issues licenses/permits for most retail activities and other common business activities, including cabarets, debt collection agencies, cigarettes, electronics, employment agencies, garages, home improvement contractors, stoop-line stands, sightseeing buses, street fairs/general vending (non-food), tow-truck companies, laundromats, locksmiths, motion pictures, newsstands, and much more.</p>
<p>Department of Health (DOH) Address: 125 Worth Street New York, NY 10013 Phone: 311 Website: http://www.nyc.gov/health Walk-in center is available at 42 Broadway, 5th Floor</p>	<p>Issues licenses/permits for restaurant and food establishments, mobile food vendors, tattoo and funeral parlors, manufacturers of ice cream, groomers of small animals, users of insecticides, and much more.</p>

<p>Department of Buildings (DOB) Address: 60 Hudson Street New York, NY 10013 Phone: 311 Website: http://www.nyc.gov/buildings</p>	<p>Issues licenses/permits for construction-related trades, such as licensed electricians and plumbers, cranes, derricks, hoists and riggings, as well as for maintenance and repair of boilers and elevators, store alternations and certificates of occupancy. DOB also issues Certificates of Occupancy and permits for awnings and outdoor signs.</p>
<p>Department of Transportation (DOT) Address: 40 Worth Street New York, NY 10013 Phone: 311 Website: http://www.nyc.gov/calldot</p>	<p>Issues permits for revocable consent, street furniture, sub-surface street repairs and sidewalk repair or installation.</p>
<p>Department. of Environmental Protection (DEP) Address: 59-17 Junction Boulevard Flushing, NY 11368 Phone: 311 Website: http://www.nyc.gov/dep The Environmental Economic Dev. Unit (EEDAU) helps find sources of financial aid for regulatory compliance and pollution prevention.</p>	<p>Issues water taps or wet connection permits, water meter permits, sewer connection permits, industrial wastewater discharge permits. Also issues work permits and certificates of operation for businesses that must comply with the NYC Air Control Code; permits for asbestos demolition and renovation activities. Facilities storing or handling hazardous substances at or above certain levels must file an annual Facility Inventory Form to comply with the NYC Community Right-to-Know Law; certain facilities also must file a Risk Management Plan.</p>
<p>Taxi and Limousine Commission Address: 40 Rector Street New York, NY 10006 Phone: 311 Website: http://www.nyc.gov/tlc</p>	<p>Issues licenses for taxis, limousines and small charter buses.</p>
<p>New York State AGENCIES Website: http://www.gorr.state.ny.us or www.nys-permits.org (O.P.A.L) or 800-342-3464 If you're getting the runaround by a state agency (ies) call the Office of Regulatory Reform and they intervene and take care of the problem. OR Online Permit Assistance & Licensing – A quick reference to identify needed permits or licenses</p>	
<p style="text-align: center;">Licensing Agency</p>	<p style="text-align: center;">General Business Activities</p>
<p>NYS Department of Health (DOH) Address: Corning Tower Empire State Plaza Albany, NY 12237 Phone: (518) 474-7354 Website: http://www.nyc.gov/health</p>	<p>Issues licenses for health organizations, health spas, pet shops, and funeral establishments.</p>

<p>NYS Liquor Authority (SLA) New York City Office Address: 105 West 125th Street 4th Floor, New York, NY 10027 Phone: (212) 961-8385 Website: http://abc.state.ny.us</p>	<p>Issues licenses for alcoholic beverages.</p>
<p>NYS Department of Motor Vehicles (DMV) Manhattan/Bronx Phone: (212) 645-5550 Brooklyn/Queens/Staten Island Phone: (718) 966-6155 Website: http://www.nydmv.state.ny.us</p>	<p>Issues licenses for commercial vehicles.</p>
<p>NYS Department of State Address: 84 Holland Avenue Albany, NY 12208 Division of Licensing Services (518) 474-0050 (leave message) Business and Licensing Services (518) 474-4429 (voice prompt or speak to customer service representative) Website: http://www.dos.state.ny.us</p>	<p>Issues licenses for appearance enhancement, barbers; alarm installers; armored car carriers; bail enforcement agents; central dispatch facilities; hearing aid dispenser businesses; private investigators; real estate brokers; real estate appraisers, real estate salespeople and real estate branch offices; security guards; watch, guard, and patrol agencies; armored car guards and telemarketers.</p>

Call us if you have problems getting your permit or if you have received fines and need assistance in understanding and correcting any violations:

Department of Small Business Services
City Business Assistance/Emergency Response Unit
110 William Street, 3rd Floor
New York, NY 10038
Phone: (212) 618-8810
Website: <http://www.nyc.gov/html/sbs/html/cbap.html>

6.1 Insurance Essentials

This section is designed to help small business owners make informed decisions regarding their insurance needs.

Liability, Fire, Theft and Health

Most business owners think of insurance as a tax, an expensive necessity to be kept at a minimum. **It isn't.** It is a form of risk management essential to all businesses. As risk takers, entrepreneurs test their abilities in the marketplace every day. By reducing the financial consequences of fires, accidents, thefts or other unforeseen events beyond the entrepreneur's control, insurance improves a risk taker's odds.

Do I Really Need it?

Legal requirements: In New York State, if you have any employees, you are required to carry workers' compensation and disability benefits insurance. If you own a car or truck for business you need auto insurance. Often a landlord will require you to maintain a certain level of liability coverage as a condition of your lease. Your bank or your investors might require you to maintain life, business interruption, fire or other types of insurance to protect their investments.

The benefits of coverage: Insurance isn't just protection against disaster. It has positive benefits and advantages few business owners realize. Employee programs such as health benefits can help you retain good employees. Borrowing against equity in your life insurance or retirement fund is one way to raise capital for expansion. It can also improve your bank and supplier credit. In addition, you can insure against your loss of business income as well as your lost goods in a fire or other incident.

Insurance Planning

It is important to design an insurance program that suits your business needs and risks. A lifetime of work and dreams can be lost in a minute if you don't have adequate coverage. Deciding what coverage is adequate takes planning and forethought, just like other aspects of your business. The first step should be to enlist the help of a professional insurance agent, broker or consultant who can explain the types of coverage available and can help develop an effective insurance program for your business.

Understand your risks: The key to an adequate plan is understanding the risks of your business. They will range from the loss of business due to fire or your own protracted disability to unforeseen events like a broken display window or goods partially damaged from a flooded storeroom. Obviously, everyone has different concerns. A young, single person may have less concern for the consequences of personal injury than a middle-aged father of five.

Assess the costs: On a sheet of paper list all the possible risks you face. Evaluate the losses you will suffer from each. Cover your largest loss exposure first. Use as high a deductible as you can afford, since the cost of a policy varies depending on how much risk you are willing to shoulder. Avoid duplicative insurance, but don't shortchange your business with less coverage than you actually need. Finally, review your program periodically. The coverage you start with may be inadequate for the amount of business you do after six months.

Groups of Insurance Professionals

Agents: Agents are licensed representatives of insurance companies who are responsible for marketing the company's products. They usually earn commissions based on their sales. They might represent only one company (captive), or several companies (independent).

Brokers: Brokers are licensed representatives who represent a number of different carriers. They earn commissions based on their sales. Brokers are construed to represent the buyer.

Consultants: Insurance consultants can help evaluate a business's needs, design a plan and recommend the most economical carrier. But for small businesses, a qualified agent/broker can do the same thing. The consultant is paid by the buyer, based on a contract or agreement.

Determine the Financial Stability of the Carrier

Remember that when you select a carrier, you should base your decision not only on the plan it offers, but also on its reputation, stability and record in serving the small business market. Ask for a copy of its rating by A.M. Best & Co., Standard & Poor's, or Duff & Phelps from the broker, agent or the company itself. These organizations are the ones that provide an opinion as to an insurer's financial strength and ability to meet ongoing obligations to policyholders. The opinions are based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. (However, these ratings are **not a warranty** of an insurer's current or future ability to meet its contractual obligations.)

For more information, contact New York State Insurance Department (NYSID.) They are responsible for licensing carriers and monitoring their operations

Phone: (212) 480-6400

Website: <http://www.ins.state.ny.us>.

Types of Coverage

Insurance coverage is available for just about every conceivable risk you might face as a business owner. But the cost and specific coverage of policies vary widely among insurers. Just what is available and how you can use it to manage your business's risk should be carefully discussed with a trained professional agent, broker or consultant. Generally, coverage falls under some of the following categories:

Property Insurance: covers the gamut of possible loss of property from a multitude of perils (fire, smoke, explosion and vandalism). Often you can buy comprehensive "all-risk" coverage. You can cover the property for its cash value at the time of loss, replacement costs or an appraised value. You can insure against loss of property you don't own such as a customer's television. You may need special protection for accounts, bills, currency, deeds, etc. You can insure against the loss of goods in transport as well as your car or truck against theft and collision damage.

Liability Insurance: covers your legal liabilities from accidents and other injuries. In addition to bodily injury, you can be covered for personal injuries as well--libel, slander, etc. You could also be liable for others under contract to you, a circumstance that is also insurable.

Auto Insurance: covers your liabilities for injury and the cost of repairing a car or truck in case of an accident. It doesn't cover loss of cargo that you have to insure separately. You can also insure yourself against accidents with uninsured drivers.

Workers' Compensation and Disability Insurance: are required by New York State if you have any employees. Workers' compensation covers employees for loss of income and medical expenses through job related accidents, while disability insurance covers them for loss of income if they become disabled off the job. In addition to your employees, you can also cover yourself for loss of income if you are disabled. Starting entrepreneurs often overlook insuring themselves in the event they become disabled. But consider the consequences to your family should you lose your ability to work for an extended period of time. Various levels of risk can be covered.

Business Interruption Insurance: coverage protects you in case a fire or other peril shuts your business down. It can cover employees' salaries, taxes, rent, utilities, etc. You can also protect against business losses if a peril shuts down a key supplier, losses affected by utilities' failures, or losses when an insured peril doesn't shut you down but seriously disrupts your business.

Crime Insurance: can be purchased to protect against burglaries, robberies as well as employee theft. Federal crime insurance is often available for small businesses in high risk areas for which insurers will not write policies.

Employee Benefits: such as group life and health insurance, and retirement income programs provide additional security for your employees and are often crucial to keeping good workers. Also, key-man insurance protects the business against financial loss caused by the death of a partner or invaluable employee.

Health Insurance: for the business owner, is another type of coverage an entrepreneur often overlooks. But the cost of healthcare can be expensive. Along with all the other risks you evaluate, consider your health, and devise a program that meets what you consider an acceptable level of risk. High deductibles in healthcare insurance can often reduce the cost of coverage significantly while protecting you against catastrophic illness.

Business Life Insurance: is important as your business actions don't just affect you. Your family and employees are affected. What happens to a business when the proprietor dies? Does it close? Does a life of family savings go down the drain? Various types of coverage are available that cover numerous problems that arise upon the death of business owners or partners. Among them are sole proprietorship insurance which provides for maintenance of the business on the proprietor's death, and partnership or corporation insurance to retire partner or shareholder interests upon their death.

Useful Websites

New York State Insurance Department

Website: <http://www.ins.state.ny.us>.

New York State Insurance Fund (NYSIF)

Specializing only in Workers' Compensation and Disability Insurance. (NYSIF is the largest provider of workers' compensation insurance in New York State. **If desired, businesses can choose private providers**)

Website: <http://www.nysif.com>

InsurancePoliciesOnline.com

Offers a wide variety of helpful online documents for your business.

Website: <http://www.InsurancePoliciesOnline.Com>

All Quotes Insurance

Offers a convenient way to comparison shop for insurance.

Website: <http://www.AllQuotesInsurance.Com>

A.M. Best Company

Website: <http://www.ambest.com>

Standard & Poor's

Provides opinions on an insurer's financial strength and ability to meet ongoing obligations to policyholders.

Website: <http://www.standardandpoors.com>

Duff & Phelps

Provides opinions on an insurer's financial strength and ability to meet ongoing obligations to policyholders.

Website: <http://www.dcrco.com>.

Having Difficulty Getting Insurance?

New York Property Insurance Underwriting Association (NYPIUA): is a pool of insurance companies writing fire insurance in New York State. It offers fire and extended coverage, as well as coverage for vandalism, malicious mischief and sprinkler leakage to consumers who are unable to purchase this type of insurance from individual insurance companies.

Address: 100 William Street, New York, NY 10038

Phone: (212) 208-9700

Fax: (800) 522-3372

Having Difficulty With Your Carrier?

Contact these organizations for assistance:

New York State Insurance Department Consumer Services Bureau

Address: 25 Beaver Street, New York, NY 10004-2319

Phone: (212) 480-6400

New York State Insurance Department

Address: 160 Broadway, 21st Floor, New York, NY 10013

Phone: (212) 480-6400 or (518) 474-6600

7.1 Trademarks, Service Marks, Copyrights, & Patents

This guide is designed to help small business owners make informed decisions regarding their trademarks, service marks, copy right & patents.

Trademark & Service Mark

A *trademark* (also known as a brand name) is used to distinguish physical products while a *service mark* identifies a service such as a financial service, advertising, etc.

Trademark or service mark rights can be established by:

- Simply starting to use the mark, but the rights are limited to that state;
- Applying for a federal registration for use nationwide.

The designation “TM” for trademark and “SM” for service mark is used with the name when the mark is not federally registered. ® or “Reg. U.S.Pat. & Tm.Off.” means the mark is federally registered.

A mark can be registered in the state for a local business if it is not to be used in interstate or foreign commerce. It is quick and inexpensive to register. Federal registration provides nationwide priority rights and offers federal court protection against infringement. In international trade, the mark must be registered on a country by country basis.

To register a trademark or service mark in New York State, contact:
NY State Dept. of State-Division of Corporation and State Records, Albany
(518) 474-4770.

To register a mark federally, Please contact:

U.S. Patent & Trademark Office/U.S. Department of Commerce
Washington, D. C. 20231
(800) 786-9199
www.uspto.gov

Copyright

A copyright, designated by a ©, protects literary, artistic, and musical works including sculptures, movies, computer programs, etc. Registration is granted by the federal government and is inexpensive. Although it is not necessary to register to use the symbol, registration is important to bring suit for copyright infringement.

To register a copyright, Please contact:

U.S. Copyright Office
Library of Congress
Washington, D. C. 20559
For information: (202) 707-3000
For forms: (202) 707-9100
www.loc.gov/copyright

Patent

A patent is necessary to protect an invention, original process, or new and useful idea and is granted by the federal government. It is a costly and time consuming procedure and generally requires the aid of a patent attorney. In international trade, patents must be applied for in each country. For information, contact the U. S. Patent & Trade Mark Office.

To register a patent, please contact:

U.S. Patent & Trademark Office/U.S. Department of Commerce

Washington, D. C. 20231

(800) 786-9199

www.uspto.gov

8.1 General Business Assistance

This section provides information and referrals to organizations that provide technical assistance and services to small businesses.

Business Outreach Center Network (BOC)

The BOC Network provides micro-enterprises and small businesses information, technical assistance, financing and other vital services and resources, free of charge. Based in neighborhoods throughout New York City, each BOC provides individualized, comprehensive guidance in obtaining financial, marketing, management, technology, and legal services.

Small Business Development Center (SBDC)

The U.S. Small Business Administration (SBA) administers the Small Business Development Center Program to provide management assistance to startups and existing small business owners. SBDCs offer business plan counseling and access to financing information and guidance in central and easily accessible branch locations.

Website: <http://www.nyssbdc.org>

Overall Economic Development Corporations (EDC)

By borough, these EDC's assist small businesses with a variety of services regarding the start or expansion of a business, including financing. They are as follows: Bronx Overall Economic Development (BOEDC), Brooklyn Overall Economic Development Corporation (BEDC), Manhattan Borough Development Corporation (MOEDC), Queens County Overall Economic Development Corporation (QCOEDC), and Staten Island Overall Economic Development Corporation (SIOEDC).

Women's Business Center (WBC)

Each Women's Business Center provides technical assistance and/or training in finance, management, marketing, and procurement as well as addressing specialized topics such as home-based businesses, corporate executive downsizing and welfare-to-work. All provide individual business counseling and access to the SBA's programs and services; a number are also intermediaries for the SBA's Micro Loan and loan pre-qualification programs.

NYC Business Solutions Centers

@NYC Department of Small Business Services

@South Bronx Overall Economic Development (SoBro)

@Brooklyn Chamber of Commerce

The NYC Business Solutions Center is a new initiative by the Department of Small Business Services, designed to provide small businesses with a range of support to help them grow. SBS and its borough partners bring their combined experience, knowledge and networks under one roof to assist New York's small businesses. SoBRO offers a range of entrepreneurial assistance, financing through its Credit, Inc. program, procurement/government contracting, counseling, technology assessments and Empire Zone advisement and placement. For any business in the Bronx, SoBRO can provide the assistance you need or direct you to the appropriate resource.

The Brooklyn Chamber of Commerce is a private, nonprofit business membership association dedicated to helping Brooklyn businesses grow and to promoting the economic development of the borough. Recent projects include The Brooklyn @tlas (tourist map and guide), Brooklyn Mills (the Brooklyn Garment Manufacturing Incubator), Brooklyn Eats (restaurant guide), Crossing the Bridge (a directory of business services in Brooklyn), and Brooklyn Goes Global (export assistance). They also provide workforce development assistance, and business seminars and courses.

Call 311 and ask for the Business Solutions Center.

The Church Avenue Merchants Block Association, Inc. (CAMBA)

This is a not-for-profit organization in the Flatbush section of Brooklyn. CAMBA provides a range of services for individuals and businesses – such as [workforce development and adult education](#) and [immigration and refugee](#) and technical assistance and micro financing.

The New York Industrial Retention Network (NYIRN)

A citywide not-for-profit organization, NYIRN provides targeted assistance and services for NYC's manufacturing sector including information about City and State programs, relocation counseling by trained staff, access to a list of available properties, and assistance in identifying workers and financing opportunities.

Industrial & Technology Assistance Corporation (ITAC)

ITAC provides business and technical services to the manufacturing and technology sectors in NYC. Its staff of engineers and business professionals assist clients in a number of specialized areas including strategic planning, sales and marketing, lean manufacturing, plant layout and relocation support, waste and materials management, information systems, and e-business. They will customize their services to best provide needed assistance.

Programs, Addresses and Contacts by Borough

BRONX

Hunts Point Business Outreach Center (BOC)

BOC: Hunts Point Economic Development Corporation

Contact: Anna Rodriguez, Director

Address: 647 Bryant Avenue, #1N, Bronx, NY 10474

Phone: (718) 842-8888

Fax: (718) 620-1153

E-mail: huntspoint@bocnet.org

Website: <http://www.bocnet.org>

SBDC: Herbert H. Lehman College

Contact: Clarence Stanley, Director

Address: Lehman College/Old Gym Building

250 Bedford Park Boulevard West, Room 007, Bronx, NY 10468

Phone: (718) 960-8806 or (718) 960-8697

Fax: (718) 960-7340

E-mail: bxsbdc@binc.org

Bronx Overall Economic Development Corporation (BOEDC)

Address: 198 East 161st St., Suite 201, Bronx, NY 10451

Phone: (718) 590-3948

Fax: (718) 590-3499 or (718) 590-5814

Website: <http://www.boedc.com>

WBC: The Women's Business Resource Center (Hunts Point)

Contact: Josephine Infante, President/CEO

Address: 866 Hunts Point Avenue, Bronx, NY 10474

Phone: (718) 842-8888

Fax: (718) 842-6529

E-mail: JsInfante@aol.com

NYC Business Solutions Centers

Contact: Margie Muley, Manager

Dionne Binns, Administrative Assistant

Address: 358 East 149th Street Bronx, NY 10455

Phone: (718) 960-7988

Fax:

E-mail: mmuley@wildcatatwork.org or dbinns@wildcatatwork.org

Website: <http://www.wildcatatwork.org>

BROOKLYN

Business Outreach Center Network, Inc., Main Office

Contact: Nancy Carrin, Executive Director

Address: 85 South Oxford Street, 2nd Floor, Brooklyn, NY 11217

Phone: (718) 624-9115

Fax: (718) 246-1881

E-mail: info@bocnet.org

Website: <http://www.bocnet.org>

North Brooklyn Business Outreach Center

BOC: Business Outreach Center Network, Inc.

Contact: Mercedes Gomez

Address: 85 South Oxford Street, 2nd Floor, Brooklyn, NY 11217

Phone: (718) 624-9115

Fax: (718) 246-1881

E-mail: northbrooklyn@bocnet.org

Website: <http://www.bocnet.org>

South Brooklyn Business Outreach Center

BOC: Council of Jewish Organizations of Flatbush

Contact: Ed Ginsberg

Address: 1546 Coney Island Avenue, Suite 2L, Brooklyn, NY 11235

Phone: (718) 253-5262

Fax: (718) 758-2119

E-mail: southbrooklyn@bocnet.org

Website: <http://www.bocnet.org>

SBDC: Boricua College

Contact: Angel Roman, Director
Address: 9 Graham Avenue, Brooklyn, NY 11206
Phone: (718) 963-4112, ext. 565
Fax: (718) 963-2031
E-mail: boricuasbdc@mindspring.com
Website: <http://brooklyn.nyssbdc.org/>
Hours of Operation: 9:30 A.M. to 6:00 P.M.

Brooklyn Economic Development Corporation (BEDC)

Contact: Joan Bartolomeo
Address: 175 Remsen Street, Suite 350, Brooklyn, NY 11201
Phone: (718) 522-4600, ext. 13
Fax: (718) 797-9286
E-mail: jdb@bedc.org
Website: <http://www.bedc.org>

WBC: The Local Development Corporation of East New York

Contact: Linda Hurwitz
Address: 80 Jamaica Avenue, Brooklyn, NY 11207
Phone: (718) 385-6700, ext. 108
Fax: (718) 385-7505
E-mail: lindahurwitz@optonline.net
Website: <http://www.ldceny.org>

NYC Business Solutions Centers

Contact: Rick Russo, Director
Fred Graves, Manager
Address: 9 Bond Street, 5th Floor, Brooklyn, NY 11201
Phone: (718) 875-1000, ext. 108
Fax: (718) 273-4274
E-mail: RRusso@brooklynchamber.com or FGraves@brooklynchamber.com
Website: <http://www.ibrooklyn.com>

The Church Avenue Merchants Block Association, Inc.(CAMBA)

Contact: Christie Evans
Address: 1720 Church Avenue, Brooklyn, NY 11226
Phone: (718) 287-2600
Fax: (718) 287-0857
E-mail: ChristieE@camba.org
Website: <http://www.camba.org>

The New York Industrial Retention Network (NYRIN)

Contact: Josephine Oduro, Client Manager
Address: 175 Remsen Street, Suite 350, Brooklyn, New York 11201
Phone: (718) 624-6800, ext. 15
Fax: (718) 624-8618
E-mail: joduro@nyrin.org
Website: <http://www.nyirn.com>

MANHATTAN

Chinatown/Lower East Side Business Outreach Center

BOC: Chinatown Manpower Project

Contact: Karina Wong, Director

Address: 125 Canal Street, 3rd Floor, New York, NY 10002

Phone: (212) 966-7328

Fax: (212) 966-7501

E-mail: karinawong8@aol.com

Website: <http://www.bocnet.org>

Harlem Business Outreach Center

BOC: Malcolm Shabazz Development Corporation

Contact: Dawud Muhammad

Address: 102 West 116th Street, New York, NY 10037

Phone: (212) 828-0082

Fax: (212) 828-9715

E-mail: harlem@bocnet.org

Website: <http://www.bocnet.org>

Upper Manhattan Business Outreach Center

BOC: Washington Heights and Inwood Development Corp.

Contact: Rose Santo or Danny Ramos

Address: 57 Wadsworth Avenue (Corner of 176th Street), New York, NY 10033

Phone: (212) 795-1600

Fax: (212) 781-4051

E-mail: uppermanhattan@bocnet.org

Website: <http://www.bocnet.org>

SBDC: Pace University

Contact: Ira Davidson, Director

Address: 163 William Street, 16th Floor, New York, NY 10038

Phone: (212) 346-1900

Fax: (212) 346-1613

Website: <http://www.nyssbdc.org/centers/centers.cfm?centid=21>

E-mail: sbdc@pace.edu

Hours of Operation: 9:00 A.M. to 5:00 P.M.

SBDC: Baruch College

Contact: Sonica Chaudhry

Address: One Bernard Baruch Way, [Btwn 24th and 25th. Lex & 3rd], New York, NY 10010

Phone: (646) 312-4790

Fax: (646) 312-4781

E-mail: sonica_chaudhry@baruch.cuny.edu

Website: <http://midtownmanhattan.nyssbdc.org/>

Hours of Operation: 9:00 A.M. to 5:00 P.M.

NYC Business Solutions Center @ Lower Manhattan

Contact: Joseph Kim
Address: 110 William St. New York, NY 10038
Phone: (212) 618-8845
Fax: (212) 618-8991
E-mail: ckim@sbs.nyc.gov
Website: <http://www.nyc.gov/smallbiz>
Hours of Operation: 9:00 A.M. to 5:00 P.M.

Manhattan Borough Development Corporation

Contact: David Gale
Address: 55 John Street 17th Floor, New York, NY 10038
Phone: (212) 791-3660
Fax: (212) 571-0873
Website: www.mbdc.org
E-mail: http://www.mbdc@earthlink.net

WBC: Women's Venture Fund, Inc.

Contact: Bette Yee, Project Director
Address: 240 West 35th Street, Suite 201, Manhattan, NY 10001
Phone: (212) 563-0499
Fax: (212)868-9116
E-mail: finance@wvf-ny.org
Website: <http://www.womensventurefund.org>

Industrial & Technology Assistance Corporation (ITAC)

Contact: Gabrielle Crowley, VP of Marketing
Address: 253 Broadway, Room 302, New York, NY 10007-2300
Phone: (212) 442-2990
Fax: (212) 442-4567
E-mail: gcrowley@itac.org
Website: <http://www.itac.org>

NYC Business Solutions Center @ Upper Manhattan

Contact: Maria Rivera, Account Executive
David Cardiel, Account Executive
Address: 214 W. 125th Street, New York, NY 10027
Phone: (917) 493-7081/ (917) 493-7244
Fax:
E-mail: mrivera@seedco.org or dcardiel@seedco.org
Website: <http://www.seedco.org>

QUEENS**Queens Business Outreach Center****BOC: Jackson Heights Community Development Corp.**

Contact: Thritha Murphy
Address: 102-09 Northern Boulevard, East Elmhurst, NY 11369
Phone: (718) 651-6995

Fax: (718) 458-9633
E-mail: queens@bocnet.org
Website: <http://www.bocnet.org>

SBDC: York College, The City University of New York

Contact: Rose Caban
Address: 94-20 Guy R. Brewer Boulevard, Jamaica, NY 11451
Phone: (718) 262-2880
Fax: (718) 262-2881
E-mail: rose_caban@hotmail.com (*There is an underscore*)
Website: <http://queens.nyssbdc.org/>

SBDC: LaGuardia Community College

Contact: Rosa Figueroa, Senior Business Advisor
Address: 29-10 Thomson Avenue, Room C916, Long Island City, NY 11101
Phone: (718) 482-5303
Fax: (718) 609-2091
E-mail: rfigueroa@lagcc.cuny.edu
Website: <http://laguardia.nyssbdc.org/>
Hours of Operation: 9:00 A.M. to 5:00 P.M.

Queens County Overall Economic Development Corporation (QCEDC)

Contact: David Cardiel, (Accountable for Entrepreneurs)
Address: 120-55 Queens Boulevard, Suite 309, Kew Gardens, NY 11424
Phone: (718) 263-0546
Fax: (718) 263-0594
E-mail: dcardiel@queensny.org
Website: <http://www.queensny.org>

WBC: Queens Women's Business Center

Contact: Madeleine Gordillo, Program Officer
Address: 120-55 Queens Boulevard, Suite 309, Queens, NY 11424
Phone: (718) 263-0546
Fax: (718) 263-0594
E-mail: mg@queensny.org
Website: <http://www.queensny.org>

NYC Business Solutions Center

Contact: Paula Bailey
Address: 168-25 Jamaica Avenue, 2nd Floor, Jamaica, NY 11432
Phone: (718) 557-6796
Fax: (718) 297-6395
E-mail: pbailey@grantassociatesinc.com
Website: <http://www.grantassociatesinc.com>

STATEN ISLAND

Staten Island Business Outreach Center

BOC: West Brighton Community Local Dev. Corp.

Contact: JoAnn Regan

Address: 1146 Forest Avenue, 2nd Floor, Staten Island, NY 10310

Phone: (718) 816-4775

Fax: (718) 816-7234

E-mail: statenisland@bocnet.org or wbldbcoc@juno.com

Website: <http://www.bocnet.org>

SBDC: College of Staten Island

Contact: Rose Mary Sleaf

Address: 2800 Victory Boulevard, Building 2A, Staten Island, NY 10314

Phone: (718) 982-2560

Fax: (718) 982-2323

E-mail: sleaf@mail.csi.cuny.edu

Website: <http://statenisland.nyssbdc.org/>

Hours of Operation: 9:00 A.M. to 5:00 P.M.

Staten Island Economic Development Corporation (SIEDC)

Contact: Helen Tvedt

Address: 900 South Avenue, Suite 402, Staten Island, NY 10314

Phone: (718) 477-1400, ext. 14

Fax: (718) 477-0681

E-mail: htvedt@ss.rr.com

Website: <http://www.siedc.net/>

9.1 Business Libraries

Whether you are starting a business or updating your marketing plan, these libraries are a great source of information on demographics, business trends, industry forecasts ... and much more. Many libraries also provide free business classes and access to information online via the Internet.

Bronx

Bronx Reference Center

The largest reference library available to the public in the Bronx. Its collection is strong in business, law, and literature. Computer workstations with internet access for free public use by appointment.

Address: 2556 Bainbridge Avenue (near Fordham Road)

Bronx, NY 10458

Phone: (718) 579-4244 or TTY (718) 579-4234

E-mail: On Website

Website: <http://www.nypl.org/branch/bx/fdc.html>

Brooklyn

Brooklyn Business Library

The Business Library, with its reference collection of more than 100,000 volumes, a circulating collection of 30,000 books, free internet access, electronic databases, 1000 magazines & News papers, zip code statistics, real estate data, and an on-line catalog is dedicated exclusively to business and finance. The Library provides industry and investment information, demographic research, and over 3,000 business directories. It also houses the Small Business Information Center (SBIC), which specializes in materials on starting and maintaining a business, and free counseling with SCORE (Service Corp. of Retired Executives). The Library regularly hosts Wednesday Discovery Tours each week at 10:15am on how to use its resources, and offers free educational programs.

Address: 280 Cadman Plaza West

Brooklyn, NY 11201

Phone: (718) 623-7000

E-mail: On Website

Website: <http://biz.brooklynpubliclibrary.org/>

Manhattan

The Science, Industry and Business Library (SIBL)

One of the specialized centers of The New York Public Library. Has resources, expertise and provides open access to information in support of education, research and entrepreneurial activities.

Address: 188 Madison Avenue (34th Street)
New York, NY 10016-4314

Phone: (212) 592-7000

E-mail: On Website

Website: <http://www.nypl.org/research/sibl/index.html>

New York Public Library (NYPL) NYC Small Business Resource Center

An online searchable database that provides information about everything related to Small Business in New York City.

Website: <http://www2.nypl.org/smallbiz/>

St. John's University's Kathryn and Shelby Cullom Davis Library

Contact: Richard Waller, Acting Director

Address: 101 Murray Street, New York, NY 10007

Phone: (212) 815-9263

Fax: (212) 815-9272

E-mail: davislibrary@stjohns.edu

Website: <http://www.new.stjohns.edu>

Queens

Queens Borough Public Library, International Resource Center

Collection on International business, with materials on export/import, companies in other countries, doing business in other countries and international business Internet resources. Over 80% of its materials can be borrowed.

Address: 41-17 Main Street 3rd Floor
Flushing, NY 11355

Phone: (718) 661-1229

Fax: (718) 661-1291

E-mail: On Website

Website: <http://www.queenslibrary.org/irc/index.asp>

Queens Borough Public Library / The Far Rockaway Small Business Resource Center

Has a collection of books, CD-ROMS, periodicals, 10 computers with business software, and 10 laser printers for public use to develop entrepreneurial and small businesses.

Address: 1637 Central Avenue
Far Rockaway, NY 11691

Phone: (718) 327-2549

E-mail: On Website

Website: <http://www.queenslibrary.org/branches/DispBranch.asp?count=19>

Queens Borough Public Library, Business, Science and Technology Division

Has circulating and reference materials for small business on topics including start-up and operation, management techniques, advertising, sales, franchising and legal issues.

Address: 89-11 Merrick Boulevard
Jamaica, NY 11432

Phone: (718) 990-0760

E-mail: On Website

Website: <http://www.queenslibrary.org/central/bst/>

Staten Island

St. George Library Center

The largest library on Staten Island, and has a computer lab in the Center for Reading and Writing.

Address: 5 Central Avenue (near Borough Hall)
Staten Island, NY 10301

Phone: (718) 442-8560 or TTY (718) 579-4234

E-mail: On Website

Website: <http://www.nypl.org/branch/si/sgc.html>

St. John's University Loretto Memorial Library

Contact: Mark Meng, Director

Address: 300 Howard Avenue, Staten Island, NY 10301

Phone: (718) 390-4456

Fax: (718) 390-4290

E-mail: mengm@stjohns.edu

Website:

http://www.stjohns.edu/pls/portal30/sjudev.school.home?p_siteid=42&p_navbar=278&p_id=53134

10.1 Useful Business Websites

The following websites, including Federal, State and City agency sites, provide useful information and services for startups and growing businesses.

Federal Government

U.S. Small Business Administration (NY District Office)

Free financial assistance and counseling

Website: <http://www.sba.gov>

Phone: (212) 264-2454

SBA Women's Business Center

Provides startup worksheets targeted to women entrepreneurs

Website: <http://www.onlinewbc.gov>

Phone: (202) 205-6673

U.S. Department of Commerce

Website: <http://www.doc.gov>

Phone: (202) 482-2000

U.S. Census Bureau

U.S. census data

Website: <http://www.census.gov>

Phone: (212) 264-4730

U.S. Chamber of Commerce

Nationwide network for local chambers

Website: <http://www.uschamber.org>

Phone: (800) 649-9719

Internal Revenue Service

Tax payer education coordinator/Manhattan office

Tax related issues

Website: <http://www.irs.gov>

Phone: (212) 436-1021

Federal Trade Commission

To find federal disclosure information on franchise opportunities

Website: <http://www.ftc.gov>

Phone: (212) 264-1207

US Citizenship and Immigration Services

Website: <http://uscis.gov>

Phone: (800) 755-0777

U.S. Patent and Trademark Office

To obtain a federal trademark, service mark, or trade name

Website: <http://www.uspto.gov>

Phone: (800) 786-9199

U.S. Department of Labor

To find regulations related to wages, other labor laws, and equal pay provision

Website: <http://www.dol.gov>

Phone: (212) 337-2319

U.S. Environmental Protection Agency

For assistance in complying with federal environmental regulations

Website: <http://www.epa.gov/>

Phone: (800) 424-9346

New York State**New York State Department of State – Division of Licensing**

Information on filing incorporation papers, trademark, trade names

Website: www.dos.state.ny.us/lcns/licensing.html

Phone: (212) 417-5747

Governor's Office of Regulatory Reform

Online help for businesses in the area of licenses and permits

Website: http://www.gorr.state.ny.us/gorr/bizhelp_link.html

New York State Department of Taxation and Finance

Questions pertaining to the laws and regulations governing New York

Website: <http://www.tax.state.ny.us>

Phone: (800) 225-5829

Empire State Development Corporation

NYS provides information on programs and where to get assistance

Website: <http://www.nylovesmallbiz.com>

Phone: (800) ILOVENY

New York State Contract Reporter

Provides weekly listing of bidding opportunities for New York State

Website: <http://www.nyscr.com>

Phone: (888) 697-7787

Workforce Development in New York State

Provides services and training to employers and job seekers

Website: <http://www.wdsny.org>

Small Business Development Center

Provides technical assistance to existing businesses and startups

Website: <http://www.sba.gov/sbdc/>

Phone: (800) 732-SBDC

New York State Liquor Authority

Issues alcoholic beverage control retail licenses

Website: <http://www.abc.state.ny.us>

Phone: (212) 691-8385

New York State Public Service Commission

Information regarding complaints related to utilities

Website: <http://www.dps.state.ny.us>

Phone: (800) 342-3377

New York City**New York City Official Website**

General Information

Website: <http://www.nyc.gov>

New York City Department of Small Business Services

Provides variety assistance to NYC existing and startup businesses

Website: <http://www.nyc.gov/smallbiz>

New York City Department of Consumer Affairs

Handles business licensing requirements for NYC businesses

Website: <http://www.nyc.gov/html/dca>

New York City Department of Health

Handles business licensing requirements for NYC businesses

Website: <http://www.nyc.gov/html/doh>

New York City Economic Development Corporation

Provides information on business programs available through the City

Website: <http://www.newyorkbiz.com>

New York City Department of Finance

Handles questions regarding taxes and fees associated with small businesses

Website: <http://www.nyc.gov/html/dof>

New York City Department of Buildings

Provides and issues zoning, building code compliance, building permits and more

Website: <http://www.nyc.gov/html/dob>

New York's Public Library Small Business Resource Center

Provides business assistance and resource information

Website: <http://www.nypl.org/smallbiz>

Lower Manhattan

Information on resources, services, business incentives and real estate

<http://www.lowermanhattan.info>

<http://www.renewnyc.com>

<http://www.downtownnyincentives.com>

<http://www.wallstreetrising.com>

NYC Business Solutions is an initiative of the New York City Department of Small Business Services ("SBS"). SBS does not endorse any specific program or guarantee the reliability and/or accuracy of any listed website links. SBS endeavors to maintain its referrals and resource information current. In the event that any of the material is outdated or incorrect, please contact SBS at businessolutions@sbs.nyc.gov so that we can make the appropriate changes.

THE PLAN

A STEP-BY-STEP BUSINESS PLAN WORKBOOK

The Plan
will help you:

- Move ideas from your head to paper in an organized, clear, convincing manner
- Avoid the most common mistakes
- Keep your focus on key points



New York City Department
of Small Business Services
www.nyc.gov/sbs

NYC
Business
Solutions

www.nyc.gov/smallbiz

THE PLAN

A STEP-BY-STEP

BUSINESS PLAN WORKBOOK

I N T R O D U C T I O N

Planning is your map to success in the business world. You need to write a business plan if you are:

- **starting or buying a business**
- **financing or refinancing your business**
- **raising debt or equity capital**

Much money is made then lost because one area of a business fails, dragging the positive parts down with it.

THE PLAN helps you find hidden business flaws and makes you think carefully about each phase of your business.

It is important that **you** write your business plan. Why? You will gain in-depth knowledge about your business which will make it easier to answer lenders' questions. The process of writing your business plan will clarify what is involved in making your business work successfully.

How To Use This Workbook

Divide your business plan into sections that match the “contents” outline shown on the next page. There is no set length for your answers — they will range from a paragraph to a few pages long.

Once it's written, your business plan will need editing. Ask other people to read and critique your plan. Include a statement on the inside cover that says its contents are confidential, and making copies is prohibited.

Your business plan should be neat and organized to make a professional impression. Write text in a word processing program that will point out misspellings and grammatical errors. For financial data, use a spreadsheet program.

Once you're done, make copies for your lender and for others who are interested in your business. Make sure all the copies you submit are readable and include original signatures. Lenders keep your presentation even if you are rejected, so make copies for yourself of everything you submit. Number the business plan copies and make a list of who you've given it to.

It's a good idea to put your loan presentation in a 3-ring binder with tabs and indexes.

► Business Loan Basics

ASK YOURSELF THESE QUESTIONS:

- How much money do I need? _____
- What type of lender do I need? (*bank, state or federal agency, venture capitalist firm, or other investor*) _____
- What is the lender's minimum and maximum loan size? _____
- Can the lender meet my present and future needs? _____
- What types of businesses will the lender finance? _____
- What collateral does the lender accept? _____

LENDERS USE THE EIGHT “C’s” RULE:

1. Credit (*must be good*)
2. Capacity (*ability to repay*)
3. Capital (*money going into the business*)
4. Collateral (*your assets that secure the loan*)
5. Character (*you*)
6. Conditions (*economy, finances, anything that affects your business*)
7. Commitment (*your ability and willingness to succeed*)
8. Cash Flow (*can it support the business' debt and expenses?*)

BASIC QUESTIONS A LENDER WILL ASK YOU:

- How much money do you want? _____
- How much are you investing in the business? _____
- How will the loan be used? _____
- How long do you need to repay the loan? _____
- How will the loan be repaid? _____
- What collateral do you have to offer? _____

BEFORE MEETING WITH A LENDER:

- Call to find out the rules for their business loans.
- Make sure the lender is looking for loans of your size and type.
- Ask for a loan application.
- Make an appointment.
- Rehearse your presentation.
- Remember, the lender is like a customer. You have to convince the lender that your business has merit.

▶ Business Loan Basics

WHEN MEETING WITH A LENDER:

- Bring your business plan, a completed loan application, and any other materials you need.
- Keep the entire presentation to 30 minutes. Give an overview or outline at the beginning. Know how you are going to end the presentation.
- Invite your lender for a tour of your current or proposed operation.
- Answer all negative questions with positive answers. Be willing to back up your answers.
- Find out when you can expect a decision.
- Ask that lenders decisions, made on the telephone, be put in writing.
- Follow up with a thank you letter and a phone call.



The Appendix

The **APPENDIX** comes at the end of your business plan and includes all details and documents that support the plan.

Throughout this workbook, items that need to be included in the **APPENDIX** are mentioned. On page 31, you'll find a comprehensive list, which you can use as a guide.

The first page of the **APPENDIX** should be a listing of its contents. Be sure to separate and organize the documents logically, perhaps in the order they are referred to in the plan.

The **APPENDIX** will grow, so it is a good idea to use a 3-ring binder with tabbed dividers. Some people prefer using an expandable file.

FORMULAS

Generally, lenders like to simplify the process used to screen loan requests. Take your business through the same exercise that lenders do. The complexity or size of the loan request doesn't matter; the basic formula is as simple as **1-2-3**.

CONTENTS

BREAK YOUR BUSINESS PLAN DOWN INTO SECTIONS SIMILAR TO THIS BOOK.



Executive Summary	6
Business Description	8
Managers & Employees	10
Operations & Location	11
Marketing	12
Buying a Business	16
Buying a Franchise	17
Loan Request	18
FINANCIAL STATEMENTS	
General Information	19
Personal Finances	20
Balance Sheet	22
Income Statement	24
Cash Flow	26
Ratios	28
Formulas	30
Appendix	31

EXECUTIVE SUMMARY

The **Executive Summary** (*your Cover Letter*) briefly explains the rest of your business plan in about *one or two pages*.

Page two is the **Table of Contents**. It shows the lender on which page each section can be found (*see page 5 for the breakdown of sections*).

The Executive Summary should include:

- the owners' names and their credentials
- your products or services
- your market(s) and the competition
- the amount of money needed
- how the loan will be repaid
- how long you want the loan to last

YOUR COVER LETTER SHOULD READ SOMETHING LIKE THIS ONE:

Leave off your return address if the letter is on your company's stationery.

List the purpose of the loan (*starting, buying, or expanding a business*). Include owners' names and experience. Mention your products and services.

Briefly mention your markets and customers

Include key facts about your competition.

Tell the lender who should be contacted and provide a phone number.

Include all signature(s) and typed name(s).

December 31, 2004

The Green Rose
456 Oak Street
This Town, USA 67890

Mr. John Nelson
ABC Bank
123 Main Street
Anytown, USA 12345

Re: Loan Request for \$300,000

Dear Mr. Nelson,

With 20 years of management experience in the residential landscaping business, we are requesting a loan to start our own landscaping business, called The Green Rose.

The climate for a successful landscaping business is perfect. Last year, the number of new homes built in Pembroke Pines increased by 15%. Just this quarter, new building permits are up 10% over last year. Of the 45,000 homes in the area, 3,000 were built last year.

Our target market is owners of new and older homes. We plan to reach them with focused marketing, which you will read about in our plan. In addition, we have good working relationships with many building contractors, who have indicated they will refer us to their clients.

Two of our six local competitors have filed Chapter 11. Two are family-owned businesses who concentrate on commercial contracts. The last two are healthy competition, though they lack our marketing and management expertise.

We are investing \$75K in savings and are requesting a \$300K loan from your bank. We would like five years to repay the loan, using the cash flow of the business. Our secondary source of repayment will be from collateralized equipment. Our homes and business assets, valued at \$300K, are offered as collateral for the loan.

Our business plan is attached. In it you will find the information you need. If you have any questions or need more information, please contact Mr. Green at (321) 234-5678.

Respectfully submitted,

Ed Rose *Tim Green*
Ed Rose Tim Green


To build the lender's enthusiasm, make references to what's included in your business plan

Mention how much money you would like to finance and the terms (how many years). List the source of re-payment (*loans should be repaid by the business' cash flow*). Also include how much **you** are investing and where your money will come from.

List the secondary source of repayment. This is usually collateral which includes business and personal assets (see page 18). Also, fill in the equity value of these assets.

EXECUTIVE SUMMARY (YOUR COVER LETTER)

date _____
 your address _____

Lender's name, bank name, and address

Re: Loan Request for \$ _____ (fill in amount)

Dear (fill in lender's name) _____:

I (or we) am requesting a loan of _____. The owner(s) (fill in names) _____ have experience in this industry including... (mention experience in industry or training that would qualify you to run this business).

The market for this business... (include one brief paragraph about the industry and its growth)

Our target market is... (include one brief paragraph about your target market/customers)

The competition includes... (include one brief paragraph about your competition and how your business will attract their customers)

We are investing \$ _____ of our own money. Our collateral consists of business assets having a fair market value of \$ _____ and personal assets (if applicable) with a value of \$ _____

Attached is our business plan which backs up our request. If you have any questions, please contact (name) _____ at _____ (include phone number).

Sincerely,

 Your signature(s) and printed name(s) here

BUSINESS DESCRIPTION

General: List the business name, location, mailing address, telephone, fax, e-mail and web site address.

Legal Business Description:

Sole proprietorship, partnership, limited liability, "C" or "S" corporation. List the state where the business is incorporated.

Purpose: Describe the intent of your business.

Type of business:

Retail, wholesale, service, manufacturing, contracting, professional, importing/exporting.

Goals:

Include both current and long-term projections.

Industry:

Talk about what's going on in your industry, including economic trends, outlook, growth patterns and forecasts. Keep this section short. Explain more fully in your Marketing section.

GENERAL

Name: MRJ Design
Address: 21 Longwood Drive, Orlando, Florida 32751
Phone: (407) 123-4567 Fax: (407) 123-4789
E-mail: smith@MRJ.com, Web Site: www.MRJ.com

OWNERS:

Bob Smith: 10 Brookfield Rd., Orlando, FL 32751
Phone: 407-456-7891 Social Security: 367-89-7088
Over 20 years of experience in creative management. Worked for several design firms. Mr. Smith owns 60% of the business.
Linda Jones: 96 Elm St., Orlando, FL 32751
Phone: 407-567-1234 Social Security: 234-56-7891
Ten years of experience as manager of large marketing communications department within Fortune 1000 corporation. Ms. Jones owns 40% of the business.

LEGAL STATUS: Florida S Corporation

PURPOSE: Produce superior marketing communications material for other businesses.

STATUS: Start-Up. Will open December 2004

BUSINESS TYPE: Service

PRODUCTS AND SERVICES: Graphic design, illustration, and artwork production. Other services, supplied by vendors/suppliers, include writing, photography, printing, and mailing services.

REASONS: Both partners have over 30 years of industry experience that will be put to profitable use in our own firm. The demand for graphic communications is ...etc.

Owners:

List each owner's name, business title, home address, telephone number, and social security number. Include a brief description of owners and managers (*experience and credentials in running the business*) and their ownership percentage of the business.

Business Status:

New/start up, ongoing, expansion, or buying a business. Include the date your business started or will start. *If buying a business, include a detailed business history in this section.*

Reasons for starting, buying, or expanding business.

GOALS:

CURRENT: Bring to profitable status that will equal or exceed current income levels. Create relationships with clients. Build ...etc.
LONG-TERM: In four years, we will have 50-100 clients. Hire administrative person ... etc.

INDUSTRY:

100 design firms and designers exist in our territory. Advertising agencies (about 235) are also competitors but their specialty is not design. Many companies have relocated to Orlando so the demand for our services is growing. The number of start-up companies numbered 6000 last year...etc.

PROFESSIONAL RELATIONSHIPS:

ACCOUNTANT:

Larry Stuart, CPA, 123 Main St., Winter Springs, FL 32751. Ph: 407-678-9012, Fax: 407-678-7890

ATTORNEY:

Linda Johnson of Johnson and Smith, 456 Elm St., Winter Park, FL 32789.
Ph: 407-234-5678, Fax: 407-345-6789

BANKER:

John Nelson, Heritage Bank, 678 Oak St., Orlando, FL 32908. Ph: 407-123-4567. Fax: 407-0987-6543.

INSURANCE AGENT:

Linda Doe, Doe Insurance, 321 Grove Ave., Winter Park, FL 32789. Ph: 407-432-7654. Fax: 407-876-5432

PROFESSIONAL ADVISORS:

Claire Velleca, Velleca Consultants, 1 Park St., Orlando, FL 32701 Ph: 407-222-1456, Fax: 407-419-1989

Professional Relationships:

Include name, address, and telephone/fax numbers for your accountant, attorney, banker, insurance agent, and professional advisor(s).

MANAGERS & EMPLOYEES

Managers

- How many departments and managers do you need? What are their functions?
- If there are gaps in your management team, explain how they will be filled. Lenders also like to see a back-up plan. If you die or can no longer work, who will run the business and repay the company's debts? One solution is to buy enough life insurance to cover the business debt.

Employees

- How many part-time and full-time employees are needed to run the company? *It's a good idea to develop an organizational chart (example below).*
- How and where will you find employees and keep them?

Costs

- Include managers' job descriptions, salaries, benefits and resumes in the **APPENDIX**.

- How much are you going to pay each employee?

- What are the employee benefits and their costs?

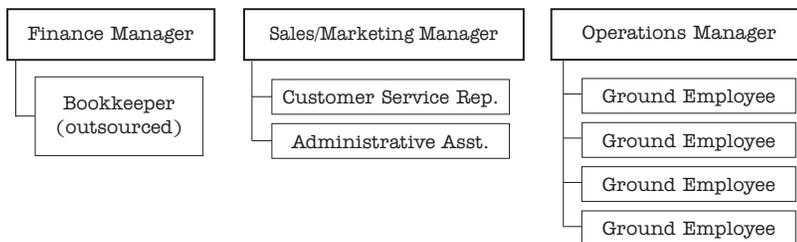
- What employee training is needed and how much will it cost? How will it occur?

General

- Describe any resources available from outside the business. *For example, you may use an accountant for financial reporting.*

- Some functions can be outsourced. The monthly cost for this service is included in the **APPENDIX**. *For example, you can outsource a direct mail program to a marketing firm.*

The Good Earth Organizational Chart



Finance

MIKE JONES (accountant and owner)
20 years of accounting experience in various industries...

A bookkeeper will be outsourced.

Sales & Marketing

LEE MYERS
10 years of marketing experience. Myers will be responsible for the sales staff (estimators), customer service, promotional plans...

Two office staff: One full-time customer service representative and one full-time administrative assistant. Each will be paid \$25,000 annually. They will receive health insurance, ten paid sick days, paid holidays, and two weeks of vacation. These benefits will cost ...

Operations

JOHN SMITH
20 years of operational experience in landscaping industry . Smith will supervise the grounds staff and handle ...

Four (4) full-time grounds employees starting at minimum wage for working Monday- Friday, 7:00 a.m. to 3:30 p.m. A two-day training program is required before joining the company. Employees will receive paid health insurance, five paid sick days, paid holidays, and one week of vacation. These benefits will cost ...



OPERATIONS & LOCATION

HOW WILL YOUR BUSINESS OPERATE?

To Do Done

- How will the product be produced and sold?
How will your services be rendered?

To Do Done

- What months, days, and hours will your business be open? Is the business seasonal? If so, show how you will adjust your time, schedule, inventory, and personnel.

To Do Done

- What furniture, fixtures, equipment and machinery is needed? Will it be bought, leased, or rented? Include proposed purchases in your **APPENDIX**.

SUPPLIERS

To Do Done

- If you need suppliers and other companies to complete your product or service:
 - › What and how much will you need?
 - › Where will you get these products and services?
 - › How much will they cost?
 - › What system will you use for materials processing and inventory control?

To Do Done

- Include in the **APPENDIX** details about your suppliers, including names, addresses, products or services supplied, costs/quotes, delivery/shipping fees and turnaround, terms of sales, contracts, and a purchasing plan.

To Do Done

- If you've requested financial, managerial, or technical assistance from your suppliers, include details in the **APPENDIX**.

LOCATION

To Do Done

- What kind of space does your business need?
 - › Why is the area and location desirable?
 - › Does this location affect your costs?
 - › How much are utilities, taxes, and other expenses?
 - › Is it easily accessible?
Is public transportation available?
Is there adequate parking?
 - › Does your business comply with zoning laws?
 - › Do you own or lease the building? Include zoning statements from local government in the **APPENDIX** and approval letters from local and state inspectors. If owned, provide a copy

of the deed in the **APPENDIX**. If leased, the term of the lease must be renewable to match the loan period you are requesting. Include a copy of the lease (or proposed lease) with terms, conditions, length, and cost in your **APPENDIX**.

- › Are improvements, renovations, furniture, fixtures, equipment or machinery necessary? Show quotes in the **APPENDIX**.
- › Retailers:
 - › Research and show traffic patterns in the **APPENDIX**.
 - › What other businesses are in your immediate area?
- › Wholesalers, manufacturers and other businesses:
 - › Are you located near your customers and suppliers?
 - › Do you have easy access to major highways, railways, and airports?
- Provide photos and a summary of your location including a floor plan, blueprint or plot plan (if building) in the **APPENDIX**.

CLOTHES WITH CLASS

We are a school uniform shop. Business hours will be from 10 to 5, Monday through Saturday. Our plan is to purchase fixtures to display uniforms and furniture to create a relaxed retail atmosphere. A computer system to track customer purchases and inventory will be leased. These costs are included in the Appendix.

Our stock will come from three suppliers — two national and one local. Local supplies will be delivered by truck, with the remainder of goods coming via UPS. Information on our proposed suppliers and purchases may be found in the Appendix.

The five-year lease we have signed on a 1,500 sq. ft. building is included in the Appendix. The building is located within 15 miles of 22 private and parochial schools who require uniforms that we will stock. Our building is on a major thoroughfare, conveniently located right off Highway 93.

A floor plan of the building is included in the Appendix. We have divided the area into retail space and warehousing/office space. 700 sq. ft. will include retail displays, three dressing rooms, restroom facilities and two purchasing counters. The remaining 800 sq. ft. will warehouse stock. It includes a delivery receiving area, two offices, and a small employee lounge with restroom. The 20-space parking lot is adjacent to the building.

MARKETING

MARKETING has been defined as “the activity of presenting products or services to customers and potential customers which makes them eager to buy.”

Especially in today’s crowded marketplace, where competition is fierce, savvy small business owners should never underestimate the power of smart marketing. The right product or service at the right price is only the beginning. You must also identify your audience, promote your product and find the best distribution method.

THE PRODUCT OF ALL YOUR HARD WORK

First and foremost, believe in the success potential of your product or service. Then think about things like:

- Benefits of your product. If you’re not clear on them, no one else will be.
- Research and development. Will you need it? If so, include detailed plans and costs in the **APPENDIX**.
- What licensing requirements, restrictions, registrations or regulations affect your business?
- What about legal issues? Are there patents, copyrights or trademarks to think about? What are the costs involved?

THE PRICE IS RIGHT

Determining just the right price for your product or service is a delicate matter. Keep in mind that:

- The price will be affected by the quality of your product, customer demand and the competition (see page 15).
- The selling price must cover all your operating expenses (materials, labor and overhead) and also include a margin of profit. To determine what this is, you need to calculate your breakeven point (see page 30).

PLAN TO PROMOTE, THEN PROMOTE YOUR PLAN

Your promotional plan will be implemented with several marketing tools. These days, a web site is an increasingly important piece of the promotion pie. In addition, there are a handful of proven methods for promoting your product, such as:

- **Advertising** tells your target market about your product or service. But how do you approach it, with so many choices available? Which publications are best? Is radio and TV advertising where you should be? Researching web sites is a good place to start your advertising plan. Ask professional organizations for referrals when looking for designers and writers to help develop ads. Media buyers help you reach the biggest

audience for your dollar. When putting together your business plan, include advertising ideas, schedules and budgets in the **APPENDIX**.

- **Direct Marketing** means contacting prospects by traditional mail, email or phone. Take, for example, a nature camp company that wants to mail out brochures. Buying a list of subscribers to an outdoor magazine seems smart. But measuring results is key. Say you mail 5,000 postcards and get 100 responses. That’s a 2% response level. Of those, how many turn into orders or become clients? Keeping track of these things helps you determine which databases are best, and how much it costs to gain an order or client.
- **Public Relations (PR)** is more than getting publicity. It’s a great way to build an image or a brand identity. Through your business activities, you influence the attitudes of your audience. For example, your company makes sunblock, so you sponsor a sandcastle contest at the beach. In order to get publicity — media coverage at no cost to you — you send press releases with pertinent information well in advance to area newspapers, radio and TV stations.
- **Promotional/Sales Material** rounds out the marketing picture. Items like a logo, a catalog, a price list, and business cards can position you as a polished marketer, helping the sales process go more smoothly. Think about what promotional materials you’ll need and what they’ll cost. Include samples, costs and ideas in the business plan **APPENDIX**.
- **Trade Shows** can be a great way to get your product in front of people, to get leads and take orders. Shows can be a great place for your sales force to meet your customers in person. In addition, it’s a chance for you to talk with others in your industry and share information. Many times, trade associations are present at shows, presenting an opportunity for you to gain valuable insights.

FULL SALES AHEAD

- Who will sell your products?
- Can you do it yourself or will you require a sales staff, reps, agents, brokers or wholesalers?
- Think carefully about their compensation — will they work for a salary, commission, or both? Include sales expenses in the **APPENDIX**.

MARKETING

KNOW YOUR CUSTOMERS

- It is crucial to figure out who is most likely to use your product or service. These important group or groups are your market or markets.
- In most cases, slicing your market into smaller groups (called segments) is helpful in targeting them. For example, if your product is gourmet dog biscuits and you want to do a postcard mailing, you would naturally want to narrow your mailing list down to dog owners.
- How do you get started gathering customer and marketing data? There's a wealth of knowledge on web sites, through case studies, in magazines, newspapers, reference books, trade journals and government statistics.



QUESTIONS TO ASK YOURSELF

- Where are your customers — local, regional, national or international?
- What's the size of your target market? Is it small (ballet students in Des Moines, Iowa) or large (new parents across America)?
- When will your product be used — daily, weekly, monthly? Is there a peak season or will demand be steady?
- If you're targeting consumers, what are the demographic similarities? Think about age, income, gender, education, type of residence, marital status, profession, lifestyle, hobbies and size of household.
- If you're targeting businesses, what size are you targeting? Know their annual sales, the number of employees and the number of locations. Be sure to identify the decision maker in the business. For example, if you're sending a letter to physicians, you should know that generally, doctors only get the mail that makes it past the office manager's desk.

YOU'VE GAINED A CUSTOMER. NOW WHAT?

- How will you get your product to the consumer? Consider the cost of product storage, packing material, handling and shipping.
- Will you accept credit cards? Determine (1) the cost of leasing or buying credit card equipment and (2) the percentage paid for credit card sales.
- Who will help customers with information requests, new orders, status inquiries and returns?
- Will you allow customers to pay you at a later date? What are your credit policies (for example, do you want invoices paid in 30 days)? What is your follow-up procedure for slow-paying customers?

MISS HARRIET'S SOUTHERN KITCHEN

MARKET

40,000 potential customers who live and/or work in Chicago's North End.

CUSTOMER PROFILE

Male and female, ages 18 – 85, singles, couples and families, household income of \$15K and up

ABOUT THE PRODUCT

Authentic, homemade Southern food cooked by Miss Harriet herself, who was born and raised in the South. Menu will consist of only 6 choices, taking the confusion out of the decision process.

DISTRIBUTION

Orders will be filled quickly since the food will be prepared in the morning and kept hot throughout the day.

Customers may eat in the restaurant or take food with them. Phone and fax orders will be encouraged, so the food is ready when the customer arrives. Two employees will deliver.

Location is on a busy, two-way street that is close to a major subway stop, making it easy for customers to take food home.

PRICE

Our prices will be highly-competitive to similar take-out /eat-in restaurants in the neighborhood.

Prices will encourage bulk ordering (5 pieces or more). Complete meals - a main course and side dish - will be available.

ADVERTISING

Small ads placed in local publications will include discount coupons (costs are outlined in the Appendix).

PROMOTION

Menus and fax order forms will be available at the counter. A menu mailing will be sent three times a year to area residents (costs are outlined in the Appendix). Seven local businesses have agreed to place menus and coupons in their establishments.

PUBLIC RELATIONS

Press releases will be sent to the media, telling the story of a Southern woman cooking authentic food far away from home. A recipe contest - "Enter Your Best Southern Fried Chicken Recipe" - will encourage customer loyalty. The winning recipe will be featured as a menu item for a limited time.

MARKETING: WEB SITES

Web Sites

Now You're Clicking

The internet's World Wide Web has changed marketing forever. These days, it seems that "www" is seen and heard everywhere. For companies large and small, the web is a powerful marketing tool that allows your marketing efforts to reach potential customers in your city, your state, the country and indeed the world.



WHY DO I NEED A WEB SITE?

These days, having a web site is like having a business card. Even a simple web site will:

- Act as a virtual storefront to sell your product or service
- Make your company more visible to a worldwide audience
- Position you as a resource for information
- Complement your other marketing efforts

SET YOUR SIGHTS ON THESE QUESTIONS

- What will your site name be? What if the name of your company is already taken?
- Who will help develop your site and how much will it cost?
- Will you use an Internet Service Provider (ISP) or host your own site?
- What information will be included on your site?
- Will your product or service be for sale on the site?
Who will handle the transactions and fulfill the orders?
- What security barriers will be in place, to protect your company's information from outsiders?
- How will privacy be handled once you collect data from site visitors?
How will the data be used?

HOW DO YOU CREATE TRAFFIC?

Think about ways you'll promote your site:

- Will you register with search engines so you come up in a search?
- Will you want a tracking program to monitor how many people visit your site?
- What about advertising on related web sites? What will the costs be?
- Will you allow other companies to place ads on your site?
What will you charge?
- Will you consider exchange links with other sites that complement yours?
(Visitors to your site can click on a link to their site, and vice versa)

INVITE THEM BACK

Attracting visitors to your site is one thing, but giving them a reason to return is quite another. Give some thought to these questions:

- How will you make your site "sticky?" — appealing enough so visitors come back.
- What are the costs for maintaining your web site?
- Who will be responsible for updating the site? How often?
- Who will respond to email inquiries?

NO SITE IN SIGHT?

Even if you don't have a web site, you can still take advantage of the Internet by:

- Setting up an email account so you can send and receive information
- Asking other web sites to include your company information on their "link lists."
- Paying for ads on web sites that relate to your product or service

MARKETING: YOUR COMPETITION

DON'T UNDERESTIMATE THE POWER OF THE COMPETITION

Healthy competition is what makes the marketplace go around. Today's smart business owners not only know their competitors, but learn from them. By knowing what your competitors are offering customers, you can try to do better. First and foremost, you must be clear on why a customer would buy from you rather than one of your competitors. This is called your USP — Unique Selling Proposition.

PUT IT ON PAPER

You'd be surprised how a competitive analysis can help you understand the competition. Include as many of your competitors as possible. Each competitive analysis should show:

- How your business is better and different. Include factors such as quality, service, price/value, creativity, flexibility, prestige, knowledge and innovations.
- Ways in which your business is the same as your competitor.
- The strengths and weaknesses of your competitors. How are they performing? Are they strong or weak, and why?
- The pricing differences between you and them. Is a cheaper product available? If so, why is yours more expensive? In the **APPENDIX** of your plan, show products and price comparisons.
- Ways your competitors promote their business. Include ads, events, sales, web sites and anything else they use.

KEEP A LEVEL HEAD

When thinking about your competition, be careful not to put too much emphasis on "stealing" customers or market share from them. It's healthy to know how much of the market you need to gain from your competitors, but be sure you can meet the demand when you do.

Competitive Analysis for TAIT'S ALL-NATURAL LAWN COMPANY

Tait's offers chemical-free, family-safe fertilizers, plant growth and weed-control products. Our products are so safe, customers can let their children play on the lawn immediately after treatments.

Tait's All-Natural, with a mix of 20 full-time and part-time employees, intends to grow, if you will, with a solid base of homeowners. In addition, we are prepared to handle commercial contracts.

COMPETITORS:

Tait's All-Natural has three competitors in the local area; two are family-owned with over 20 years of experience.

Not one of our three competitors offers natural products, nor do they sell plants, bushes and trees grown with natural products. We will be the only business in our category.

NAME	LOCATION	COMMENTS
The Good Earth	Memphis, TN	Family-owned business, 25 years old, 30 employees, good location
Landscapes Unlimited	Memphis, TN	Medium-sized business, new facility looks clean and modern
Reggie & Ruth	Memphis, TN	Twenty-year old company, but their small size (only three employees) prevents them from gaining large projects.

This example represents a pared down version of a Competitive Analysis.

BUYING A BUSINESS

QUESTIONS THAT NEED ANSWERS:

- Why is the business for sale?
- What is the value of the business?
- What are the company's products and services?
- Who started the business? What is the history of the business? Where is it located and where are its customers located?
- Has the competition increased or changed (see page 15)?
- What sales and marketing plans have you seen? What are the business' sales trends? How will you increase sales?
- Will you hire new employees and managers or use the existing staff?



CHECKLIST for buying a business

To Do Done

- Talk to the business' customers and suppliers.

To Do Done

- Review financial statements and tax returns from the last 3 years.

To Do Done

- Develop a purchase and sale agreement which shows:
 - › the purchase price components - down payment, allocation of the price, and how it will be financed
 - › how the business will be conducted until purchased
 - › the liabilities you are assuming including accounts payable, loans, leases, contracts, taxes, and legal
 - › the value of the assets your are buying including Accounts Receivable (quality and the age of the invoices), inventory (value and age), machinery/equipment/furniture/fixtures (age, condition, and value), patents/trademarks, and real estate.
 - › that the purchase and sale agreement is subject to financing and inspections

To Do Done

- Know how you will finance the business. Is the seller willing to finance all or any of the business (especially the goodwill - the difference between the value of hard assets and the business' purchase price)? What are the terms, rates, and conditions? Develop a Loan Request (see page 18).

To Do Done

- Determine who will pay for closing costs including legal services, points, appraisals and environmental inspections.

ORANGE DOT MACHINE

PRODUCT: machining services for the seller's railroad product line

OWNERS: Jack Reich and Tom Wallis, both of whom want to retire

LOCATION: Western Connecticut. The building's landlord is Reich Holdings, LLC (see Appendix Section 9, "Business Location")

LEGAL STATUS: S Corporation registered in Connecticut

HISTORY: Started in 1982 as a division of a larger corporation.

CLIENTS: 200 companies in Connecticut and southern New England. (Commercial companies: 60%; military-related: 25%; railroad: 15%)

SALES: \$1.4 million in sales last year — a 30% increase over the previous fiscal year, due to an expanded product line and aggressive marketing. The quality of the equipment and caliber of the staff present an excellent growth opportunity.

MARKETING: The addition of a company website, along with a formal marketing program, is expected to increase the customer base and expand the service area.

PURCHASE PRICE: \$500,000 includes \$475,000 in assets (see appraisals in the Appendix) and \$25,000 in good will. An additional \$50,000 is needed for working capital. Refer to our Loan Request and Cash Flow Analysis.

TRANSFER TERMS: As of the closing, all Accounts Receivable and Payable will be the current owners' responsibility. Work-in-progress inventory will be consigned to the buyer, then completed on a labor-only basis. When the product is completed, future revenue will be kept by the new owners.

LIABILITIES: The assumption of capital lease obligations (see Appendix)

In your **APPENDIX**, include pictures of the business location, a detailed description and appraised value of the building, inventory and equipment, assets and liabilities, inspection reports, and any patents/trademarks. Also include the purchase-and-sale agreement and any legal documents.

BUYING A FRANCHISE

BUYER, BE AWARE

A franchise is a legal, business relationship between a franchiser (Burger King, for example) and the franchisee (you). The franchiser owns the right to the business name, and sells that right to you. In return, you sell products and services supplied by the franchiser.

The advantages of buying a franchise can be appealing. You get an established business presence. And since many of the decisions and products come from the franchiser, your risks are reduced. You are also provided with a range of support services, such as site selection, training, supplies and advertising/marketing plans.

THE DISCLOSURE DOCUMENT: READ IT CAREFULLY

The Federal Trade Commission (FTC) requires sellers of franchises and other business-opportunity ventures to provide a Disclosure Document to prospective buyers. In it, you should find detailed information that explains how business between you and the franchiser will be conducted.

It is crucial that you read this document very carefully, as many times as you need to, because it contains important information — audited financial statements, your start-up and ongoing costs, and locations of other franchises. It will clearly explain the responsibilities of the buyer and the seller. Have your attorney read through it as well.

The Disclosure Document must be given to you in advance so you can gather and consider any and all information you need to be sure your decision is an informed one.

Top Ten Questions To Ask Before Buying a Franchise

- 1 How many franchises are there and how many in your area? Don't be afraid to ask for a list, then to visit as many as you can. If possible, speak with the owner(s) about some of the real-world realities of running the business.
- 2 How long has the franchiser been in the industry? Ask how long they have been selling franchises.
- 3 How financially healthy is the franchiser? You have a right to see their financial statements, which should be included in the Disclosure Document. Make sure you are comfortable with all the numbers.
- 4 What does your initial cost cover? Discuss things like the licensing fee, training, equipment, starting inventory and promotional fees. Find out if the land will be purchased or leased, and whether the building will be constructed or renovated.
- 5 Will the franchiser help finance the business? If so, you still need to develop a business plan with financial projections.
- 6 What ongoing costs will you pay the franchiser? Discuss royalties, training, insurance and advertising.
- 7 Will you be required to buy supplies from the franchiser or their designated suppliers? Will prices be competitive?
- 8 Do any restrictions apply when competing with the competition?
- 9 What is the length of the partnership? Be clear about the terms covering renewal rights.
- 10 Do you have the right to resell the franchise?

LOAN REQUEST

HOW MUCH WILL YOU NEED?

You must invest of 25%-50% your own money. Show how much and where your money will come from. Also provide information about money coming from investors. Show how much money you are requesting from the lender.

HOW WILL THE MONEY BE USED?

Uses include inventory, furniture, fixtures, equipment, machines, repairs and improvements, and working capital (money for the business' day-to-day activities). Your business' income (and other money) must cover your expenses. You need more money if your expenses are more than your income. Use of funds must be fully documented with quotes in the **APPENDIX** (include a breakdown of machinery, equipment, fixtures and furniture).

HOW LONG ARE YOU ASKING FOR REPAYMENT?

- **Short Term** (*less than a year*): Short-term loans are called Lines of Credit (LOC) or Revolvers and work like a credit card, with a pre-determined amount. Lines of credit are primarily used for working capital and must be paid in full within that year.
- **Intermediate Term** (*1-10 years*): Like a car loan, payments are monthly. Use for buying the business, equipment, or for long-term working capital.
- **Long Term** (*10 years or more*): Like a mortgage, used to buy commercial real estate, commercial vehicles, and heavy equipment.

HOW WILL THE LOAN BE REPAYED?

The lender wants to see the loan repaid from the business' income. If necessary, the lender needs to know that the loan could also be repaid by selling an asset or by a cash infusion from an investor.

IF YOUR LOAN REQUEST IS REJECTED, ASK:

- Why it was rejected.
- If you can correct the problems and re-submit the request.
- If you should go to another lender or seek alternative financing.

WHAT COLLATERAL ARE YOU OFFERING?

Collateral is assets the bank has a lien on and will take if you can't repay the loan. Collateral can be personal (*savings, stocks and/or equity*

in personally owned real estate) or business (*receivables, inventory, equipment*).

AMOUNT NEEDED	
• Amount Requested	\$ _____
• Owner's Investment	\$ _____
• Other Investors	\$ _____
Total	\$ _____
USE OF FUNDS	
• Inventory	\$ _____
• Working Capital	\$ _____
• Equipment, Machinery, Computers	\$ _____
• Furniture & Fixtures	\$ _____
• Other	\$ _____
• Real Estate	\$ _____
Total	\$ _____
Repayment	
• Period: _____ years	_____
• Source: Business Cash Flow	_____
• Collateral:	_____
- Accounts Receivable	\$ _____
- Inventory	\$ _____
- Equipment & Machinery	\$ _____
- Furniture & Fixtures	\$ _____
- Equity in Real Estate	\$ _____
- Other	\$ _____
Total	\$ _____

Lenders require appraisals of your collateral and they discount the value of your assets. The total *discounted* collateral amount must equal the total loan amount requested.

EXAMPLE:	Market Value	Discount Percentage	Discounted Value
• Inventory	\$100,000	50%	\$50,000
• Fixed Assets	\$50,000	50%	\$25,000
• Accounts Receivable	\$80,000	25%	\$60,000
Total	\$230,000		\$135,000

Typical discounts include: saleable inventory at 50% or lower, fixed assets at

50% or lower, collectable accounts receivable at 25% or lower, and furniture/fixtures/machinery/equipment at fair market value of book value (in the **APPENDIX** include the, model, year, serial number and fair market value).

A maximum loan request of \$135,000 is based on the collateral value of their assets.

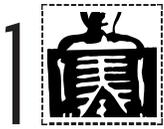


Loan Decisions

The "1-2-3 Method" on page 30 helps you calculate your maximum loan amount.

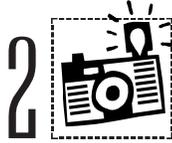
FINANCIALS

FOUR FINANCIAL STATEMENTS ARE INCLUDED IN THIS SECTION:



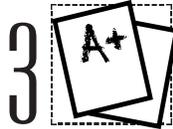
1 Personal Financial Statement

Your own personal financial health will be carefully examined by the lender. See page 20.



2 Balance Sheet

This is a snapshot of your business. A moment frozen in time. See page 22.



3 Income Statement

Think of this as your business' "report card" over a period of time. See page 24.



4 Cash Flow Statement

This will show how much money comes in and how much goes out. See page 26.

HINTS FOR DEVELOPING FINANCIALS:

- Make realistic assumptions. Lenders know there are risks, so explain how they will be handled. They like to see business owners who recognize and solve them. Make a record of your assumptions so you can prove to the lender that your projections are realistic.
- Show reasonable links between the past (if buying a business), actual, and future projections.

WATCH FOR THESE COMMON FINANCIAL PROBLEMS:

• Limited capital

Capital is just another word for money, and if there's not enough of it, it can lead to insufficient working capital (money for day-to-day activities). Don't try to make money stretch too far. Ask for more loan money, or cut down on liabilities and expenses.

• Little or no record keeping

You must keep meticulous records for yourself, the IRS, and your lender.

• Failure to seek outside help

Consult an accountant, gain business advisors, contact the Small Business Administration/SBA (www.sba.gov) or your state's Department of Economic Development (look in the phone book or search on the Internet). Your advisors' input is valuable but don't be totally dependent on them. Educate yourself. You should have a basic understanding of your company's finances. Know how to read your own financial statements and reports.

• Poor management

A business needs a good financial manager (within the company or an outside advisor). It's your money, so be very self-disciplined.

• Reluctance to invest in the business

Why should the lender stand behind you if you won't invest any of your own money? You must put a percentage of *your own money* into the company (usually 25% to 50%).

• Failure to personally guarantee the loan repayment

If the business fails for any reason, the owners must repay the loan. Lenders need to be assured of your total commitment.

ACCOUNTING METHODS

Accrual

vs.

Cash

There are two ways to handle your accounting - **accrual** or **cash**.

1. The **cash** method means you don't record a sale until you collect money, and you don't record an expense until you pay for it.
2. The **accrual** method, the one lenders want, means:
 - Sales are made but payments are not immediately collected. Your customers pay later, which creates "accounts receivable."
 - Business purchases are made, but paid for later, creating "accounts payable."
 - Assets (like equipment) are depreciated over their lifetime. This is tax deductible.
 - Net Income does not always mean cash since money is tied up in accounts receivable and inventory.



1 PERSONAL FINANCIAL STATEMENT

WHAT'S THE BIG IDEA?

Personal financial health is carefully examined by the lender or investor.

Complete a Personal Financial Statement for each person listed in the business plan who will be guaranteeing the loan (partners, officers, stockholders). It's a good idea to order your credit report from the three credit bureaus and review it because lenders will scrutinize it. Be prepared to explain any negative reports.

Most lenders will supply you with their own Personal Financial Statement form, but the information they usually request is shown in this sample.

Life Insurance:

In the **APPENDIX**, provide face amount and cash surrender value of policies, name of insurance companies and beneficiaries.

Other Property:

Describe in the **APPENDIX**. If any pledged as security/collateral, include name and address of lien holder, lien amount, and payment terms.

Notes Payable:

In the **APPENDIX**, include the name and address of the noteholder, original loan balance, current balance, payment amount, and what collateral is used for security.

PERSONAL FINANCIAL STATEMENT

Date _____
 Your Name and Address _____
 Business Name and Address _____
 Social Security _____ Date of Birth: _____
 Phone: _____ Fax: _____ E-mail: _____

ASSETS & LIABILITIES

ASSETS (what you own)

Cash	\$	_____
Savings Accounts	\$	_____
Retirement Accounts	\$	_____
Accounts & Notes Receivable	\$	_____
Life Insurance, cash surrender value	\$	_____
Stocks & Bonds (market value)	\$	_____
Real Estate (market value)	\$	_____
Automobiles (market value)	\$	_____
Other Property	\$	_____
Other Assets	\$	_____
TOTAL ASSETS	\$	_____

LIABILITIES (what you owe)

Accounts Payable	\$	_____
Notes Payable	\$	_____
Residential Mortgage, balance	\$	_____
Investment Mortgage, balance	\$	_____
Installment Loan Balance, auto	\$	_____
Installment Loan Balance, other	\$	_____
Unpaid taxes	\$	_____
Other liabilities	\$	_____
TOTAL LIABILITIES	\$	_____

NET WORTH (assets less liabilities) \$ _____
TOTAL LIABILITIES + NET WORTH \$ _____

Stocks & Bonds:

The total is included here. In the **APPENDIX**, include the number of shares, name of securities, cost, market value with date.

Real Estate:

Total included here. In the **APPENDIX**, list each and include: type of property, date purchased, original cost, and the present market value. Also include the mortgage account number, balance, and monthly payment.

Unpaid taxes:

Describe in the **APPENDIX** the type of tax, who taxes are owed to, the amount, when it is due and whether there is a lien on any property.

Annual Expenses:
Multiply your monthly expenses by 12.

Contingent liabilities:
Are you an endorser, co-maker or guarantor of other loans? If so, are there any legal actions or contested taxes?

INCOME & EXPENSES	
ANNUAL INCOME:	
Salary, Bonuses, and Commissions	\$ _____
Dividends, Interest, Investment income	\$ _____
Real Estate Income	\$ _____
Other Income	\$ _____
TOTAL ANNUAL INCOME	\$ _____
ANNUAL EXPENSES:	
Mortgage/Rental payments	\$ _____
Loans and notes payable	\$ _____
Taxes: Federal, State, Local, Property	\$ _____
Insurance premiums	\$ _____
Alimony and child support	\$ _____
Tuition	\$ _____
Medical Exp./Insurance	\$ _____
Contingent liabilities	\$ _____
Other Debt or Liabilities	\$ _____
TOTAL ANNUAL EXPENSES	\$ _____

This statement is true and accurate.
I authorize any inquiries necessary to verify its accuracy.

(your signature and date) _____

In the **APPENDIX**, include copies of:

- Assets: life insurance statements, stocks and bonds, real estate, and personal property.
- Liabilities: notes payable, mortgages on real estate and unpaid taxes.
- Loans/mortgages: monthly payment amount and a copy of the last statement.
- Three years of tax returns for each owner.



2 BALANCE SHEET

YOUR BALANCE SHEET INCLUDES THE FOLLOWING:

WHAT'S THE BIG IDEA?

The Balance Sheet is like a snapshot of your business, frozen for a second. The numbers change every day.



Think of the balance sheet as a seesaw. The assets and liabilities alone are out of balance. Capital, the last weight you put on the scale, makes a perfect balance.

Assets Liabilities + Capital

ASSETS

What the company owns

Current Assets
Can be converted into cash in one year

Accounts Receivable
Sales made but not collected

Inventory
Inventory on hand, waiting to be sold

Total Current Assets
Add up all of the Current Assets

Non-Current Assets
Takes one year or more to turn into cash

Fixed Assets
This includes property, plant, and equipment

Less Depreciation
Subtract Accumulated Depreciation

Fixed Assets (net)
Fixed Assets minus Accumulated Depreciation

Advances to Owners
Money that owners take out of the business in the form of a loan to be repaid

Total Non-Current Assets
Add up all the Non-Current Assets

Total Assets
Add Current Assets and Non-Current Assets

LIABILITIES

How much the company owes

Current Liabilities
Liabilities due within one year

Current Portion of Long-Term Debt
One year's worth of loan payments

Note Payable
Due within one year

Accounts Payable (A/P)
Purchases not paid for

Total Current Liabilities
Total all the Short-Term Liabilities

Long-Term Liabilities
Due for more than one year

Loan Payable
Due after one year's worth of payments

Total Long-Term Liabilities
Total all the Long-Term Liabilities

Total Liabilities
Add the Long-Term and Current Liabilities

CAPITAL OR NET WORTH

The business' equity

Owners Investment
Amount of money owners have invested

Retained Earnings
Income earned and kept in the business

Total Capital
Add Owners Investment and Retained Earnings

Total Liabilities & Capital
Add Liabilities and Capital. Equal to Total Assets

Depreciation:

Except for land, assets wear out. The value goes down and can be deducted. Values for assets are presented via a reserve for depreciation. Market value, or the price you could sell it for, will differ from this figure.

Owners Investment:

Also called capital or common stock in a corporation

Total Capital:

Also called net worth

Max Computer Company Balance Sheet December 31, 2004	
ASSETS	
Current Assets:	
Cash	10,000
Accounts Receivable	75,000
Inventory (ending)	85,000
Total Current Assets	170,000
Non-Current Assets	
Fixed Assets	140,000
Less Accumulated Depreciation	(25,000)
Fixed Assets (net)	115,000
Advances to Owners	6,000
Total Non-Current Assets	121,000
Total Assets (170 + 121)	291,000
LIABILITIES	
Current Liabilities	
Current Portion of Long-Term Debt	6,000
Note Payable	100,000
Accrued Taxes	3,000
Accounts Payable(A/P)	41,000
Total Current Liabilities	150,000
Long-Term Liabilities	
Loan Payable	54,000
Total Long-Term Liabilities	54,000
Total Liabilities (150 + 54)	204,000
CAPITAL OR NET WORTH	
Owners Investment	20,000
Retained Earnings	67,000
Total Capital	87,000
Total Liabilities & Capital (204 + 87)	291,000

Date: Include last three years' fiscal year-end statements and an interim statement (not more than three months old) in the **APPENDIX**. Start-up companies: Include an opening Balance Sheet (what the balance sheet will look like the day after the loan closes).

These numbers should be the same.

Your Company Name
BALANCE SHEET
date of statement

ASSETS

Current Assets

Cash	.....	\$	_____
Accounts Receivable	.....	\$	_____
Inventory (ending)	.....	\$	_____
Other Current Assets	.....	\$	_____
Total Current Assets	.....	\$	_____

Non-Current Assets

Fixed Assets	.....	\$	_____
Less Depreciation	.....	\$	_____
Fixed Assets (net)	.....	\$	_____
Advances to Owners	.....	\$	_____
Other Non-Current Assets	.....	\$	_____
Total Non-Current Assets	.....	\$	_____
Total Assets	.....	\$	_____

LIABILITIES

Current Liabilities

Current Portion of Long-Term Debt	.....	\$	_____
Note Payable	.....	\$	_____
Accrued Taxes	.....	\$	_____
Accounts Payable(A/P)	.....	\$	_____
Total Current Liabilities	.....	\$	_____

Long-Term Liabilities

Loan & Notes Payable	.....	\$	_____
Total Long-Term Liabilities	.....	\$	_____
Total Liabilities	.....	\$	_____

CAPITAL

Owners Investment	.....	\$	_____
Retained Earnings	.....	\$	_____
Total Capital	.....	\$	_____

TOTAL LIABILITIES & CAPITAL

.....	\$	_____
.....	\$	_____

These numbers should be the same.



3

INCOME STATEMENT

YOUR INCOME STATEMENT INCLUDES THE FOLLOWING:

WHAT'S THE BIG IDEA?

The Income Statement is your company's report card. Expenses are subtracted from income, which gives you the business' financial performance or net profit (or loss) over a period of time. Other names for the Income Statement are Operating Statement, Earnings Statement, or Profit and Loss Statement.

SALES

Net Sales
Revenue or income. Gross sales is before returns and allowances. Net sales is after returns and allowances.

Less Cost of Goods Sold
Cost to make products including materials and labor

Beginning Inventory
Comes from the Ending Inventory of the previous year.

Purchases
Used to make product

Labor
Used to make product only. Other labor-related expenses are included in the Operating Expenses section

Less: Ending Inventory
This number becomes the beginning inventory for the next year's Income Statement.

Total Cost of Goods Sold
Compute the Cost of Goods Sold

Gross Profit
Sales less cost of goods sold. This is your profit margin

EXPENSES

Selling Expenses
Salaries and expenses related to sales only

General and Administrative
All other expenses used to run the company

Operating Income (or Loss)
Shows how the business performed

Interest Expense
Subtract interest expense

Net Profit before taxes
Less: Income Taxes
Tax rates depend on your business' legal status

PROFIT

Profit left after all expenses (including taxes) have been paid

Net vs. Gross Sales

Gross sales is the amount before adjustments (like returns and allowances). The adjusted figure is Net Sales.

Operating Income:

Gross Profit less Selling Expenses and General/Administrative Expenses.

In the **APPENDIX**, include three years' fiscal year end statements plus an interim statement (not more than three months old).

Start-up companies: Project month by month for the first year, quarterly for the second year and one whole year for the third year.

Max Computer Company INCOME STATEMENT December 31, 2004	
SALES	
Net Sales	900,000
Less Cost of Goods Sold:	
Beginning Inventory	75,000
Purchases	350,000
Labor	200,000
Total	625,000
Less: Ending Inventory	85,000
Cost of Goods Sold (625 less 85)	540,000
GROSS PROFIT (900 less 540)	360,000
EXPENSES	
Operating Expenses:	
Selling Expenses	90,000
General & Administrative	170,000
Total Expenses	260,000
Operating Income (360 less 260)	100,000
Interest Expense	20,000
PROFIT	
Net Profit before taxes (100 less 20)	80,000
Less: All Income Taxes	27,000
Net Profit (80 less 27)	53,000

Date:

Represents activity for an entire period, at the end of that time period.

\$75,000 was the ending inventory for the previous year and became the beginning inventory for 2004.

This number is pulled from the Balance Sheet on page 22.

Important Note: Compare numbers in the current year's Income Statement with the previous year. For control purposes, you need to know if income/profits and expenses are going up or down.

Your Company Name
 INCOME STATEMENT

Date of Statement _____

SALES

Net Sales		\$	_____
Less Cost of Goods Sold:			
Beginning Inventory	\$	_____	
Purchases	\$	_____	
Labor	\$	_____	
Total	\$	_____	
Less: Ending Inventory	\$	_____	
Cost of Goods Sold	\$	_____	
Gross Profit (sales less cost of goods sold)	\$	_____	

EXPENSES

Operating Expenses:			
Selling Expenses	\$	_____	
General and Administrative	\$	_____	
Total Expenses	\$	_____	
Operating Income	\$	_____	
Interest Expense	\$	_____	

PROFIT

Net Profit before taxes	\$	_____
Less: All Income Taxes	\$	_____
Net Profit	\$	=====



4

CASH FLOW STATEMENT

WHAT'S THE BIG IDEA?

The Cash Flow Statement is your cash "register." It shows money that comes into the business and what goes out. Profits do not guarantee positive cash flow. You need to know or estimate income and expenses based on the direct and variable costs of your products or services. Cash must be available to pay bills on time and for day-to-day activities. This statement will also show an important figure, the breakeven point, when cash income equals the cash outflow (see page 30).

Tips for preparing Cash Flow Statements:

Numbers in the Cash Flow Statement will also appear in the Income Statement. However, the Cash Flow Statement differs because it records when cash is received, when cash is paid, and how much cash you have reserved.

- Begin with income at the top, followed by expenses and repayment of the loan.
- Show realistic assumptions. If sales increase 80% every year, this may seem unrealistic. Prove assumptions and include them in the **APPENDIX**.
- Cash jumps up from year 1 to 2 because start-up costs are large in the first year.
- Negative balances are common in the first year. They must be covered by providing more cash (loans or owners' investments), or by reducing expenses.
- Increased sales can cause a cash drain (due to increased costs or labor). Show how you will overcome this.
- Show monthly figures in the first year, quarterly figures in the second year, and a lump sum or one figure in the third year.

Name of Business	Start-Up Costs	Month 1 FIRST MONTH'S REVENUE	Month 2	Month 3	Month 4
A. CASH ON HAND (Beginning of month)					
B. CASH RECEIPTS					
1. Cash Sales					
2. Collections from Credit Accounts					
3. Loan or Other Cash injection (Specify)					
C. TOTAL CASH RECEIPTS (B1+B2+B3)					
D. TOTAL CASH AVAILABLE (A + C, before cash paid out)					
E. CASH PAID OUT:					
1. Purchases (Merchandise)					
2. Gross Wages					
3. Payroll Expenses (Taxes, vacations, etc.)					
4. Outside Services (Outside labor)					
5. Supplies (Office & operating, not for re-sale)					
6. Repairs and maintenance					
7. Advertising					
8. Car, Delivery and Travel					
9. Professional Services (Accounting, legal, etc.)					
10. Rent (real estate only)					
11. Telephone					
12. Utilities (Water, heat, electricity, etc.)					
13. Insurance (on business property & products)					
14. Taxes (Real estate, sales, inventory, etc.)					
15. Interest (on loans)					
16. Other Expenses (Specify each)					
17. Miscellaneous (small expenses)					
18. <i>Subtotal</i>					
F. OTHER OPERATING COSTS:					
1. Loan Principal Payment (include equipment)					
2. Capital Purchases (Specify)					
3. Other Start-up Costs					
4. Reserve and/or Escrow (Insurance, tax, etc.)					
5. Owner's Withdrawal (income tax, etc.)					
G. TOTAL CASH PAID OUT (E18 + F1 through F5)					
H. CASH POSITION (End of month, D minus G. Becomes cash on hand for next month)					
ESSENTIAL OPERATING DATA (Items explained on page 27)					
1. Accounts Receivable (End of month)					
2. Bad Debt (End of month)					
3. Inventory on Hand (End of month)					
4. Accounts Payable (End of month)					
5. Monthly Depreciation					

RATIOS



WHAT'S THE BIG IDEA?

Ratios are your business' scores. Even though ratios are not included in your business plan, they will be calculated by lenders to make decisions.

Lenders and investors compare your ratios to:

- acceptable bank ranges
- a company's prior years
- your business' history
- other companies in your industry

Industry averages are found in reference books and on the Internet. They include the RMA Annual Statement Studies, the Almanac of Business and Industrial Financial Ratios, Dun & Bradstreet, your industry's associations, trade periodicals (magazines and newspapers for your industry), and the Small Business Administration/SBA (www.sba.gov).

1

ASSET MANAGEMENT RATIOS

Accounts Receivable Turnover

Number Source: Balance Sheet (pg. 22) & Income Statement (pg. 24)

Accounts Receivable (\$75,000 on pg. 22)
X 365 days

$$\frac{\$27,375,000}{\$900,000} = 30.4$$

It takes 30 days to collect bills

Net Sales Figure (pg. 24)

NOTE: This shows how many days it takes to collect money owed to you. Lower answers are better.

Inventory Turnover

Number Source: Balance Sheet (pg. 22) & Income Statement (pg. 24)

Inventory Figure (\$85,000 on pg. 22)
X 365 days

$$\frac{\$31,025,000}{\$540,000} = 57.4$$

57 days to turnover or sell the inventory

Cost of Goods Sold (pg. 24)

NOTE: This formula shows how many days it takes you to turnover (or sell) your inventory. Lower answers are better.

?

LIQUIDITY RATIOS

Working Capital

Number Source: Balance Sheet (pg. 22)

$$\begin{array}{l} \text{Current Assets (pg. 22)} \\ \$170,000 \\ \text{Subtract Current Liabilities (pg. 22)} \\ -\$150,000 \\ \hline \end{array} = \$20,000$$

Working Capital

NOTE: Shows if a company has enough cash to pay bills. This example shows an excess amount after paying all current liabilities. The answer must be positive. More money is needed to meet expenses if the answer is negative.

Quick or Acid Test

Number Source: Balance Sheet (pg. 22)

$$\frac{\begin{array}{l} \text{Total Current Assets of } \$170,000 \text{ (pg. 22) less Inventory of } \$85,000 \text{ (pg. 22)} \\ \$85,000 \\ \hline \end{array}}{\$150,000} = .56$$

Total Current Liabilities (pg. 22)

The answer should be 1 or more. In this example, the answer, \$0.56, is less than 1. The company could not pay all its current liabilities without selling some inventory.

NOTE: Inventory may become no longer useful. This ratio eliminates inventory from current assets and cash. It's called "quick" because it includes items that can be turned into cash.

Current

Number Source: Balance Sheet (pg. 22)

$$\frac{\begin{array}{l} \text{Total Current Assets (pg. 22)} \\ \$170,000 \\ \hline \end{array}}{\$150,000} = 1.13$$

Total Current Liabilities (pg. 22)

Number of times you can pay current liabilities

NOTE: Tests a company's short-term debt paying ability. This means there is \$1.13 in cash and current assets available to pay every \$1 of current liabilities.

RATIOS

3 DEBT MANAGEMENT RATIOS

Leverage (or Debt-to-Worth)

Number Source: Balance Sheet (pg. 22)



F O R M U L A	
Total Liabilities (pg. 22)	$\frac{\$204,000}{\$87,000} = 2.34$
Total Capital (pg. 22)	

The company is leveraged 2.34 times

NOTE: Determines if a company has enough equity. Lower answers are better. Lenders prefer this ratio to be 3 or lower.

Accounts Payable Turnover

Number Source: Balance Sheet (pg. 22) & Income Statement (pg. 24)

F O R M U L A	
Accounts Payable at \$41,000 (pg. 22) X 365 days	$\frac{\$14,965,000}{\$350,000} = 42.75$
Purchases (pg. 24)	

Accounts Payable are paid every 43 days

NOTE: Shows how quickly a company pays its suppliers. Lower numbers are better.

4 PROFITABILITY RATIOS

Profit Margin on Sales

Number Source: Income Statement (pg. 24)

F O R M U L A	
Net Profit (pg. 24)	$\frac{\$53,000}{\$900,000} = .0588$
Net Sales (pg. 24)	

The profit margin is 5.9%

NOTE: Shows the percentage of net profit for every dollar of sales. If the profit margin is too low: the prices are too low, the cost of goods is too high, or expenses are too high. Compare the profit margin to previous years (if the business is over three years old). New businesses may compare the profit margin to those published in RMA studies or by trade associations.

Cash Flow to Current Maturities (Debt Service)

Number Source: Balance Sheet (pg. 22) & Income Statement (pg. 24)



F O R M U L A	
Net Profit of \$53,000 (pg. 24) + Depreciation of \$10,000 (amount created for this example)	$\frac{\$63,000}{\$6,000} = 10.5$
Current Portion of Long-Term Debt (pg. 22). For new businesses, use one year's worth of loan payments.	

For every dollar of debt, 10.50 is available to pay it

NOTE: Shows your ability to pay term debts after owners' withdrawals. Lenders prefer 2 or better.

YOUR BUSINESS: RATIO ANALYSIS

		YOUR ANSWER
Assets	1 Accounts Receivable Turnover	_____
	Inventory Turnover	_____
Liquidity	2 Working Capital	_____
	Quick or Acid Test	_____
	Current	_____
Debt	3 Leverage (or Debt-to-Worth)	_____
	Accounts Payable Turnover	_____
Profit	4 Profit Margin on Sales	_____
	Cash Flow to Current Maturities (Debt Service)	_____

FINANCIAL FORMULAS

BREAKEVEN POINT

When a company has neither a profit nor a loss, it is the breakeven point. It is important to determine your breakeven point so you know the sales needed for your business to be profitable. The numbers for this formula come from your Income Statement (see page 24).

NUMBERS USED IN THIS EXAMPLE COME FROM THE INCOME STATEMENT ON PAGE 24.

1	Determine your Net Sales	\$900,000 NET SALES	100%
2	Total your Variable Expenses and divide them by the Net Sales to calculate the percentages they represent	$\frac{\$540,000 \text{ COST OF GOODS SOLD} + \$90,000 \text{ SELLING EXPENSES}}{\$900,000 \text{ NET SALES}} = 70\%$ TOTAL VARIABLE EXPENSE 70% (630K/900K)	
3	Subtract your Total Variable Expenses from your Net Sales to calculate the Margin .	$\frac{\$900,000 \text{ NET SALES} - \$630,000 \text{ TOTAL VARIABLE EXPENSE}}{\$900,000 \text{ NET SALES}} = 30\%$ MARGIN 30% or .30	
4	Divide your Fixed Expenses by the Margin and the answer is your Breakeven Point	$\frac{\$170,000 \text{ FIXED EXPENSES}}{.30 \text{ MARGIN}} = \$566,667$ BREAKEVEN AMOUNT	

This company needs sales of \$566,667 to break even. One dollar more and the business is profitable. One dollar less and the business shows a loss.

1 - 2 - 3 METHOD FOR LOAN DECISIONS

USE THE 1-2-3 METHOD TO PRE-QUALIFY AND CALCULATE YOUR MAXIMUM LOAN AMOUNT.

	EXPLANATION	EXAMPLE: ABC Company	ANSWER																				
1	DISCOUNTED COLLATERAL Also called COLLATERAL COVERAGE Every \$1 borrowed must be covered by \$1 in collateral. Lenders discount the value of assets (collateral) so the <i>discounted</i> value must equal the loan amount. This covers the lender in case of foreclosure. See page 18.	This is a common discount formula used with collateral: EXAMPLE: <table border="1"> <thead> <tr> <th></th> <th>Market Value</th> <th>Discount Percentage</th> <th>Discounted Value</th> </tr> </thead> <tbody> <tr> <td>• Inventory</td> <td>\$30,000</td> <td>50%</td> <td>\$15,000</td> </tr> <tr> <td>• Fixed Assets</td> <td>\$50,000</td> <td>50%</td> <td>\$25,000</td> </tr> <tr> <td>• Accounts Receivable</td> <td>\$20,000</td> <td>25%</td> <td>\$15,000</td> </tr> <tr> <td>Total</td> <td>\$100,000</td> <td></td> <td>\$55,000</td> </tr> </tbody> </table>		Market Value	Discount Percentage	Discounted Value	• Inventory	\$30,000	50%	\$15,000	• Fixed Assets	\$50,000	50%	\$25,000	• Accounts Receivable	\$20,000	25%	\$15,000	Total	\$100,000		\$55,000	Maximum loan based on discounted collateral is \$55K
	Market Value	Discount Percentage	Discounted Value																				
• Inventory	\$30,000	50%	\$15,000																				
• Fixed Assets	\$50,000	50%	\$25,000																				
• Accounts Receivable	\$20,000	25%	\$15,000																				
Total	\$100,000		\$55,000																				
2	THE ABILITY TO REPAY Also called DEBT SERVICE COVERAGE For every \$2 a business has in annual cash flow, the bank will allow \$1 in loan payments.	The ABC Company needs to calculate how much they can borrow and afford to re-pay for a seven-year loan: • \$12K net profit + 3K in depreciation = \$15K annual cash flow • \$15K x 50% = \$7.5K the maximum lenders usually allow in annual payments is half of the annual cash flow • \$7.5K/12 months = \$625 maximum monthly payment • \$625/\$17.13* = \$36.48K rounded to \$36.5K *Monthly payment on a \$1000, seven-year loan with an interest rate of 11% is \$17.13	Maximum loan based on the ability to repay is \$36.5K																				
3	EQUITY Also called DEBT-TO-WORTH or LEVERAGE A business can borrow \$3 for every \$1 invested.	Assume ABC Company wants to refinance a \$75K loan. The business has assets of \$100K, liabilities of \$75K, and Net Worth or Equity of \$25K.	Maximum loan based on equity is \$75K (\$25K in equity x 3) \$75K																				

THE LOAN DECISION

The lowest of the three answers calculated here is the maximum loan size. The maximum loan size for ABC Company is \$36.5K.



APPENDIX ITEMS CHECKLIST

The **APPENDIX** comes at the end of your business plan. It includes all the details and documents that support your business plan.

The first page of your Appendix should be a listing of its contents. Organize the documents in the order they are referred to in your business plan. The Appendix grows so it's a good idea to use a 3-ring binder with tabs or an expandable file.

In general, your Appendix should include:

- estimates for anything being purchased
- estimates on any work to be done
- copies of documents related to loans, mortgages, and accounts payable to be refinanced

To Do Done

Page 8 > BUSINESS DESCRIPTION

- Legal documents filed with your state or municipality

To Do Done

Page 9 > BUSINESS DESCRIPTION, EXPLAINED

- Detailed industry information including economic trends, growth patterns and forecasts.

To Do Done

Page 10 > MANAGERS & EMPLOYEES

- Managers' job descriptions, salaries and benefits.
- Monthly cost and explanation of outsourced services or functions.
- Managers and employees resumes

To Do Done

Page 11 > OPERATIONS & LOCATION

- Include proposed rentals, leases or purchases of furniture, fixtures, equipment and machinery.
- Suppliers names, addresses, products or services supplied, costs/quotes, delivery/shipping fees, turnaround, terms of sales, contracts, and a purchasing plan.
- Details about assistance from your suppliers.
- Provide a copy of the deed if you own the business location.
If buying the location, include a purchase-and-sale agreement and related legal documents. An appraisal of the building, the assets and liabilities along with an environmental inspection, will be done by the lender.
- If your location is leased, include a copy of the lease (or proposed lease) with terms, conditions, and cost.
- Show quotes for improvements and renovations.
- Traffic patterns if you own a retail business.
- Zoning statement from local government.
- Approval letters from local and state inspectors (building, fire, health, environmental, and occupational safety).
- Photos of your location, inside and outside. Include a floor plan, blueprint or plot plan (if constructing location).

To Do Done

Page 12 > MARKETING

- Detailed plans and costs for research and development.
- Advertising and promotional ideas, schedules and budgets.
- Compensation (salary, commission, or both) details for sales staff, reps, agents, brokers or wholesalers.

To Do Done

Page 15 > MARKETING

- Product and price comparisons of competitors.

To Do Done

Page 16 > BUYING A BUSINESS

- Pictures of the business location
- Detailed description
- Appraised value of the building, inventory and equipment.
- Inspection reports (if available). If not, let the lender order them.
- Copies of tax returns (past 3 years) from the seller and interim (year-to-date) Income Statement and a current Balance Sheet.

- Patents and trademarks.
- Purchase-and-sale agreement and/or an offer to buy and any legal documents that apply to the purchase

To Do Done

Page 18 > LOAN REQUEST

- The use of loan proceeds: Include quotes and a breakdown of furniture, fixtures, equipment and machinery.
- Collateral: Make, model, year, serial number, and fair market value of furniture, fixtures, equipment and machinery.
- Cash Flow analysis to prove working capital needs.

To Do Done

Page 20 > PERSONAL FINANCIAL STATEMENT

- Stocks & Bonds: The number of shares, name of securities, cost, market value with the date.
- Life Insurance policies: Provide the face amount and cash surrender value, name of insurance companies and beneficiaries.
- Real Estate: List each property and include the date purchased, its original cost, and the present market value. Also include the mortgage account number, loan balance, and the monthly payment.
- Other property: Any pledged as security/collateral. Include the name and address of lien holder, lien amount, and payment terms.
- Notes Payable: Include the name and address of the noteholder, original loan balance, current loan balance, payment amount, and what collateral is used for security.
- Unpaid taxes: Describe the type of unpaid tax, who taxes are owed to, the amount, when it is due, and whether there is a lien on any property.

To Do Done

Page 21 > PERSONAL FINANCIAL STATEMENT

- Copies of life insurance statements, stocks and bonds certificates, and real estate deeds.
- Copies of notes payable, real estate statements with monthly payment amounts, and unpaid tax bills.
- Copies of signed tax returns (past three years) for each owner.

To Do Done

Page 22 > BALANCE SHEET

- Existing businesses: Last three years' fiscal year-end statements and an interim statement (not more than two months old).
- Start-up companies: Include an opening Balance Sheet (balance sheet the *day after* the loan closes).
- Balance Sheet before new financing and after the financing.

To Do Done

Page 24 > INCOME & EXPENSE STATEMENT (or P&L)

- Start-up companies: Provide projections month by month for the first year, quarterly for the second year and one whole year for the third year.
- Existing businesses: Three years' fiscal year end statements plus an interim statement (not more than two months old).
- Provide a three-year projected Cash Flow analysis (monthly for the first year, quarterly for the second year, and a lump sum for the third year) to prove the need for working capital.

MANAGING

CASH

**THE SMALL BUSINESS
OWNER'S GUIDE TO
FINANCIAL CONTROL**



New York City Department
of Small Business Services
www.nyc.gov/sbs

**NYC
Business
Solutions**

www.nyc.gov/smallbiz

CASH

THE FUEL THAT RUNS YOUR BUSINESS

HOW MUCH MONEY comes into your business and how much goes out is called cash flow. Gaining financial control by understanding cash flow is crucial to your success.

Many people think their business is sound as long as “more money is coming in than going out.” This way of thinking can weaken a business’ short-term stability and its long-term growth.

A certain amount of cash must be on hand at all times for day-to-day operations and to pay expenses on time. But what about the gap that occurs when your bills are due before you collect the cash that’s owed you? What about unexpected expenses, like equipment repair?



Without proper cash flow, even a thriving business can fail. Think of your business as a rope with three intertwined strings. One string is what you sell (your products and services). The other string is what you earn, and the third is what you spend. If one string weakens, it affects the strength of the rope.

Learn how it all works in the pages ahead.

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This material is not intended to provide or take the place of legal or professional financial advice. If you need advice, look for a professional financial manager, consultant, accountant and/or attorney.

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Maximize Your Cash Flow

**THE MORE MONEY A BUSINESS CAN
ACCUMULATE AND ADD TO ITS SURPLUS,
THE GREATER ITS STABILITY AND STRENGTH.**

KEY TERMS

BUSINESS

CREDIT REPORT

An overview of a company's financial history. Companies that offer these reports include Dunn & Bradstreet at 800-234-3867 or visit www.dnb.com.

COLLECTION AGENCIES

Companies who try to collect your past-due invoices. The fee for this service varies, so be sure to ask.

CREDIT APPLICATION

Form that houses a customer's financial information, such as bank and credit references.

CREDIT POLICIES

Terms or rules that your company expects customers to follow, when you allow them to pay at a later date. *For example, customers pay you in 30 days.*

RATING

Customers' credit worthiness based on their history of borrowing and repaying.

REFERENCES

A list of organizations that have extended credit to this customer.

RETAINER

Agreement in which your customer agrees to pay you a flat fee every month in exchange for a pre-determined amount of work. Retainers are usually used for long-term projects.

What is Accounts Receivable?

Accounts receivable is the money customers owe you. Your cash flow is "tied up" in these accounts, so it's good business to collect your money as quickly as possible. Collecting money requires a commitment on your part – maintain accurate records and stick to deadlines.

TOOLS FOR SPEEDING UP CASH COLLECTIONS

- Require deposits when making sales.
- Divide invoices. *For example, ask for a third up front, a third when the job is in progress and a third when the job is done.*
- Work on **retainer** whenever possible.
- When a job stalls for longer than a month, send an invoice. Include a breakdown of the work completed to date and an estimate of the work remaining.
- Review your **credit policies** — it may be smart to print them right on your invoices.
- Develop a **credit application** and don't be afraid to use it.
 - > **CALL** the customer's bank and ask the following information: the date the account was opened, its 12-month average balance and if any checks have been returned in the past 6 months.
 - > **SEND** your credit application to customer's references or fill it out during a phone conversation with them. Ask each reference how long they've been doing business with the company in question, the credit limit, the highest amount of credit that's been extended, and the date of the last sale. Finally, ask for any other information that might be helpful — anything you can gather to make sure the customer is worth the risk of extending credit.
- Check a potential customer's **credit rating** by ordering a **credit report**.
- Send an invoice as soon as the job is completed.
- Offer **early payment discounts** to encourage promptness (see Key Terms, page 5).

WHAT ABOUT OVERDUE INVOICES?

- Sort late invoices by dollar amount and collect larger balances first.
- Send a letter along with a copy of the overdue invoice, then follow up with a phone call.
- If the entire invoice cannot be paid in full, develop a schedule of smaller payments.
- If your efforts aren't successful, use **collection agencies**.

THREE TOOLS FOR HELPING WITH ACCOUNTS RECEIVABLE

- 1. LOCK BOX ACCOUNT** - Special post office box used by banks to speed up payments. Checks in your mail are picked up and entered into the bank's collection system, eliminating "mail float" — days spent waiting for checks to arrive and then be deposited.
- 2. MERCHANT ACCOUNT** - Allows you to accept credit cards for payment of goods and services through an agreement with a card-processing bank.
- 3. PRE-AUTHORIZED PAYMENTS** - A process of getting regular payments from customers. Money is electronically withdrawn from a customer's account and deposited into yours.

Cash reserves should be on hand not only for everyday expenses, but also for:

AN "EMERGENCY" FUND

Unplanned expenses can damage your cash flow. What if your water heater breaks? What if you make an insurance claim and need a few thousand dollars to meet your deductible? It's smart to set aside a portion of your income for expenses like these.

A CAPITAL EXPENSE FUND

Equipment eventually needs to be replaced. A portion of the cost is regularly set aside in a fund so the money will be available when the item needs replacing.

INVESTMENTS

If your cash flow statement shows a positive balance, one of the biggest mistakes you can make is to let the money sit there, when it could be earning you money (see page 10).

What is Accounts Payable?

Accounts payable is the money you owe to others. For example, you've bought equipment and services but haven't paid for them yet. In order to keep your good credit, you must pay your bills on time, but there *are* ways to be savvy about it.

TOOLS FOR SLOWING DOWN EXPENSES

- Predict sales realistically so you can determine your expenses accurately.
- Don't buy unnecessary or unimportant items.
- Buy used items when possible.
- Control overhead expenses. Keep your fixed costs as low as possible.
- Your variable expenses should relate to your income. If income drops, so should variable expenses.

FOUR WAYS TO HELP WITH ACCOUNTS PAYABLE

1. Use a payroll service to calculate wages and pay the associated taxes.
2. Consider purchasing equipment and services outside the country. Calculate the costs to see if foreign currency is less than U.S. dollars.
3. Take advantage of early payment discounts.
4. Don't be hesitant about negotiating with vendors. When you make a purchase, ask for extended payment terms.

TO LEASE OR NOT TO LEASE?

You can often reduce the amount of cash you spend by leasing equipment rather than buying it. Leasing allows you to pay a fixed monthly amount, usually over a long period of time, for the use of the equipment.

Crunch the numbers to determine whether leasing or buying is better for you. Compare the cost of leasing (upfront costs plus the monthly fee) to the cost of buying (don't forget to include the interest).

There are several kinds of leases, including:

- **EQUIPMENT LEASE** - A lender purchases and owns the equipment and gives you the right to use it in exchange for a monthly fee.
- **SALE-AND-LEASE BACK** - A leasing company buys your equipment, then leases it back to you for a fee.

KEY TERMS

EARLY PAYMENT DISCOUNTS

An incentive to collect payments quickly by reducing the invoice amount. *For example, 1% is deducted from an invoice if it is paid within 10 days.*

EXTENDED PAYMENT TERMS

Paying for an expense over a longer time period than is customary.

FIXED COSTS

Expenses that remain the same, *not* changing along with sales volume.

OVERHEAD EXPENSES

The operating expenses of a company, like rent.

PAYROLL SERVICE

A company that calculates wages, making the appropriate deductions for state and federal taxes, pension funds, medical insurance, etc.

VARIABLE EXPENSES

Costs that rise and fall according to sales volume. These expenses include raw materials, utility bills, labor, sales commissions and advertising.

The Cash Flow Statement

A Business Owner's Right Hand

A SIZABLE REPAIR BILL IS DUE THIS FRIDAY. And Christmas bonuses aren't far behind. Exactly how much money will you need, and when? The Cash Flow Statement gives you a clear picture of when cash should arrive and how much is needed for expenses.

Start by researching your expenses, breaking them down on a monthly basis. At the end of the month, subtract expenses from income and you'll have the cash balance, which could be a positive or negative number. Now you'll know if there's enough cash to:

- COVER DAY-TO-DAY OPERATIONS
- PAY DEBTS ON TIME
- GROW YOUR BUSINESS

DO A REALITY CHECK

The Cash Flow Statement should be refined as time goes on. Make sure the numbers you're using are realistic. If they're not, revise them. Review the Cash Flow Statement every month. Once you become adept at reading the numbers, it will become an "early warning system," giving you time to get cash before it's needed.

CASH FLOW STATEMENT SAMPLE:

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
A. Cash On Hand (Beginning of month)	10,000	6,900	21,700	41,200	54,700	68,400	72,800	91,200	113,800	133,300	155,800	183,500	
B. Cash Receipts													
1. Cash Sales	2,000	5,000	5,000	5,000	10,000	10,000	15,000	15,000	10,000	10,000	15,000	15,000	
2. Collections from Credit Accounts	30,000	75,000	75,000	80,000	85,000	85,000	90,000	90,000	85,000	85,000	80,000	80,000	
3. Loan or Other Cash injection (Specify)													
C. Total Cash Receipts (B1+B2+B3)	32,000	80,000	80,000	85,000	95,000	95,000	105,000	105,000	95,000	95,000	95,000	95,000	
D. Total Cash Available (A+C, before cash paid)	42,000	86,900	116,700	126,200	149,700	163,400	177,800	196,200	208,800	228,300	250,800	278,500	
E. Cash Paid Out													
1. Purchases (ex: Merchandise)	0	30,000	40,000	40,000	45,000	45,000	45,000	40,000	40,000	40,000	35,000	35,000	435,000
2. Gross Wages (excludes withdrawals)	10,000	10,000	10,000	10,000	10,000	15,000	15,000	15,000	10,000	10,000	10,000	10,000	135,000
3. Payroll Expenses (Taxes, etc.)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
4. Outside Services	800	700	800	800	800	900	900	900	800	800	800	700	9,700
5. Supplies (Office and operating)	400	400	400	400	400	400	400	400	400	400	400	300	4,700
6. Repairs and maintenance	400	400	400	400	400	400	400	400	400	400	400	300	4,700
7. Advertising	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
8. Car, Delivery and Travel	2,000	2,000	3,000	2,000	2,000	2,000	3,000	3,000	2,000	2,000	2,000	2,000	27,000
9. Professional Services (Accounting, legal, etc.)	1,000	0	0	1,000	0	0	0	0	0	1,000	0	0	3,000
10. Rent	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
11. Telephone	300	300	300	300	300	300	300	300	300	300	300	300	3,600
12. Utilities	400	400	400	400	400	400	400	400	400	400	400	400	4,800
13. Insurance	0	400	400	400	400	400	400	400	400	400	400	0	4,000
14. Taxes (real estate, etc.)	0	800	0	0	800	0	0	800	0	0	800	0	3,200
15. Interest (on loans)	500	500	500	500	500	500	500	500	500	500	500	500	6,000
16. Other/Miscellaneous Expenses (Specify)	0	0	0	0	0	0	0	0	0	0	0	0	0
17. Subtotal	22,800	52,900	63,200	63,200	68,000	72,300	73,300	69,100	62,200	63,200	58,000	56,500	724,700
F. Other Operating Costs													
1. Loan Principal Payment	300	300	300	300	300	300	300	300	300	300	300	300	3,600
2. Capital Purchases (ex: Buy a computer)	0	0	0	0	0	5,000	0	0	0	0	0	0	5,000
3. Other Start-up Costs (specify)	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Reserve and/or Escrow (ex: Pay \$100K loan)	10,000	10,000	10,000	5,000	10,000	10,000	10,000	10,000	10,000	5,000	5,000	5,000	100,000
5. Owner's Withdrawal	2,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000	3,000	4,000	4,000	4,000	36,000
G. Total Cash Paid Out (E17 + F1 through F5)	35,100	65,200	75,500	71,500	81,300	90,600	86,600	82,400	75,500	72,500	67,300	65,800	
H. Cash Position (End of month, D minus G)	6,900	21,700	41,200	54,700	68,400	72,800	91,200	113,800	133,300	155,800	183,500	212,700	

BALANCE This company always has positive cash flow.



IF YOUR BALANCE IS NEGATIVE



INCOME \$5,000
EXPENSES - \$9,000

BALANCE - \$4,000 negative

IF YOUR BALANCE IS POSITIVE



INCOME \$5,000
EXPENSES - \$2,000

BALANCE \$3,000 positive

RISKY BUSINESS

Working with a small cash surplus is risky. It seems obvious that you cannot run a business with negative cash. Before you're dangerously low on money, you must arrange for cash infusions by:

- increasing sales
- speeding up cash collections (see page 4)
- slowing down expenses (see page 5)
- getting cash from business owners
- financing (see page 8)

EXAMPLE: A GROWING BUSINESS LOSES ITS SPARKLE
Gemma's Jewels received new orders at a trade show, but when production was increased to fill those orders, here's what happened:

- Gemma had enough money to pay for labor.
- Accounts payable increased, since Gemma buys materials on credit.
- Accounts receivable increased because Gemma sells her products on credit.
- Before the money from her sales was received, Gemma's bills were due! Sixty days after filling the new orders, Gemma was out of cash.

WHAT'S THE LESSON?

Gemma has learned that **fast growth eats cash quicker than it produces it**. A Cash Flow Statement would have shown her that the business was low on cash three times a year. She has since gotten a line of credit (see page 8) to help cover expenses during those lean months.

IN THE PLUS COLUMN

If your business shows a positive cash flow, congratulate yourself, but don't relax! Remember, the numbers can change from month to month. But do squeeze more profit out of your business by investing extra cash (see pages 10 and 11).

EXAMPLE: A SMALL BUSINESS WITH DESIGNS ON SUCCESS
Claire Velleca and Max Smith began an interior design firm with \$5,000 in personal savings. Their goals were to win big clients, collect money quickly and reinvest profits into the business.

In three years, annual sales reached \$5 million. But Velleca and Smith were so busy running the business, they lacked the time to deal with their "idle cash surplus." It was not unusual to have 10 to 20 thousand dollars sitting in their checking account!

WHAT'S THE LESSON?

After developing a Cash Flow Statement, Smith and Velleca began investing monthly into a savings account and mutual funds. They also set up retirement accounts.

KEY TERMS

CAPITAL

The equity of a business, including owner(s) investments and retained earnings (accumulated money left in the business).

DEPRECIATION

Except for land, assets lose their value. This loss in value is amortized (spread out over time). *For example, if a machine is bought for \$10,000 and used for 5 years, the annual book depreciation is \$2,000.*

INTEREST

Money paid for the use of money.

PRINCIPAL

Amount of a loan, not counting the interest.

THE BIG 3 IN FINANCIAL STATEMENTS

A TRIO OF VALUABLE TOOLS FOR CASH FLOW MANAGEMENT

CASH FLOW STATEMENT

Shows how much money comes in and how much goes out.

(Explained in detail on page 6)

- Includes only cash transactions.
- Shows cash received and paid, which is different from accounts receivable and accounts payable.
- Includes pre-paid items like insurance and supplies.
- Shows breakdown of loan payments into **principal** and **interest**.

INCOME STATEMENT

Think of this as your business "report card." It shows your business' performance.

- Shows income and expenses over a period of time.
- Shows net profit (or loss) over a period of time.
- Shows interest payments only (not the principal) on loans.

BALANCE SHEET

This is a "photo" of your business, a moment frozen in time. It shows your overall financial condition, but the numbers change every day.

- Includes accounts payable, accounts receivable and **depreciation**.
- Shows assets (what you own), liabilities (what you owe) and **capital**.

WHAT'S MISSING FROM THE CFS?

These four categories are not on your Cash Flow Statement, but should be calculated at the end of each month:

- Accounts receivable
- Accounts payable
- Inventory on hand
- Bad debt

If Your Cash Balance Is Negative



INCOME	\$5,000
EXPENSES	- \$9,000
<hr/>	
BALANCE	- \$4,000 negative

IF YOUR BALANCE IS NEGATIVE...FINANCING CAN HELP

If your Cash Flow Statement shows a negative or low balance, financing is one way to infuse the business with cash. *Check around carefully and compare the interest rates for credit cards, loans and lines of credit.* Don't begin the financing process without giving serious thought to some key questions:

- How large a loan will you need?
- How will the loan be used?
- How will the loan be repaid? Make sure you can handle the added monthly expense. It is crucial that you add the loan payment to your Cash Flow Statement (see sections E & F on page 6).
- How much **collateral** do you have? The value of your collateral should match the loan amount you are requesting. Lenders can order **appraisals** of your collateral and remember, they will **discount** the value of your assets.
- How long will it take you to repay the loan? This period of time is called the loan's "term."

FOUR SHORT-TERM FINANCING SOLUTIONS

Short-term financing has a term of under a year and is typically used for **working capital** — turning negative cash flow positive, purchasing inventory and prepaying expenses.

- 1. THE LINE OF CREDIT (LOC)** - The lender will determine a maximum amount of money available to you, then you borrow as you need it. You make a monthly payment, but it is not a fixed amount, since the loan amount varies according to how much you have "used." Interest is calculated on the balance you owe. Once a year, your LOC needs to be paid down to zero and will be reviewed by the lender.
- 2. BUSINESS CREDIT CARDS** - This is a credit card issued to your business and, as you know, it's accepted everywhere. Before you use it, make sure the card's credit limit is enough for what you need. Balances should be paid back within months. If not, the accumulated monthly payments, which may include substantial finance charges, could affect cash flow.
- 3. ACCOUNTS RECEIVABLE FINANCING** - Your company's receivables are sold to a lender or third party, called a factor. You get quick cash. From that point on, their payments are sent directly to the factor, who gets a percentage of the receivables. If any of your receivables become uncollectible, factors assume the risk. Pledging receivables is different; in this case, you are responsible for repaying any uncollectible bills.
- 4. INVENTORY FINANCING** - This method gives you money based on your inventory.
 - **BLANKET INVENTORY** financing is based on part or all of your inventory. You are free to use this inventory, and to sell it.
 - Inventory held in a **TRUST RECEIPT** is held separately for the lender. If a portion of it is sold, you give money to the lender.
 - When inventory is in **WAREHOUSE RECEIPT**, it is kept in a separate area or warehouse, with third party supervision.



INTERMEDIATE-TERM FINANCING

These loans are for one to five years and are used for a specific purpose, such as buying equipment. You receive the amount of the loan in one lump sum up front, then repay it in monthly installments for the length of the loan. Interest is charged on the outstanding balance.

LONG-TERM FINANCING

A long-term loan has a term of 6 years or longer and is usually for larger expenses, like commercial real estate or expensive equipment.

- **COMMERCIAL REAL ESTATE LOANS** - These are used for new construction, as well as to purchase (or refinance) commercial industrial property or investment property.
- **EQUITY LOANS** - Using the real estate you own as security, an equity loan lets you borrow larger amounts of money over a longer period of time.

THE SBA LOAN

The role of the Small Business Administration (SBA) is to guarantee loans to qualified borrowers. These loans are made and processed by a lender with an SBA Loan Guarantee. With this guarantee, the lender is assured of repayment by the SBA if the borrower cannot repay the loan. SBA lenders often approve loans they might otherwise decline.

YOUR COMPANY'S CREDIT

When you seek financing, the financial history of your business will be uncovered. This information will help lenders decide how much money to finance and also at what interest rate.

A good credit rating doesn't necessarily mean an inactive history. It's fine that you've had previous loans or credit card purchases. Lenders are interested in whether you made timely payments. They will look at the amount of credit you've been extended in the past and how much of it was used. Be prepared to explain any liens or bankruptcy proceedings. Have your financial papers in order.

YOUR PERSONAL CREDIT

As a business owner, your personal financial health will also be examined when applying for business financing. It would be wise to order **personal credit reports** for yourself and any other owners of the business. Check the report(s) for mistakes, late payments or other problems and be prepared to discuss them with lenders.

A personal credit report is scored on a scale. To score you, lenders review many items including:

- the number of credit cards and loans you have
- the average size of your balances
- the timeliness of your payments
- how old your accounts are

KEY TERMS

APPRAISAL

The monetary value assigned to an asset, such as equipment or property.

ASSETS

Things you own that are worth money. Includes savings, investments, accounts receivable, inventory, equipment and real estate.

COLLATERAL

Assets pledged to secure a loan. If the loan is not repaid, assets would be sold and the money used for that purpose.

DISCOUNT

Assets are valued lower than their market value to make sure they can be sold quickly.

PERSONAL CREDIT REPORT

A complete picture of your financial history. Companies that offer these reports include:

- Equifax at 800-525-6285 or visit www.equifax.com
- Experian at 800-311-4769 or visit www.creditexpert.com
- Trans Union at 800-680-7289 or visit www.transunion.com

WORKING CAPITAL

The difference between your current assets and liabilities (those that can be converted or paid within one year). This shows your available "liquid" money and your ability to pay current debts.

If Your Cash Balance Is Positive



INCOME	\$5,000
EXPENSES	- \$2,000
BALANCE	\$3,000 positive

IF YOUR BALANCE IS POSITIVE...INVESTING IS SMART

One of the biggest mistakes you can make is to let an excess of cash sit idly, when it could be earning you money.

It's important to work with qualified financial advisors when you're planning to invest. Their expertise can make a significant difference.

You should consider four factors when thinking about an investment:

- 1. RETURN** - The percentage you earn on an investment is key. Some products, like bonds, offer a specific, guaranteed return. Some products offer a higher return, but it is not guaranteed.



- 2. SAFETY** - What's the risk factor? Conservative investors might choose Certificates of Deposit (CDs) because the investment is insured and the return is guaranteed. Aggressive investors might lean toward mutual funds, but their money is not insured, nor is the return guaranteed.
- 3. LIQUIDITY** - If and when you need your invested money, how quickly can you access it? Money market accounts and savings accounts are considered **liquid** assets because they can be turned into cash quickly. Products with staggered **maturity** dates give you access to cash at different times.
- 4. DIVERSITY** - A smart way to reduce risk is by spreading your money among several types of investment products. For example, you could own both CDs (which are safe) and mutual funds (which offer higher returns).

SO MANY OPTIONS FOR GROWING YOUR MONEY

Take the time to learn about your options before investing. Set up a routine for saving, either with automatic monthly withdrawals or an account with a **sweep** feature. Some of the ways surplus cash can be invested are:

- **SAVINGS AND CHECKING ACCOUNTS** - Shop around for the ones that earn interest.
- **MONEY MARKET ACCOUNTS** - Liquid money accounts that typically earn a higher interest rate than savings accounts, but require a minimum balance.
- **CDS (CERTIFICATES OF DEPOSIT)** - An account where money is invested for a set period of time (anywhere from 3 months to 10 years) at a set interest rate. Upon maturity, you get back your initial investment plus interest, guaranteed.



- **TREASURY BILLS** - T-bills are issued by the U.S. Treasury and have terms of several months up to about a year. You purchase T-bills at a discounted price and your return is the difference between that price and the face value upon maturity.
- **COMMERCIAL PAPER** - This is a very short-term unsecured money market obligation. The term, or length of obligation, can be anywhere from a few days to over 250 days.
- **SECURITIES**
 - > **BONDS** - There are many types of bonds, but generally, they are loans made to corporations or governments. Bonds pay investors a specified amount of interest on a regular basis.
 - > **STOCKS** - Investors own shares or pieces of a company. The value of an investor's stock changes daily.
- **MUTUAL FUNDS AND BOND FUNDS** - Rather than investing in one stock or bond, money is pooled and professional money managers invest in many stocks or bonds.
- **REAL ESTATE** - Whether commercial buildings or land, real estate develops **equity** over time. This equity can be used as collateral to secure financing. Use caution when investing in real estate, as it can take longer than most investments to turn into cash – and if the market value goes down, you can lose money.

HELP MAKE YOUR GOLDEN YEARS GOLDEN

When it comes to saving for retirement, small business owners are on their own. No matter how old – or young – you are, planning ahead is crucial.

Keep in mind that retirement investments should be long-term. If you take money out before retirement age, you'll probably be penalized. The smart approach is to invest in retirement funds, then leave them to grow. Rules for retirement products change often and the information you should know about each one is more than can be printed here. The bottom line is to consult with a qualified financial planner who will explain your options in detail.

- **INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)** allow you to set aside a portion of your annual income for retirement. There are several kinds of IRAs.
- **SIMPLIFIED EMPLOYEE PENSION (SEP)** is a retirement plan for self-employed individuals and small companies. It's similar to an IRA, but with more flexibility. The amount of your tax-deductible contribution can vary from year to year.
- **KEOGH PLANS** allow the self-employed to save for retirement. Keogh owners contribute to a profit-sharing plan or pension, under a qualified trustee.

KEY TERMS

EQUITY

The difference between the fair market value of something and the balance due on the loan.

For example, you own a building valued at \$100,000 but you owe \$60,000 on the mortgage. The equity is \$40,000.

GUARANTEE

A promise by the lender that you'll get your investment back, plus interest.

LIQUID

Assets that can be turned into cash within one year.

MATURITY

Date on which the investment vehicle ends and the money (both principal and interest) are due to the investor.

PROFIT

Difference between the sale price and the cost of an investment.

RETURN

The percentage that you earn on an investment over time.

SWEEP

When there's excess cash in an account (above a pre-determined amount), the money is automatically transferred (or "swept") into another account.

Health Insurance

I want to offer my employees health insurance. What are my options?

- You may contact an insurance agent or broker who will work with you to find a plan that best meets the needs of you and your workforce.
- You should also explore the FIVE health insurance options designed specifically for small businesses, sole proprietors, and working individuals in the NYC area:
 - Brooklyn HealthWorks
 - Freelancers Union
 - HealthPass
 - Healthy New York
 - LIA Health Alliance

Please refer to the table below for more information on these options.

What factors should I consider when selecting a health insurance plan?

Whether you are searching for yourself or your employees, some factors to consider include:

- Range of choice in benefit options
- Types of coverage offered by the health plans or carriers and coverage limitations
- Access to preferred hospitals and health care providers in and out of the plan's network
- Maximum annual and lifetime benefit amounts
- Coverage options for dependents (children and spouses/domestic partners)
- Affordability:
 - Cost usually depends on the type of plan selected. In addition to monthly premium charges, you should consider other applicable costs, including out-of-pocket expenses (e.g., co-payments and deductibles).
- Special program policies, such as pre-existing condition limitations that may restrict coverage for some people
- Ease of enrollment and billing processes
- Availability of customer service

Frequently Asked Questions

Small Businesses:

Why should I provide health insurance to my employees?

There are many benefits to providing health insurance to employees, including 1) reducing the amount of taxes you and your employees pay, 2) attracting and retaining high quality employees, and 3) reducing business disruptions and the costs associated with employee absenteeism and turnover.

Do I have to pay for the entire premium cost?

No. Many employers share the cost of the premiums with their employees. Employees pay whatever part of the premium you don't pay through payroll deductions.

Can I select which types of employees get health insurance?

Yes. You can decide that you'd like to cover all your employees, or you may determine that you only want to cover a subgroup of your employees, e.g., employees who work more than 20 hours per week. Most plans will allow you to set this eligibility criterion.

Do a certain number of employees have to buy health insurance in order for my business to qualify?

Most plans require a certain percentage of employees to enroll in order for a business to qualify for coverage –

normally 70 or 75%.

Do employees' families get coverage? Who pays for it?

You may decide to offer family coverage, and an employee may choose to enroll a spouse/domestic partner and/or children. Who pays for family coverage is up to you; most employers pay for at least part of the cost of family coverage.

Can my coverage be cancelled because of too many claims?

No. As long as you qualify for coverage as a small business and pay your monthly bill, your coverage cannot be cancelled.

I can't offer my employees health insurance right now. What other options do they have?

Eligible individuals may enroll in one of the private health insurance options discussed below. And depending upon family income, individuals and their family members may also be able to get coverage through public health insurance programs. Call 311 or visit <http://www.nyc.gov/healthstat> for more information on these options. The Website also contains pre-screening calculators to assist users determine if they qualify for public or private health insurance options.

Sole Proprietors & Working Individuals:

What can I be charged for individual health coverage?

Prices vary by plan, but the cost of the coverage is based on a "community rate," which is the average cost offered to all individuals seeking the same coverage from the same plan in a geographic region. In New York State, it is illegal for individual health plan premiums to vary due to age, gender, health status, or occupation.

Can my individual health insurance policy be cancelled because I submit a lot of claims?

No. Your coverage cannot be cancelled because you get sick. This is called "guaranteed renewability." As long as you pay the premiums, the insurer cannot cancel your policy.

Can I buy a policy that covers my family?

Yes. In New York State, insurers that sell individual health insurance must offer family coverage to persons who are interested in purchasing it. Insurance carriers may also offer employee-spouse/domestic partner plans and parent-children plans.

Are pre-existing conditions covered?

Many health insurance carriers exclude coverage for up to a year for conditions that were diagnosed and treated within six months prior to the date of the application for coverage. The waiting period may be reduced if an individual was previously covered and applied within 63 days of the expiration of that coverage. For this reason, it is important for individuals to not let their insurance coverage lapse beyond this period of time.

For more information about health insurance for small businesses, sole proprietors and working individuals, visit the Website of the Mayor's Office of Health Insurance Access: <http://www.nyc.gov/healthstat>. You may also visit the New York State Insurance Department's Website at: <http://www.ins.state.ny.us>

HEALTH INSURANCE OPTIONS FOR NEW YORK CITY'S SMALL BUSINESSES, SOLE PROPRIETORS, AND WORKING INDIVIDUALS

Option	<u>Brooklyn HealthWorks</u>	<u>Freelancers Union</u>	<u>HealthPass</u>	<u>Healthy New York</u>	<u>LIA Health Alliance</u>
Coverage	<p>Offers one insurance carrier.</p> <p>Broad medical coverage, including prescription drugs. Coverage excludes mental health services, home health care, hospice, chiropractic care, alcohol and substance abuse treatment, and physical therapy.</p>	<p>Choice of two insurance carriers and 5 benefit options.</p> <p>Coverage options include comprehensive medical care plus prescription drugs, dental, and vision care.</p>	<p>Choice of five insurance carriers and 30+ benefit options.</p> <p>Coverage options include comprehensive medical care plus prescription drugs, dental, and vision care.</p>	<p>Choice of 12 insurance carriers in NYC.</p> <p>Broad medical coverage, including the option for prescription drugs. Coverage excludes mental health services, home health care, hospice, chiropractic care, alcohol and substance abuse treatment, and physical therapy.</p>	<p>Choice of seven insurance carriers and numerous benefit options.</p> <p>Coverage options include comprehensive medical care plus prescription drugs, dental, and vision care.</p>
Eligibility	<p>The three groups that may be eligible for this option are:</p> <ol style="list-style-type: none"> 1- Small businesses located in Brooklyn with 2-50 employees, where at least 30 percent of employees earn \$34,000 or less annually 2- Sole proprietors 3- Working individuals <p>Sole proprietors and working individuals must reside in Brooklyn, not be eligible for employer coverage or Medicare, and must meet certain income guidelines.</p>	<p>Individuals must live or work in NYC or one of the surrounding counties (Nassau, Orange, Rockland, Suffolk, and Westchester) and:</p> <ul style="list-style-type: none"> • Be an independent worker • Have EITHER earned \$10,000 in the last 6 months OR worked 20 hours a week in each of the last 8 weeks • Work in one of 8 eligible industries or occupations: 1) arts & entertainment; 2) technology; 3) financial services; 4) media & advertising; 5) nonprofit; 6) skilled computer users; 7) traditional & alternative health care providers; or 8) home-based child care providers. 	<p>Small businesses with 2-50 employees.</p> <p>Business must have an active address in one of the 5 boroughs of NYC or one of the surrounding counties (Nassau, Suffolk, Westchester, Rockland, Orange, Putnam, and Dutchess).</p> <p>Groups must meet a "loose" 75% participation requirement (75% of eligible employees must enroll in HealthPass or have other coverage).</p>	<p>The three groups that may be eligible for this option are:</p> <ol style="list-style-type: none"> 1- Small businesses located in New York State with 2-50 employees, where at least 30 percent of employees earn \$34,000 or less annually 2- Sole proprietors 3- Working individuals <p>Sole proprietors and working individuals must reside in New York State, not be eligible for employer coverage or Medicare, and must meet certain income guidelines.</p>	<p>Two groups qualify for this option:</p> <ol style="list-style-type: none"> 1- Small businesses (2-50 employees) 2- Sole proprietors <p>To be eligible, an employee must work more than 20 hours for an eligible employer in a regular scheduled work week.</p> <p>The business or sole proprietor must be located in NYC, Long Island or in Westchester or Rockland County.</p>

Go to <https://a069-webapps3.nyc.gov/health/main.aspx> to determine if you or your business might qualify for one of these options.



Cost	<p>Cost varies by employer contribution and type of plan selected.</p> <p>Monthly premium ranges (as of January 2006)</p> <p><i>Small Businesses</i></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td>\$177</td> <td>\$188</td> </tr> <tr> <td>Employee & child(ren)</td> <td>336</td> <td>358</td> </tr> <tr> <td>Employee & spouse</td> <td>389</td> <td>414</td> </tr> <tr> <td>Family</td> <td>522</td> <td>555</td> </tr> </tbody> </table> <p><i>Sole Proprietors and Individuals</i></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td>\$208</td> </tr> <tr> <td>Employee & child(ren)</td> <td>396</td> </tr> <tr> <td>Employee & spouse</td> <td>458</td> </tr> <tr> <td>Family</td> <td>614</td> </tr> </tbody> </table>	Category	Low	High	Employee	\$177	\$188	Employee & child(ren)	336	358	Employee & spouse	389	414	Family	522	555	Category	Rate	Employee	\$208	Employee & child(ren)	396	Employee & spouse	458	Family	614	<p>Cost varies by type of plan selected.</p> <p>Monthly premium ranges (as of January 2006)</p> <p><i>Sole Proprietors and Individuals</i></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td>\$114*</td> <td>\$288</td> </tr> <tr> <td>Employee & child(ren)</td> <td>225*</td> <td>536</td> </tr> <tr> <td>Employee & spouse</td> <td>264*</td> <td>575</td> </tr> <tr> <td>Family</td> <td>374*</td> <td>879</td> </tr> </tbody> </table> <p><i>*High deductible plan</i></p>	Category	Low	High	Employee	\$114*	\$288	Employee & child(ren)	225*	536	Employee & spouse	264*	575	Family	374*	879	<p>Cost varies by employer contribution and type of plan selected.</p> <p>Monthly premium ranges (as of January 2006)</p> <p><i>Small Businesses</i></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td>\$142*</td> <td>\$785</td> </tr> <tr> <td>Employee & child(ren)</td> <td>245*</td> <td>1,411</td> </tr> <tr> <td>Employee & spouse</td> <td>271*</td> <td>1,568</td> </tr> <tr> <td>Family</td> <td>396*</td> <td>2,430</td> </tr> </tbody> </table> <p><i>*High deductible plan</i></p>	Category	Low	High	Employee	\$142*	\$785	Employee & child(ren)	245*	1,411	Employee & spouse	271*	1,568	Family	396*	2,430	<p>Cost varies by employer contribution and insurance carrier.</p> <p>Monthly premium ranges* (as of January 2006)</p> <p><i>Small Businesses, Sole Proprietors and Individuals</i></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td>\$164</td> <td>\$288</td> </tr> <tr> <td>Employee & child(ren)</td> <td>290</td> <td>536</td> </tr> <tr> <td>Employee & spouse</td> <td>329</td> <td>583</td> </tr> <tr> <td>Family</td> <td>485</td> <td>881</td> </tr> </tbody> </table> <p><i>*Rates for New York City's 5 boroughs</i></p>	Category	Low	High	Employee	\$164	\$288	Employee & child(ren)	290	536	Employee & spouse	329	583	Family	485	881	<p>Cost varies by employer contribution and type of plan selected.</p> <p>Monthly premium ranges (as of January 2006)</p> <p><i>Small Businesses</i></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td>\$140*</td> <td>\$795</td> </tr> <tr> <td>Employee & child(ren)</td> <td>242*</td> <td>1,431</td> </tr> <tr> <td>Employee & spouse</td> <td>269*</td> <td>1,590</td> </tr> <tr> <td>Family</td> <td>394*</td> <td>2,465</td> </tr> </tbody> </table> <p><i>*High deductible plan</i></p> <p><i>Sole Proprietors</i></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td>\$223*</td> <td>\$423</td> </tr> <tr> <td>Employee & child(ren)</td> <td>392*</td> <td>862</td> </tr> <tr> <td>Employee & spouse</td> <td>467*</td> <td>862</td> </tr> <tr> <td>Family</td> <td>658*</td> <td>1,221</td> </tr> </tbody> </table> <p><i>*High deductible plan</i></p>	Category	Low	High	Employee	\$140*	\$795	Employee & child(ren)	242*	1,431	Employee & spouse	269*	1,590	Family	394*	2,465	Category	Low	High	Employee	\$223*	\$423	Employee & child(ren)	392*	862	Employee & spouse	467*	862	Family	658*	1,221
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