

INTRODUCTION

The Rowan County Chamber of Commerce and Rowan-Cabarrus Community College recognize that small business is vital to the continued strength of our local, state, and national economies. In fact, 90% of all businesses across the U.S. have fewer than 20 employees. In RCCC's two county service area there are 8,780 businesses, of which 98 percent have fewer than 100 employees.

For many small business owners, knowing where to get appropriate information is a common problem. This information is designed to be a guide through the preliminary stages of starting a business and to provide information about the various regulations that will affect you and your business activities.

QUESTIONS TO ASK YOURSELF BEFORE GOING INTO BUSINESS

Going into business requires certain personality traits and attitudes, particular training and experience, and an ability to learn. Consider these questions before you make the decision to start a business of your own:

1. Have you ever worked in a business similar to the one you want to start?
2. Do you like to make your own decisions?
3. Are you able to take responsibility?
4. Are you a good organizer?
5. Are you ready to put in the long hours that might be necessary?
6. Are you prepared to stick with it through the rough times?
7. Do you have the physical stamina to handle the work load and schedule?
8. Do you have the support of your immediate family for at least the first year?
9. Are you prepared to lose your savings?
10. Can you prepare a detailed, credible business plan for the first three years?

Note: A good strong, "yes" answer to all of the above questions is needed if you expect to be successful in your business.

FINANCING

After you have made the decision to start a business and have prepared a business plan to determine the amount of money needed for its operation, it will probably be necessary for you to obtain outside financing.

Your loan request should include these basics:

1. A loan request summary, including the name of the borrower, the purpose, the amount you need to borrow, the terms, the collateral, and the guarantors.
2. A two or three-page description of the business.
3. The education, experience and management capabilities of the owners and key management.
4. A personal financial statement on all company owners.
5. A list of all items serving as collateral for the loan.
6. A list of the proposed uses for the borrowed funds.
7. A line item list of how much is needed to start the business (including borrowed funds).
8. A list of all the sources of funds that will be used to start the business (including the borrowed funds).
9. A projected cash flow statement for two years, and beginning ending balance sheet for two years.

TYPES OF LOANS

TERM LOANS:

A term loan refers to any loan with a maturity of greater than one year, a monthly payment amount paid out of the firm's excess cash flow. The amount of money available for debt repayment can be determined by projecting future cash flow for a two to five year period. Term loans may be made to qualifying businesses for many different reasons, the most common being:

- The purchase, expansion or modernization of facilities, equipment, etc.;
- The refinancing of present debt; or
- To replenish working capital depleted by previous expansion.

SEASONAL LINE OF CREDIT:

A true seasonal line of credit is used to finance short term, cash shortages in the normal course of business. There should be a direct relationship between fluctuations of inventory and/or receivables and the amount of borrowing. In order to determine the size of the line of credit, you will need to provide the bank monthly or quarterly financial statements and any other information considered valuable in evaluating seasonal trends. Pay drawn on the seasonal line should occur at the *low point* in the business cycle (when the amount of inventory and receivables are at their lowest level and cash is available).

NON-SEASONAL LINE OF CREDIT:

In some *special cases* borrowing under a credit for other than seasonal needs is acceptable if the need is short-term, recurrent in nature, and if there is a reliable source of repayment. Normally, this type of lending is limited to a few special types of business operations such as finance companies, real estate mortgage warehousing, large construction companies and utility companies. There is usually more risk involved in non-seasonal lines, in that they are not self-liquidating in nature. Repayment is dependent on the firm's ability to generate adequate cash flow and/or acquire substitute forms of debt. Consequently, the general financial strength of this type of borrower must be exceptionally strong.

REVOLVING LINE:

Under some circumstances, a customer can best be served by a revolving credit agreement, which permits the borrower to borrow against a predetermined maximum over a stated period of time. Borrowings may fluctuate up and down; depending on the customer's need for funds, but generally will lead to an eventual funding of the debt at the maturity of the revolving credit agreement. A revolving line of credit agreement is best suited for situations in which the borrower is expanding and needs interim funds for working capital, fixed asset expenditures, or other longer term needs until the expansion is complete. The borrowing associated with these various expenditures are rolled into some form of long-term debt.

APPLYING FOR A BUSINESS LOAN

The following steps should be taken to apply for a business loan:

1. Prepare a business plan.
2. Target one to three local banks and complete their application forms, including a financial statement for all owners of 20% or more of the business.

EXISTING BUSINESSES ALSO INCLUDE:

3. Profit and Loss (Earnings or Income) Statement and Balance Sheets for the last THREE years. If not available then use business tax returns. Financial statements should be current (no older than ninety days).

4. A list of all existing business debts. For all loans show original amount of each loan, current balance of each loan, monthly payment on each loan, maturity date and what collateral is pledged to each loan.

START-UPS SHOULD ALSO INCLUDE:

5. A line-item list of how much is needed to start the business (including the borrowed funds).

6. A list of all sources of start-up funds (including any borrowed funds).

7. A projected Profit and Loss statement for the first year of operation.

WHEN YOU HAVE COMPLETED THIS INFORMATION:

8. If you would like to have your package reviewed, you may contact either the Small Business Center (SBC) at Rowan-Cabarrus Community College or the Small Business Technology Development Center (SBTDC) at the University of North Carolina Charlotte for an appointment.

9. Set up an appointment with your banker (if you have a choice, apply at the commercial loan department of your bank). Take your completed application and business plan.

10. If your bank should turn you down, ask the bank to make the loan under the SBA's 7(a) Guaranty Loan Program. If the bank is not familiar with this program have them contact the SBA's Charlotte office at (704)344-6563 to discuss your application with an SBA loan officer. In most cases, the SBA will deal directly with your bank.

11. If you are still turned down, consider the Self Help Credit Union or other alternatives. For options, visit your local SBC at RCCC or the SBTDC at UNCC.

MISTAKES TO AVOID IN DRAFTING THE BUSINESS PLAN FOR A LOAN

Here are errors in business plan preparation that will probably result in denial of a package by a bank:

- Submitting a "rough copy" perhaps with coffee stains on the pages and crossed-out words in the text, tells the banker that the owner doesn't take his idea seriously.
- Outdated historical financial information or industry comparisons will leave doubts about the entrepreneur's planning abilities.
- Unsubstantiated assumptions can hurt a business plan; the business owner must be prepared to conclude that the idea is not realistic.
- A lack of understanding of the financial information is a drawback. Even if an outside source is used to prepare the projections, the owner must fully comprehend the information.

- Absence of any consideration of outside influences represents a gap in a business plan. The owner needs to discuss the potential impact of competitive factors, as well as the economic environment prevalent at the time of the request.
- No indication that the owner has anything at stake in the venture will lead to denial. The lender will expect the entrepreneur to have some equity capital invested in the business.
- Unwillingness to personally guarantee any loans raises a question: If the business owner isn't willing to stand behind his or her company, then why should the bank?
- Introducing the plan with a demand for unrealistic loan terms is a mistake. The lender wants to find out about the viability of the business before discussing loan terms.
- Too much focus on collateral is a problem in a business plan. Even for a cash-secured loan, the banker is looking toward projected profits for repayment of the loan. The emphasis should be on cash flow.

CRITERIA BANKERS USE IN MAKING A LOAN DECISION

Bankers are conservative, factually oriented and realistic. They will evaluate your loan application using the “5 C’s” of credit.

1. CAPACITY - The borrower’s ability to repay the loan from the normal course of business operations, as indicated in the business plan.
 - a) Existing business must be able to demonstrate, through financial statements, that sufficient cash flow exists, prior to the loan, to support operations.
 - b) Must be able to demonstrate sufficient revenue growth and cash flow after the loan is made to retire debt.
2. CHARACTER - The borrower’s demonstrated willingness and ability to repay the loan as agreed.
 - a) Existing business must have a clean credit history.
 - b) Start-up business: The owner must have clean personal credit, which means few, if any, delinquencies, no repossessions, and no judgments.
3. COLLATERAL - Provides a secondary source of repayment for the loan and is critical in start-up situations. Most banks like to be 100% collateralized. Common collateral offered and values given:
 - a) Certificate of deposit 100%
 - b) Real Estate 75-80%

- c) Stock (publicly traded) 75%
- d) Vehicles 75-85%
- e) Equipment 50-75%
- f) Accounts Receivable 50-75%
- g) Inventory 0-50%

4. CAPITAL - The amount of equity invested in the business by the owner(s) and/or investor(s) or from retained earnings.

- a) Banks would prefer to see between 25-50% equity invested in a business.
- b) Start-up businesses: 30% is the minimum equity requirement even for SBA guaranteed loan.

5. CONDITIONS - Factors in the economy that might impact the businesses ability to repay its debt or deteriorate its collateral position.

DO'S AND DON'TS WHEN APPLYING FOR A LOAN

1. Do make a professional presentation; make an appointment, dress in business attire, have your written materials well organized and ready to present to the lender. Remember, obtaining a loan is a "selling job".
 2. Do give the lender the most accurate picture possible, the good and the bad. The lender will appreciate your honesty. You will be better off presenting the risks of your business rather than letting the lender discover them.
 3. Do present the loan amount and terms you calculated to be the most favorable, but be flexible enough to consider the lender's changes and suggestions. You may be able to negotiate interest rates with the lender.
 4. Do have the lender explain the loan approval process. Ask for the date when your loan application will be acted upon.
1. Don't become impatient. Sometimes loan applications must be sent outside the local office for approval.
 2. Don't spend the loan proceeds before you have them.

3. Don't be surprised if the lender wants to meet you at your place of business. Remember, it is the lender's job to get to know as much about your business as possible.
4. Don't be intimidated. Ask tough questions. Make sure you get all the information you need and that you completely understand the loan application process before you leave the meeting.

Legal Structure of Business

Before opening a business of your own, you must choose the legal structure which will best suit your needs and those of your business. There are basically three forms of business organization: the sole proprietorship, the partnership, and the corporation.

Business Link North Carolina (BLNC), a department of the NC Department of Commerce, can help you start, grow and support your business in North Carolina for FREE. BLNC offers a central source for consultations, information and referrals...

BLNC counselors provide:

- One-on-one client consultations at no cost
- Customized licensing information
- Employer and business structure forms
- Referrals to State Agencies and State Occupational Licensing Boards, Local Governments & Federal Agencies
- Contacts for Local, State & Federal business services, programs & resources
- A Small Business Ombudsman to work on your behalf to resolve issues with State Government Agencies

Call BLNC toll-free at 1-800-228-8443 or (919) 807-4280 Monday-Friday 8:00am - 5:00pm EST. A Business Counselor will discuss your needs and help you find the appropriate resources to accomplish your goals.

WHICH ONE IS RIGHT FOR YOU?

A SOLE PROPRIETORSHIP is owned and operated by one person. This is the simplest, least expensive business structure, and many who are just starting a business choose this form until it becomes practical to enter into a partnership or to incorporate.

A PARTNERSHIP is an association of two or more persons to carry on as co-owners of a business. This type of business allows for combining of capital, expertise, and responsibilities.

A LIMITED LIABILITY COMPANY is a new form of business legal structure. It is a hybrid entity that allows owners the protection from personal liability provided to the corporate structure and the flexible flow-through taxation of the partnership.

A CORPORATION is a distinct legal entity, separate from the persons who own it. It is formed by the authority of the state government and is owned by shareholders who buy shares of stock. Operating as a corporation allows for capital growth and some reduction in liability.

Each form has its' advantages and disadvantages. The one you should use depends on your circumstances, including the following: your financial condition, the type of business you are entering, the number of employees, the risk involved, and your tax situation.

See your lawyer or tax attorney for help .

CONTACT for more information: North Carolina Secretary of State

301 West Jones Street

Raleigh, NC 27603

(919) 733-0641 or (800) 228-8443

Website: www.sosnc.com

BUSINESS PLAN

A business plan is a written document that describes how you will run your business. There are three main reasons for writing a business plan. First, it will serve as a guide during the lifetime of your business and will help to keep you on the right track. Second, the business plan is a requirement if you are going to borrow money. And third, the business plan shows how the loan will improve the worth of your company.

When you write your business plan, you should include detailed information in a particular format. You will have a much better chance of getting a loan if you have developed a comprehensive plan, which shows that you know what needs to be done, and which uses realistic start-up costs.

Here is a suggested outline for your business plan:

- A. **COVER SHEET** -The title page of your plan contains: name, address, telephone number, etc.
- B. **STATEMENT OF PURPOSE**- The thesis statement of your business plan. Formulated after writing your plan.
- C. **TABLE OF CONTENTS**- Listing of contents of your plan. Used to locate areas addressed in plan.
- D. **BUSINESS SECTION**- Information on your industry, in general. Information on your business, in particular.
- E. **MARKETING SECTION**- Information on your total market. Emphasis on your target market.
- F. **FINANCIAL DOCUMENTS**- Records showing past and current finances.
- G. **SUPPORTING DOCUMENTS**- Documents that back up statements and decisions made in the three main parts of your plan.

There are many resources to help you in the writing of your plan. A wealth of information is available at your local public library. The Small Business Administration www.sba.gov/nc has many useful tools to aid you in preparing your plan. Free counseling can be obtained from the RCCC Small Business Center, SBTDC (Small Business and Technology Development Center), and SCORE (Service Corps of Retired Executives). You may also attend classes and workshops through RCCC Small Business Center. To find out more about these services, call (704) 216-3534 or visit www.rccc.edu/sbc.

BUSINESS LICENSES

If your business is located within an incorporated city limit, a city business license may be required. For businesses located outside city limits, a county business license may be required.

License fees vary depending on the type of business. Check with the city or the county office to find out whether you need a business license and the fee schedule, if a license is required for your business. Special applications are required for liquor, malt beverages, and wine licenses.

CONTACT:

City of Salisbury

132 N. Main Street

Salisbury, NC 28144

(704) 638-5311

Website: www.salisburync.gov

Rowan County Office Building

402 N. Main Street

Salisbury, NC 28144

(704) 216-8547

Website: www.co.rowan.nc.us

North Carolina Department of Revenue

8025 Northpoint Blvd. Suite 250

Winston-Salem, NC 27106

(336) 896-7024

Website: www.dor.state.nc.us/dor

A state license may be required for some small businesses.

CONTACT:

North Carolina Dept. of Secretary of State

301 West Jones Street

Raleigh, NC 27603

(800) 228-8443 or (919) 733-0641

Website: www.sosnc.com

North Carolina Department of Revenue

500 West Trade St. Suite 446

Charlotte, NC 28202

(704) 342-6121

Website: www.dornc.com

TAXES

All retail business owners must register with the North Carolina Department of Revenue before opening a business.

All businesses that employ at least one person must also register with the North Carolina Department of Revenue, at which time an account number will be assigned.

There are several other categories of taxes for which your business may be responsible.

CONTACT:

FEDERAL:

United States Internal Revenue Service

320 Federal Place, Room 101

Greensboro, NC 27401

(800) 829-1040

Website: www.irs.gov

STATE: North Carolina Department of Revenue

8025 Northpoint Blvd. Suite 250

Winston-Salem, NC 27106

(336) 896-7024

Website: www.dornc.com

North Carolina Department of Revenue

500 West Trade St. Suite 446

Charlotte, NC 28202

(704) 342-6121

Website: www.dornc.com

LOCAL: Rowan County Tax Office

402 North Main Street

Salisbury, NC 28144

(704) 216-8544

Website: www.rowancountync.gov

ZONING, FIRE AND BUILDING INSPECTION

Before you start a business, you should get in touch with the city or county zoning department, the city fire department and the county building inspection department. Check the zoning of your building for the rules that apply to you. Building permits are required if you are building or remodeling, and they can be obtained at the building inspection department. Zoning requirements must be met before applying for a building permit. Zoning compliance permits may be required even if no building or remodeling is involved. Be aware that signs must also comply with specific regulations and zoning and building permits are required for signs. Also be aware of fire safety and American Disability Act (ADA) requirements.

CONTACT:

City of Salisbury

132 North Main Street

Salisbury, NC 28144

Zoning Permits (Develop Services)

704-638-5212

www.salisburync.gov

Rowan County

402 North Main Street

Salisbury, NC 28144

Building Inspection

704-216-8619

Zoning

704-638-5207

Website: www.co.rowan.nc.us

RESOURCE DIRECTORY

NC Department of Commerce

301 N. Wilmington St.

Raleigh, NC 27601

(919) 733-7651

Website: www.nccommerce.com

NC Small Business and Technology Development Center

5 West Hargett St. Suite 600

Raleigh, NC 27601

(919) 715-7272

(800) 258-0862

Website: www.sbtcd.org

NC Agricultural Extension Service

2727-A Old Concord Road

Salisbury, NC 28146

(704) 633-0571

Website: www.rowances.ncsu.edu/

NC Lawyer Referral Service

Raleigh, NC

(800) 662-7660

Website: www.ncbar.org

(Refers clients to a local attorney who will grant an initial half-hour consultation for a \$30 fee.)

US Small Business Administration

6302 Fairview Rd., Suite 300

Charlotte, NC 28210-2227

(704) 344-6563

Website: www.sba.gov

SCORE

200 North College Street

Charlotte, NC 28202

(704) 344-6576

Website: www.SCORE.org

(Contact Rowan County Library for more SCORE info.)

Advisory Committee on Small and Minority Business Ownership

1441 L. Street NW

Washington, DC 20416

(202) 708-5082

Website: www.trade.gov/itac/committees/itac11.asp

US Commerce Department

Business Liaison

Main Commerce Building

Washington, DC 20230

(202) 482-2000

Website: www.commerce.gov

Rowan County Chamber of Commerce

204 East Innes St.

PO Box 559

Salisbury, NC 28145

(704) 633-4221

Website: www.rowanchamber.com

Rowan Public Library

201 West Fisher Street

PO Box 4039

Salisbury, NC 28145

(704) 638-3000

Website: www.rowanpubliclibrary.org

Rowan-Cabarrus Community College

Small Business Center

PO Box 1595

Salisbury, NC 28145

(704) 216-3534

Website: www.rccc.edu/sbc

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) regulates your workplace for the health and safety of your employees. OSHA has a number of regulations, which affect certain types of businesses. To comply with OSHA requirements, you should obtain the regulations pertaining to your type of business.

CONTACT:

North Carolina Department of Labor

4 West Edenton Street

Raleigh, NC 27601-1092

(919) 733-7166

Website: www.nclabor.com

Health and Safety (OSHA)

(919) 807-2900

Website: www.nclabor.com

Hour and Wage Laws

(919) 807-2796

Website: www.nclabor.com

By law, special permits are required for businesses engaged in processing, handling, cooking, storing and distributing food products.

CONTACT:

Rowan County Health Department

1811 East Innes St.

Salisbury, NC 28146

(704) 216-8777

Website: www.co.rowan.nc.us

Special categories of business require additional permits, licenses and inspections. Contact your appropriate federal, state or local licensing board.

TRADEMARK:

A trademark is a word, name, symbol or device, or any combination of these, adopted and used by a manufacturer or merchant to identify its good and distinguish them from those manufactured or sold by others.

Trademark Registration

Federal: The Commissioner of Patents registers Trademarks using an application process by the individual companies who distinguish by name and/or symbol a product used in commerce in the United States. They can be registered for a period of 20 years and can be renewed:

United States Department of Commerce

Patent and Trademark Office

Washington, DC 20231

(703) 308-4357

Website: www.uspto.gov

PATENTS, TRADEMARKS AND COPYRIGHTS

Understanding the difference between patents, trademarks and copyrights is extremely important to assure protection of your product or invention.

PATENT:

A patent is an exclusive property right to an invention and is issued by the Commission of Patents and Trademarks, United States Department of Commerce. It gives the inventor the right

to exclude others from making, using or selling an invention for a period of 17 years in the United States, its territories and possessions.

Application for a Patent

If an inventor finds after a preliminary search that his/her invention does not appear to be patented, an application for a patent should be filed. A booklet concerning general information on patents is available from:

Commissioner of Patents and Trademarks

Washington, DC 20231

(703) 308-4357

Website: www.uspto.gov

Information on Patent Searching and copies of issued patents are available from the Patent Depository Libraries, one of which is located at North Carolina State University.

D.H. Hill Library

Documents Department

North Carolina State University

Raleigh, NC 27695

(919) 515-2935

Website: www.lib.ncsu.edu

A publication entitled "*Attorneys and Agents Registered to Practice Before the U.S. Patent Office*" is available at most public libraries, or it can be ordered from:

Superintendent of Documents

Government Printing Office

Washington, DC 20231

(202) 512-1800

Website: www.access.gpo.gov

Forms of Business

- [Business Corporations](#)
- [Business Entity Forms](#)
- [Nonprofit Corporations](#)
- [Limited Liability Companies \(LLC\)](#)
- [Limited Partnerships](#)
- [Limited Liability Partnerships](#)
- [Annual Report Forms](#)
- [Professional Corporations](#)
- [Professional LLCs](#)