

# Doing Business in Putnam County, Florida

Developed by



F L O R I D A ' S  
**Putnam County**  
C H A M B E R O F C O M M E R C E

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## SECTION I

### Licenses, Permits, Services & Taxes

Requirements for doing business in Putnam County vary, depending on the type of business, the governing agency in which the business is to be located or the regulatory agency regulating a specific business classification. Following are basic requirements for firms planning to do business in Putnam County.

**Business Tax Receipt (formally the Occupational License)** varies by business classification and fees are based upon type of business. A Putnam County business tax receipt is not required in the unincorporated area. If your business is located within an incorporated municipality (city limits), you may be required to obtain a Business Tax Receipt. For business located within city limits, please contact the City or Town Hall where the Business is located:

|                   |   |
|-------------------|---|
| In Crescent City: | Crescent City Hall<br>3 North Summit Street<br>Crescent City, FL 32112<br>Phone: 386-698-2525<br>Website: <a href="http://www.crescentcity-fl.com/">http://www.crescentcity-fl.com/</a>                       |
| In Interlachen:   | Interlachen Town Hall<br>311 Atlantic Avenue<br>Interlachen, FL 32148<br>Phone: 386-684-3811<br>Website: <a href="http://www.interlachen-fl.gov/">http://www.interlachen-fl.gov/</a>                          |
| In Palatka:       | Palatka Building & Zoning Department<br>205 North Second Street<br>Palatka, FL 32177<br>Phone: 386-329-0103<br>Website: <a href="http://www.co.putnam.fl.us/palatka/">http://www.co.putnam.fl.us/palatka/</a> |
| In Pomona Park:   | Pomona Park Town Hall<br>1775 U.S. Highway 17 North<br>Pomona, Park, FL 32181<br>Phone: 385-649-4902  |
| In Welaka:        | Welaka Town Hall<br>Fourth Street Welaka,<br>FL 32193<br>Phone: 386-467-9800<br>Website: <a href="http://www.welaka-fl.gov/">http://www.welaka-fl.gov/</a>  |

**State Licensing:** Some businesses and professions require a license from the State of Florida, and some may need a legal determination to establish whether or not a state license is required:

Department of Business & Professional Regulation  
1940 North Monroe Street  
Tallahassee, FL 32399  
850-487-1395

<http://www.myflorida.com/dbpr>

∟ or

Department of Health  
Division of Medical Quality Assurance  
4042 Bald Cypress Way  
Tallahassee, FL 32399  
850-245-4224

<http://www.doh.state.fl.us/mqa>

∟ or

Department of Agriculture and Consumer Services  
The Capitol  
Tallahassee, FL 32399-0800  
850-488-3022

<http://www.freshfromflorida.com>

m

**Zoning Permit:** Always check on proper zoning regulations and on information regarding land use plans within the governing body where the business is to be physically located:

In Putnam County: Putnam County Planning and Development Services  
2509 Crill Ave, Suite 300  
Palatka, FL 32178  
Phone: 386-329-0307  
Website: [www.pds.putnam-fl.com](http://www.pds.putnam-fl.com)

In Crescent City: Crescent City Hall  
3 North Summit Street  
Crescent City, FL 32112  
Phone: 386-698-2525  
Website: <http://www.crescentcity-fl.com/>

In Interlachen: Interlachen Town Hall  
311 Atlantic Avenue  
Interlachen, FL 32148  
Phone: 386-684-3811  
Website: <http://www.interlachen-fl.gov/>

In Palatka: Putnam County Planning and Development Services  
2509 Crill Ave  
Palatka, FL 32177  
Phone: 386-329-0307  
Website: <http://www.pds.putnam-fl.com>

In Pomona Park: Pomona Park Town Hall  
1775 U.S. Highway 17, North  
Pomona Park, FL 32181  
Phone: 386-649-4902

In Welaka: Welaka Town Hall Fourth  
Street Welaka, FL 32193  
Phone: 386-467-9800  
Website: <http://www.welaka-fl.gov/>

**DO NOT INVEST ANY MONEY IN A LOCATION UNTIL ZONING AND LAND USE HAS BEEN THOROUGHLY RESEARCHED!!**

**Certificates of Occupancy** must be obtained after the business' building has been selected. Check with the county and/or the municipality in which the business is located. (Locations are the same as zoning).

**Certificates of Registration** (Sales Tax Number) is required by the State of Florida. A business is required to collect retail sales tax on certain items, the sale, resale, or lease of tangible personal property, or the rental of real estate property. Contact:

Florida Department of Revenue  
5050 West Tennessee Street  
Tallahassee, Florida 32399  
Phone: (850) 488-5050  
Website:  
<http://dor.myflorida.com/dor/>

Florida Department of Revenue District Office  
921 North Davis Street, A-250  
Jacksonville, Florida 32209  
Phone: 904-359-6070

**Corporate Filing** (Articles of Incorporation) must be prepared and executed in compliance with the Florida General Corporation Act (Chapter 607, FS) and delivered with the necessary fees and taxes to the Florida Department of State, Division of Corporations. The Department of State will also check to see if the name you wish to use for the corporation is available. Forms may be obtained on line at [www.sunbiz.org/](http://www.sunbiz.org/) or from: -

Florida Department of State  
Division of Corporations  
Clifton Building  
2661 Executive Center Circle  
Tallahassee, FL 32301  
Phone: 850-245-6500  
Website:  
<http://sunbiz.org/>

**Limited Partnerships** must file a certificate of limited partnership and pay a filing fee. Contact Florida Department of State, Division of Corporations (address and phone number same as above).

**Limited Liability Companies and Professional Corporations** have certain tax benefits and organizational restrictions may apply. To file, contact the Florida Department of State, Division of Corporations (address same as above) or phone 850-245-6051 for information on fees.

**S Corporations** must obtain Form #2553 from:

Internal Revenue Service  
400 Bay Street  
Jacksonville, FL 32202  
Phone: 1-800-829-3676  
Or Visit: <http://www.irs.gov/pub/irs-pdf/f2553.pdf>

**Fictitious Name Registration** is required of individuals who do business under any name other than their legal personal name or under a properly registered corporate name, partnership, trademark or service mark. Notice of intent to use the business name must be advertised one time in a newspaper in the county where the applicant's principal place of business will be located.

Fictitious name registration packets are available from the Division of Corporations in Tallahassee and at city and county Business Tax Receipt offices. Applicants may contact the Name Availability Office in the Division of Corporations to determine if the name is already in use. You may also check online at [www.sunbiz.org](http://www.sunbiz.org).

Florida Department of State Division of  
Corporations, Corporate Filing P.O. Box  
6327  
Tallahassee, FL 32314  
Phone: 850-245-6058  
Website: [www.sunbiz.org](http://www.sunbiz.org)

**Employer Identification Number** applications (Form SS-4) when properly completed and submitted to the Internal Revenue Service will register you with the federal government as a business. With the exception of a sole proprietor, this registration is required even though you may not have employees. The form must be filed on or before the seventh day after the day on which business begins. Once completed, the IRS will mail you the approved SS-4 form. Keep this form in a safe place and do not lose it as the IRS will not send you another one.

To request an application: U.S. Internal Revenue Service  
Atlanta, GA 39901  
Phone: 1-800-829-3676  
Or Visit: <http://www.irs.gov/pub/irs-pdf/fss4.pdf>

For Assistance: U.S. Internal Revenue Service  
P.O. Box 35045  
Jacksonville, FL 32313  
Or Visit: <http://www.irs.gov/pub/irs-pdf/iss4.pdf>

Ask for a copy of the “Small Business Tax Kit” for a sole proprietor, a general partnership, or a corporation (See above contact information). The IRS also conducts workshops on the information contained in these kits.

**Workers’ Compensation** Florida law requires every non-agriculture employer of four or more full-time or part-time persons to have workers’ compensation coverage. Construction contractors with one or more employees must also obtain coverage. Sole proprietors are not considered employees in the State of Florida, however, members of an LLC are considered employees and must have coverage. Agriculture employers with five regular employees, or 12 or more workers at one time for seasonal labor that lasts 30 days or more, are required to have coverage.

Workers compensation coverage can be purchased through payroll companies, commercial insurance carriers and group/commercial self-insurance funds. In addition, businesses may self-insure if they fulfill certain financial requirements. Businesses pay worker’s compensation premiums based on their payroll dollars and job classifications.

Department of Financial Services  
Division of Workers’ Compensation  
200 East Gaines Street  
Tallahassee, FL 32399  
Phone: 1-877-693-5236  
Website:  
<http://www.fldfs.com/WC/>

**Wage & Hour** Florida voters approved a constitutional amendment which created Florida’s minimum wage. The minimum wage applies to all employees in the state who are covered by the federal minimum wage. Florida law requires the Florida Department of Economic Opportunity to calculate a new minimum wage each year and publish the new minimum wage on January 1.

Florida Statute requires employers who must pay their employees the Florida minimum wage to post a minimum wage notice in a conspicuous and accessible place in each establishment where these employees work. This poster requirement is in addition to the federal requirement to post a notice of the federal minimum wage. Florida’s minimum wage poster is available for downloading in English and Spanish from the Florida Department of Economic Opportunity’s website at: <http://www.floridajobs.org/business-growth-and-partnerships/for-employers/display-posters-and-required-notices> or by contacting:

Department of Economic Opportunity  
107 East Madison Street  
Caldwell Building  
Tallahassee, Florida 32399-4120  
850-245-7105  
<http://www.floridajobs.org/index.html>



For other information on minimum wage, polygraph testing and equal employment opportunity regulations, contact the U.S. Department of Labor, Wage & Hour Division at:

U.S. Department of Labor Wage & Hour Division  
200 Constitution Avenue N.W., Room S-3502  
Washington, D.C. 20210  
Phone: 1-877-889-5627  
<http://www.dol.gov/esa/whd/> Or  
400 West Bay Street, Room 956, Box 017  
Jacksonville, FL 32202  
Phone: 1-866-481-4943

**Tangible Personal Property Tax** is paid on equipment, furniture, livestock, and inventory on a yearly basis. Information is available from the:

Putnam County Property Appraiser's Office  
312 Oak Street  
Palatka, FL 32177  
Phone: 386-329-0286  
Phone: 1-800-826-1437 <http://www1.putnam-fl.com/live/pamain.asp>

**Food Service** businesses engaged in handling food must have a state permit, health inspections, and permits are required for food and lodging facilities. Regular inspections are also made by these establishments. Contact:

Florida Department of Business Regulation  
Division of Hotels & Restaurants  
1940 North Monroe Street  
Tallahassee, FL 32399  
Phone: 850-487-1395  
<http://www.myflorida.com/dbpr/hr/index.html>

**Beverage** businesses engaged in the sale of alcoholic beverages must be licensed. For information on the type of license required and the fees contact:

Florida Department of Business Regulation  
Division of Alcoholic Beverages & Tobacco  
1940 North Monroe Street  
Tallahassee, Florida 32399  
Phone: (850) 487-1395  
<http://www.myfloridalicense.com/dbpr/abt/index.html>

Or

District Office  
7960 Arlington Expressway, Suite 600  
Jacksonville, Florida 32606  
Phone: (904) 727-5540

**Water Management Districts** were established to implement programs relating to Chapter 373, Florida Statutes, Water Resources Act.

Permits that may be required from the Water Management District include, water well construction, water use and surface water management. Questions on permitting should be directed to:

St. Johns River Water Management District  
State Road 100  
P.O. Box 1429  
Palatka, FL 32178  
Phone: 386-329-4240  
<http://sjr.state.fl.us/>

**Note:** A private well requires a permit from the Putnam County Environmental Health Department, 2801 Kennedy Street, Palatka, FL 32177, phone: 386-329-0436.

**Solid and Hazardous Waste** is regulated by law. Certain permits are required to handle, store or transport these materials. For information on permitting of hazardous or solid waste, or to obtain a copy of the regulations pertaining to these activities, Contact:

Florida Department of Environmental Protection  
Twin Towers Building  
3900 Commonwealth Boulevard M.S. 49  
Tallahassee, FL 32399  
Phone: 850-245-2118  
<http://www.dep.state.fl.us/>

Or

District Office  
7825 Baymeadows Way Suite B-200  
Jacksonville, Florida 32256  
Phone: (904) 870-3300

**Federal Clean Air Act** may require some small businesses construction and operating permits in order to comply with the Clean Air Act. The Small Business Assistance Program within the Department of Environmental Protection was created under the Federal Clean Air Act to provide small businesses with technical assistance on how to reduce air emissions. Businesses such as auto body shops, bakeries, surface coating or degreasing operations are affected for assistance contact:

Florida Department of Environmental Protection  
Division of Air Resource Management  
Small Business Assistance Program  
2600 Blairstone Road  
Tallahassee, Florida 32399  
Phone: (850) 488-0114  
<http://www.dep.state.fl.us/air/>

## Patents, Trademarks, and Copyrights

**Patents** are an exclusive property right to an invention. They give the inventor the right to exclude others from making, using, or selling an invention. Applications can be obtained from:

U.S. Department of Commerce  
Patent and Trademark Office  
Phone: 1-800-786-9199  
<http://www.uspto.gov/>

Information on patents is also available from:

U.S. Small Business Administration  
7825 Baymeadows Way, Suite 100-B  
Jacksonville, FL 32256  
Phone: 904-443-1900

**Trademark** is a word, name, symbol, or combination of these used by a manufacturer or merchant to identify goods and distinguish them from those manufactured or sold by others. To register a trademark contact:

**Federal Trademarks:** Commissioner of Patents and Trademarks  
Patent and Trademark Office Washington,  
D.C. 20231  
Phone: 1-800-786-9199  
<http://www.uspto.gov/>

**State Trademarks:** Florida Department of State  
Division of Corporations, Trademark Section  
Clifton Building  
2661 Executive Center Circle  
Tallahassee, FL 32301  
Phone: 850-467-6051  
[http://form.sunbiz.org/cor\\_t.html](http://form.sunbiz.org/cor_t.html)

**Copyrights** are a form of protection given by the laws of the United States to the authors of literary, dramatic, musical, artistic, and other works of expression. The owner is granted certain exclusive rights such as the right to print, reprint, copy, sell, and distribute copies of their work. To obtain information and registration forms contact:

U.S. Copyright Office  
Library of Congress  
101 Independence Avenue, Southwest  
Washington, D.C. 20559

Download forms and search copyright records at [www.copyright.gov](http://www.copyright.gov).

**Occupational Safety & Health Administration (OSHA)** administers the Occupational Safety Act that regulates safety and health standards in the workplace. For information contact:

U.S. Department of Labor Occupational Safety  
& Health Administration Ribault Building, #227  
1815 Executive Center Drive  
Jacksonville, Florida 32207  
Phone: (904) 323-2895  
<http://www.osha.gov/>

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## SECTION II

### Small Business Assistance

A variety of services are available to area small businesses with problems or questions about starting a new business or operating an existing business. These services include consultation by telephone, one-on-one consulting, managerial and technical assistance, and distribution of business information and data. Following is a list of organizations that are sources of assistance:

#### U.S. Small Business Administration

The U.S. Small Business Administration (SBA) is an independent federal agency created by Congress to assist, counsel and provide support for small business people. The mission of the SBA is to help people get into business and stay in business. The agency also provides new and established businesses with management counseling and training as well as financial and procurement contact assistance.

The SBA has a small business answer desk in Washington, D.C. to assist callers with information on how to start and manage a business, where to get financing, and other information needed to operate and expand a business. The answer desk can be reached at **1-800-827-5722**.

The SBA provides services to the borrower after loans have been made to help assure the borrower success. In participation loans, the SBA works with banks. On direct loans the agency personnel work directly with the borrower.

Small Business Administration  
7825 Baymeadows Way, Suite 1001-B  
Jacksonville, FL 32256  
Phone: 904-443-1900  
<http://www.sba.gov/>

### **Small Business Development Centers**

The Small Business Development Centers (SBDC) are supported by the Small Business Administration and the State University System of Florida. The Centers function as a partnership between government, private enterprise, and higher education.

Management assistance is available through individual, one-on-one consulting and group training in areas of business start-up, marketing, accounting & record keeping, cash flow planning, financial analysis, finding capital, general management, business planning, and more. Resources are available in the following areas:

1. Management systems and controls to include credit, collections, accounts payable, accounts receivable, inventory control, and personnel policy.
2. Financial assistance, including forecasting and budgeting, loan package, preparation, record keeping, cash flow analysis, and accounting.
3. **Government procurement** programs to include information on government bid opportunities, assistance in preparing bid documents, meeting bond requirements, and contract negotiations.
4. **Growth Acceleration** services designed to provide substantive professional business consulting to qualified emerging and growth businesses in Florida. Professional Business Consultants deliver the Tools, Strategies and Expertise businesses need to accelerate the growth and success of their business in today's competitive market. Collaborate with experienced entrepreneurs and executives to enhance business practices, optimize performance and Drive Your Success.
5. **The SBDC** at the University of North Florida is developing an **Agribusiness Center** to help small farmers grow their bottom lines.
6. **CEO XChange** is an executive roundtable program serving progressive chief executives and business owners in Northeast Florida. Designed specifically for growing companies, CEO XChange offers a confidential setting for top executives to discuss vital business issues, opportunities and trends with a group of peers. The program also presents top executives with the opportunity to broaden their business

perspective and gain new knowledge by engaging in collaborative thinking and problem solving – giving them the ability to more effectively lead their companies.

7. **International trade** can be difficult, but also can provide tremendous opportunities. Most start-up businesses will not be participating in international trade. However, if you choose to export or import goods, the SBDC at UNF has developed the knowledge and resources to assist small business owners in developing and executing international trade strategies. Through one-on-one counseling, training and workshops, customized research, and access to a network of trade professionals, the SBDC provides clients with the tools to successfully and profitably navigate the world of international trade.
8. **Non Profit** education for startup and existing businesses to include fundraising, internet strategy, grant writing, strategic planning, program evaluation, Tax forms and social media.
9. **The Business 180 Program** is available to any current SBA borrower who needs assistance to manage growth and/or to address business challenges BEFORE loan performance is adversely affected.
10. Maintains Small Business Library containing local and national information from the SBA, professional and trade organizations, and other resources.
11. Pre-screening for the North Florida Technology and Innovation Corporation, which aids innovative entrepreneurs in taking an idea from the drawing board to the market place. The center assists in innovation development, manufacturing and marketing, in patents and copyrights, and locating financial resources.

**SBDC at UNF**  
12000 Alumni Dr  
Jacksonville, FL 32224

904-620-2476

**Counselors to America's Small Business  
(Formerly Service Corp of Retired Executives (SCORE))**

In this program retired business executives offer free counseling to small businesses. The volunteer SCORE counselors meet with small business owners and prospective entrepreneurs to discuss their business problems and determine their needs. After careful consideration and evaluation, the counselor will formulate a plan of action designed to help minimize or eliminate problem areas. In addition, the individual(s) requesting assistance will be guided through the process. SCORE's website is: <http://www.score.org/index.html>. Offices near Putnam County are:

Gainesville SCORE Chapter  
101 Southeast 2<sup>nd</sup> Place, Suite 104  
Gainesville, FL 32601  
Phone: 351-375-8278

Ocala SCORE Chapter  
405 SE Osceole Ave  
Ocala, FL 34470  
Phone: 352-399-0050

Jacksonville SCORE Chapter  
7825 Baymeadows Way, Suite 100-B  
Jacksonville FL 32256  
Phone: 904-443-1900

Volusia/Flagler County SCORE Chapter  
149 S. Ridgewood Ave  
Daytona Beach FL 32114  
Phone: 352-629-5959

**Government Contracting Resources**

The Department of Management Services, Division of Purchasing, coordinates and regulates the purchase of commodities and contractual services used by state agencies. It also operates Florida's Vendor Bid System. Firms interested in doing business with the State of Florida should register with the Division of Purchasing.

Vendors must indicate the type of goods or services they provide. The assigned contracting officer will review bid applications and register the firm in the appropriate group classification. After the application is approved, the business is notified, and a vendor number is issued. Once a vendor is on the appropriate Bidder list, bid solicitations are sent to the business by the agency.

Not all commodities used by the state agencies are purchased by the Division of Purchasing, therefore, vendors should direct their marketing efforts to various state agency purchasing offices. Each state agency maintains its own vendor file, as well as the listing of vendors for contractual services.

To register to do business with the State of Florida contact:

Florida Department of Management Services  
Division of Purchasing  
4050 Esplanade Way, Suite 280  
Tallahassee, FL 32399  
Phone: 850-488-2786  
<http://dms.myflorida.com/>

**INTERNATIONAL TRADE**  
**United States Export Assistance Center**

Marquis Two Tower Suite 200  
285 Peachtree Center Ave. NE  
Atlanta, GA 30303  
404-657-1900

<http://www.trade.gov/cs/> Or

**Small Business Development Center (SBDC)**

12000 Alumni Dr.  
Jacksonville, FL 32224  
904-620-2476

<http://www.sbdc.unf.edu>

**Minority Business Enterprise Certification**

All businesses desiring to do business with the State of Florida must be registered on MyFloridaMarketPlace. This includes minority-owned businesses seeking certification or re-certification.

**Eligibility Criteria for Certification:**

- A for profit business that is domiciled in Florida and engaged in commercial transaction.
- Owned at least 51% by minority persons who are permanent residents of Florida and are citizens of the United States of America.
- Permanent residents Aliens of Florida not eligible for certification.
- A small business enterprise that is independently **owned and operated**, has a net worth of not more than \$5 million, and employs 200 or fewer full time permanent employees; OR certified by the federal government as a 8(a) certified business.

“Minority Person” means a lawful permanent resident of Florida who is an African American, Hispanic American, Asian American, Native Americans or an American woman,

**For additional information on Minority Business Enterprise Certification, contact the Office of Supplier Diversity at (850) 488-2786.**

[http://dms.myflorida.com/other\\_programs/office\\_of\\_supplier\\_diversity\\_osd](http://dms.myflorida.com/other_programs/office_of_supplier_diversity_osd)

**For assistance with MyFloridaMarketPlace registration, call the Help Desk toll free at 1-866-352-3776.**

**Franchise and Business Opportunities**

Buying a franchise or a business opportunity may be appealing as a way to get into business with limited capital and business experience. It is important to determine if a particular business has the potential to yield the financial return that is expected.

Federal Trade Commission rules require franchise and business opportunity sellers to provide certain information to help the buyer make a sound investment decision. Direct complaints, questions or requests for more detailed information to:



Federal Trade Commission Bureau of  
Consumer Protection Enforcement  
Division Washington, D.C. 20580  
<http://www.ftc.gov/bcp/consumer.shtm>

Florida law requires anyone offering to sell or lease a “business opportunity” to file annually with the State of Florida. Contact:

Florida Department of Agriculture & Consumer Services  
Attention: Business Opportunities  
Mayo Building, Second Floor  
Tallahassee, FL 32399  
Phone: 850-488-3022  
1-800-435-7352  
<http://www.doacs.state.fl.us>

/

### **Putnam County Chamber of Commerce**

The Putnam County Chamber of Commerce serves as a clearinghouse for all business questions and is a resource for statistical and marketing data, location studies, labor and wage information, cost of living and community data on Putnam County. Contact the Chamber office at:

Putnam County Chamber of Commerce  
1100 Reid Street  
Palatka, FL 32177  
Phone: 386-328-1503  
<http://www.putnamcountychamber.org>

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## **SECTION III**

### **Arranging for Small Business Financing**

One key to a successful business start-up or expansion is the ability to obtain and secure appropriate financing. Raising capital is the most basic of all business activities. But as many entrepreneurs who are just beginning quickly discover, raising capital may not be easy. It can be a complex and frustrating process. If you are informed, well prepared and have planned effectively, raising money for your business will not be a painstaking experience.

This summary of information focuses on the ways a small business can raise money and describes how to prepare a loan proposal.

### **Where to find the money you need.**

There are several sources to consider when looking for funding. It is important that you explore all of your options before making a decision.

- 0 Personal savings: Most new businesses are started with the primary source of capital coming from personal savings and other forms of personal equity.
- 0 Friends and relatives: Many entrepreneurs look to private sources such as friends and family when starting out on a business venture. Oftentimes, money is loaned at no interest, or with low interest, which can be beneficial when getting started.
- 0 Banks and Credit Unions: The most common sources of funding, banks and credit unions will provide a loan if you can show that the business is sound.

### **Borrowing money.**

To be successful in obtaining a loan you must be prepared and organized. You must know exactly how much money you need, why you need it and how you can pay it back. You must be able to convince your lender that you are a good credit risk. Requesting a loan when you are improperly prepared makes a statement to your lender that you are a “high risk.”

### **Types of business loans.**

- 0 Short-Term Loans: Loans that are paid back in less than one year. Types of short-term loans include working capital loans, accounts receivable loans and line of credit loans.
- 0 Long-Term Loans: Loans with maturities greater than one. These loans are used for major business expansions, purchases of real property, acquisitions, and in some instances, start-up costs. Types of long-term loans include; personal loans, commercial mortgages, and term loans.

### **How to write a loan proposal.**

Approval of the loan request depends on how well you present yourself, your business, and your financial needs to a lender. Lenders want to make loans, but they want to make good loans – loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written loan proposal. A good loan proposal will contain the following key elements:

- 0 Business name, name of principals, social security number of each and business address of each principal.
- 0 Purpose of the loan – state exactly what the loan will be used for and why it is needed.
- 0 Amount required – request the exact amount you need to achieve your purpose.

- 0 Business description.
- 0 History and nature of the business – give details of the business’s age, number of employees and current business assets, diagrams of facilities, copies of leases, location, and operations.
- 0 Ownership structure – provide details on the company’s legal structure.

**Management profile.**

- 0 Management description – develop a short statement of back-ground, education, experience, skills, resumes, letters of reference, and accomplishments.

**Market information.**

- 0 Clearly define your products and market.
- 0 Identify your competition and explain how the business competes in the marketplace.
- 0 Profile the customers and explain how the business can satisfy their needs.
- 0 Provide copies of any letters of intent, purchase orders, contracts, marketing brochures, or anything relevant to your marketing plan.

**Financial information.**

- 0 Financial statements – provide balance sheets and income statements for the past three years. If you are just starting out, provide a projected balance sheet and income statement.
- 0 Personal financial statement – prepare a personal financial statement on yourself and other principal owners of the business.
- 0 Collateral – list all collateral you would be willing to pledge to the bank as security for the loan.
- 0 Also include sources and applications of funding, any capital equipment you have, a break even analysis, and any assumptions you used to calculate all of your financial projections.

## FINANCING OPTIONS

**The type of financing available to you will depend on:**

- The amount you need and how it will be used
- Your personal financial condition
- Your collateral
- Your ability to manage a business
- Your determination, presentation skills, and ability to negotiate

**The SBA does NOT have any grant programs to start a business.** Beware of the common myth that there is a lot of “free government grant money” for start-ups.

The following is for informational purposes only, these programs change on a regular basis. For any loan information, you can contact the SBDC for assistance:

**SBA (504 Loan Program):** The SBA 504 loan program helps small business owners acquire fixed assets without the high cash outlay requirements often associated with conventional financing programs.

The loan packaging is done through a Certified Development Company (CDC). The CDC and SBA must determine that the small business is able to repay all debts.

There is no maximum project dollar amount; however, the SBA portion is limited to \$5,500,000 or 40 percent of the allowable project cost, whichever is less.

Most for-profit, owner-occupied, credit worthy small businesses located in Florida with a maximum tangible net worth of not more than \$15 million and average net income after Federal income taxes (excluding carry-over losses) for the two full fiscal years prior to application of not more than \$5 million; manufacturers with fewer than 500 employees.

Non-profits or passive income companies, such as real estate investment firms, developers, speculators or lending institutions are ineligible.

Allowable project costs include; Acquisition of vacant land for construction of a new building, construction of a new building, acquisition of land and existing building, remodel, conversion, expansion or renovation of an existing building, business debt refinancing without expansion, green initiative projects, purchase of long life machinery and equipment, purchase of furniture, fixtures and equipment, contingency reserve not to exceed 10% of construction costs, associated fees and soft costs and repayment of interim points, fees and interest.

**SBA 7(a) Loan Guarantee Program:** This program is utilized by the banking institution to guarantee up to 80 percent of their loan to a small business. The SBA 7(a) can be used to finance real estate acquisitions, new construction, purchase of machinery and equipment, to purchase an existing business, long and short term working capital, inventory and to refinance debt.

Generally on real estate projects, the lender can make the loan for 20 years. On machinery and equipment the bank can generally give a 10 year term. If the project includes a variety of uses, the bank can give a blended term, depending on the life of the assets.

Many banks finance start-up businesses under this program. A minimum of 20 percent to 30 percent equity is required for start-up projects.

**SBA Microloan Program:** The Microloan Program provides small, short-term loans to small business concerns and certain types of not-for-profit child-care centers. The SBA makes funds available to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance. These intermediaries make loans to eligible borrowers. The maximum loan amount is \$50,000, but the average microloan is about \$13,000. The loan cannot be used to pay off existing debts or purchase real estate.

**Rural Development Business and Industry Guaranteed Loan Program:**

The primary purpose of the Rural Development Business and Industry Guaranteed Loan Program is to create and maintain employment and improve the economic and environmental climate in rural communities. This is achieved by expanding the existing private credit structure capability to make and service quality loans to provide lasting community benefits.

Loans may be made in areas outside the boundary of a city of 50,000 or more in population and its immediate adjacent urbanized areas with a population density of not more than 100 persons per square mile.

**Maximum Loan Amount:**

- 0 Loan guarantees are generally limited to a maximum of \$10 million per borrower, although the RBS Administrator, with concurrence of the Under Secretary of Rural Development, may approve up to \$25 million.

**Loan Guarantee Limits (maximum percentage applies to the entire loan):**

- 0 80 percent for loans of \$5 million or less
- 0 70 percent for loans over \$5 million and up to and excluding \$10 million
- 0 60 percent for loans exceeding \$10 million up to \$25 million

**Collateral – Appraisals:**

- 0 All collateral must secure the entire loan.
- 0 Repayment must be reasonably assured.
- 0 Personal and corporate guarantees are required.
- 0 Appraisal reports prepared by qualified individuals are required on property that will serve as collateral.

**Loan-to-Appraised Market Value Ratios:**

- 0 Lenders will discount collateral consistent with sound loan-to-value policy.

**Maximum Repayment Terms:**

- 0 Working capital – 7 years.
- 0 Machinery and equipment – 15 years
- 0 Real estate – 30 years.

Ineligible Loan Purposes:

- 0 Line of credit.
- 0 Agriculture production which is not part of an integrated business involved in the processing of agriculture products.
- 0 Any project likely to result in the transfer of employment from one area to another.
- 0 Any project involving transfer of ownership, unless this will keep the business from closing, prevent the loss of jobs in an area or provide more jobs.
- 0 Payment to owners, partners, shareholders, or others who retain any ownership in the business.
- 0 Corporations and businesses not at least 51 percent owned and controlled by U.S. citizens.
- 0 Charitable institutions, religious organizations and affiliated entities, and fraternal organizations.
- 0 Loans for golf courses, gambling establishments and race tracks.

Fees and Costs:

- 0 A one-time guarantee fee of 2 percent of the guaranteed principal amount is paid by the lender and may be passed on to the borrower.
- 0 A 1 percent fee may be allowed if the loan is for a high impact business or is located in an economically distressed community.
- 0 Other typical lender costs may also be incurred.

Borrower Equity Requirements:

- 0 A minimum of 10 percent tangible balance sheet equity is required at the time of issuance of the Loan Note Guarantee.
- 0 Twenty percent tangible balance sheet equity is required for new businesses.
- 0 Equity is calculated from financial statement prepared in accordance with generally accepted accounting principles.
- 0 Feasibility studies may be required.

Interest Rate:

- 0 Interest rates for loans may be fixed or variable.
- 0 Rate is negotiated between the lender and borrower and is similar to those rates customarily charged to other borrowers in similar circumstances.
- 0 Variable rates cannot be adjusted more than quarterly.

Credit Quality:

- 0 Lender addresses the business adequacy of equity, cash flow, collateral history, management, and the current status of applicable industry in a written credit analysis.

Servicing/Litigation:

- 0 Annual financial statements prepared in accordance with generally accepted

accounting practices are required.

- 0 Lenders will service and, if necessary, liquidate the loans (with USDA approval).

For more information contact USDA Rural Development:

State Office: 4440 Northwest 25<sup>th</sup> Place  
Gainesville, FL 32606  
Phone: 352-338-3425

District Office: 2303 Northeast Jacksonville Road, Suite 400  
Ocala, FL 34470  
Phone: 352-732-7534

### **Black Business Investment Corporations (BBICs)**

BBICs provide direct loans, loan guarantees and technical assistance to businesses that are 51 percent owned and operated by African Americans. Using a combination of public and private money, the BBICs help finance start-ups and business expansions. The average borrower is a two and a half year old business seeking a loan package of about \$50,000.

Some Florida BBICs have expanded their reach to businesses owned by other minorities and by women. They serve these business owners by acting as intermediaries for the SBA's pre-qualification programs. Contact:

First Coast Black Business Investment Corporation  
3002 West Myrtle Avenue  
Jacksonville, FL 32209  
Phone: 903-664-1298

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## **SECTION IV Preparing a**

### **Business Plan**

A businessperson needs a comprehensive plan to translate his or her idea into a working operation. The basic components include a current and pro forma 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. A thorough business plan should be prepared to start a new business, to present to a lending institution for financing, or promote an existing business in seeking additional investors for an expansion, and to assist management in determining strengths and weaknesses in making long-range business plans.

An outline of a model business plan follows. Possibly, no plan would include all the items listed; however, the more complete the plan, the more effective it is as a financial management tool.

### **Model Business Plan Outline**

1. Cover letter or summary statement
  - a. Business description: name, location, product, years in business, if any
  - b. Business goals: short range (profit) and long range (expansion and growth)
  - c. Loan requested: total cost of new venture or expansion, percent of total needed to borrow, terms and interest rate desired
  - d. Return on investment: net effective cash flow return per year over total investment
  - e. Equity structure: total ownership (equity investment divided by total capitalization (total assets). A one-to-one ratio or a 50 percent equity is desirable
2. Uses and sources of funds
  - a. List of costs: land, building, equipment and current operating costs for first two to six months
  - b. List sources of funding: projected amount of total capital to be received from local bank, SBA or venture capitalists, investment of cash and assets of major investors and amounts invested by limited partners or stock investors
3. Personal Information
  - a. Personal resources of all major investors and owners
  - b. Personal average monthly budget of all owners. (List sources of personal income and typical monthly expenses)
  - c. Copies of federal income tax returns (Form 1040) for the past three years
4. Management team
  - a. Copy of legal form of ownership (articles of partnership, corporation, charter, etc.)



- b. Brief resumes and job descriptions of key personnel: background, skills, duties
    - c. An organizational chart of the business
- 5. Legal documents
  - a. Lease agreements or purchase agreements b.
  - Franchise agreements, if any
  - c. Plans, specifications, cost breakdowns (if a building project)
  - d. Business life insurance policy summary e.
  - Buy-sell agreements (insurance)
  - f. Copies of licenses, zoning changes, fictitious trade name g.
  - Current credit report on owners from local credit bureau
- 6. Market Analysis – Total projected sales for the next three years based on:
  - a. Customers: Group of common identifiable characteristics. Who are they and where are they? Are they influenced by price, quality, service and personalities?
  - b. Market size: State size of total market in both units and dollars; state portion of region and local market for the business
  - c. Competition: Assess strengths and weaknesses of competitive products and services; describe how new business will have an advantage over competition in meeting special needs
  - d. Future trends: Whether ascending, descending or static demands, and degree of change
- 7. Product or Service
  - a. Give physical description of product and service and how it is different from competition
  - b. A brief development history of product including patents and copyrights c.
  - List vendor and source of suppliers
- 8. Physical Plant
  - a. Map of area and site location
  - b. Building layout showing product or customer flow c.

Photo of facility

9. Manufacturing process (if applicable)
  - a. Raw materials, component parts, goods in process b.

Methods used in process

10. Marketing Strategy
  - a. Describe personal marketing philosophy
  - b. State product features emphasize: quality, service, warranty, etc
  - c. State method of prospecting for customers
  - d. Pricing and credit policies: relationship of turnover and margin
  - e. Distribution policies: direct, wholesale or mail; sales commission structure f. Promotion methods to be used: media, approaches, logo or trademark

11. Financial feasibility
  - a. A brief, five-year financial history, if an existing business
    - 0 Financial pro forma statements
    - 0 Cash flow statement for each of the first three years
    - 0 Income statement for each of the first three years
    - 0 Balance sheet for opening day and end of the first and second year
  - b. Key business ratios: opening day and end of the first year
  - c. Break-even point
  - d. Anticipated major capital investments within the first three years
  - e. A capitalization statement of worth of business based on net income rate and return

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Section V  
Appendixes and Index

**A. FEASIBILITY AND MARKETING STRATEGY Is Your**

**Business Idea Feasible?**

Answer the following questions regarding your idea. Give complete, well thought out answers. If you are unsure about or answer no to any of the following questions, then you would rethink your idea.

- ? What type of business do you plan to start?
- ? What kind of product do you plan to offer?
- ? Will your product satisfy a need yet unfilled?
- ? Will your product have a competitive edge based on price, location, quality or selection?

**Researching Your Markets**

It is recommended that you research your potential market demand for your product or service. First, determine what questions you need answered. The following are ideas on where to find the information you need.

Primary Data:

- ✓ Your experience
- ✓ Experiences of people you know
- ✓ Survey potential customers to determine their wants/needs. Observe similar businesses
- ✓ Interview these business's owners
- ✓ Interview suppliers, vendors, bankers

Secondary Data:

- ✓ Visit your public library
- ✓ Contact trade associations (trade shows and trade journals)
- ✓ Contact the SBDC, SBA, or the Putnam County Chamber of Commerce.
- ✓ Use various search engines on the Internet (Yahoo, Lycos, MSN, Dogpile, Google, etc.)

**Marketing Your Business**

In order to properly market your product, you need to answer the following questions. This information can be used to help you develop your marketing plan. Contact SBDC for more information on constructing this plan.

- ? Who are my customers? (This determines your target market.)
- ? Where are they?
- ? How many are there? (This indicates your market size).
- ? What are their needs?
- ? Who are your competitors?

- ? **How does my competition do it?** (One method of marketing/dealing with competition is the end-run strategy. In this strategy you adopt your competitors' strategy with the intention of making it better).
  - ? **How can I reach them?** (The distribution of our product is very important. Where your product is located can affect how well it sells).
  - ? **How much will they pay?** (The pricing of your product is also very important. You must take into consideration what your competitors charge).
  - ? **What are the market trends?** (What are people buying? It is important to be aware of market trends. This relates back to knowing your customer's needs. Try to distinguish between trends and fads).
  - ? **What are the technological trends?** (One obvious answer to this question is the Internet. Will you be using technology? How can it be used to help your business? Do you need to advertise on the Internet? Do you need a network of computers for your business? If you are in a business related to technology, it is imperative that you stay abreast of any changes).
- 

## **B. BUILDING YOUR TEAM**

Every entrepreneur must identify what things need to be done and who will do them. Almost every new business will use outside professionals for the complex areas of law, accounting, taxes, and insurance. How much you use these professionals will depend on your expertise, the operating risks in your kind of business and your goals for the business.

### **How Do I Select the Right Professionals?**

- Ask friends and business associates for referrals.
- Interview several candidates--Remember, you are the customer.
  - o Do they have expertise relevant to you?
  - o Are your personalities compatible?
  - o Is the person you interview the one you will deal with?
  - o What is the fee structure?

Evaluate larger firms vs. sole practitioner--Larger firms have more resources but may lack personal service, and you may get assigned to a "junior."

Accountants: Decide what accounting services you will need. Pay for what you cannot do yourself.

- Financial statement preparation (try to do basic bookkeeping in-house).
- Income taxes, payroll taxes (also consider a payroll service).

- Business advice, financial analysis. (What good are financial statements if you don't understand them? Good accountants tell you more than how much tax you owe.)

Lawyers: Determine legal issues to be faced. Outline your goals for the business.

- Product/service liability potential.
- Users of contracts.
- Intend to grow rapidly. Sell the business. Go public. Establish an LLC.

Insurance: Identify risks and get adequate coverage.

- Compare price only on identical coverage.
- Utilize agents who offer advice as well as policies.
- **Beware**, your personal auto and homeowners' policies usually exclude coverage for business activities.

Qualified professionals are a good investment--they should make or save you money in the long term. It is possible to buy more service than you need, but it is far more common for new start-ups to foolishly scrimp on these important team members.

### C. Legal Forms of Business

Determine the legal form of business best for your situation:

- Sole Proprietorship
- Partnership
- Corporation ("C" or "S")
- Limited Liability Company (LLC)

Your decision is based on issues of liability exposure, taxes, the number of owners involved, and future expansion plans. It is advisable to consult an attorney, CPA, or financial consultant for help in deciding which legal form of business best suits your situation. The legal form you choose will affect many of the steps that follow.

**Sole Proprietorship:**

This type of business is easiest to form; an individual starts the business in his or her own name. Personal and business activities are not distinguished.

**Partnerships:**

A partnership is a relationship between two or more people who join to carry on a trade or business. Each person contributes money, property, labor, or skill and expects to share in the profits and losses of the business. A formal, written partnership agreement is strongly recommended, but not required.

## Corporations:

You must contact the Florida Department of State Division of Corporations to register your business as a corporation.

Department of State  
Division of Corporations  
Clifton Building  
2661 Executive Center Circle  
Tallahassee, FL 32301  
<http://www.sunbiz.org/>

## Basic Steps:

- Reserve the corporate name.
- You will receive written notice and have 90 days to complete the incorporation.
- File the articles of incorporation.
- Complete the transmittal form.
- Send articles, transmittal, and check to the Department of State's office.
- Publish intent to incorporate in the county's official paper; call for current fee.
- Hold organizational meeting.
  - o Adopt by-laws. o
  - Elect directors. o
  - Elect officers.
  - o Issue stock.

There are a number of "corporate kits" containing pre-printed by-laws, minutes to shareholders meetings, blank stock certificates, etc., that are available at office supply stores. It is the duty of the corporation's secretary to maintain the corporate record book of minutes of meetings, corporate resolutions, and other business decisions of the board of directors. Corporations are also subject to annual registration with the Secretary of State which costs a small fee and is required by April 1 each year.

There are many "do-it-yourself" incorporation guides, and it is possible to incorporate without an attorney; however, the Chamber recommends seeking legal counsel when incorporating.

To form an "S" Corporation, you must file IRS Form 2553 within 75 days of incorporation.

## Limited Liability Company (LLC):

This is a new legal form of business which combines elements of a "C" corporation and a partnership. This is the most complicated form of business to establish and requires the assistance of a lawyer. This structure is currently under review by the IRS; therefore, conditions are subject to change.

## **D. APPLICATION, HIRING, AND TERMINATION PROCESS**

There are basic ground rules for hiring and firing employees. There are legal requirements to acquiring or terminating employees. If handled incorrectly, personnel issues can result to legal problems. These legal problems can be large enough to close your business. It is important to make sure all your bases are covered. In addition to the do's & don'ts listed below, contact your attorney for more on correct hiring and firing policies.

### **Application and Hiring**

#### **DON'T:**

- ✓ Ask obvious questions. Do not ask questions regarding sex, age, race, etc. or anything related to these areas. These are sensitive areas and cannot be used as discriminating factors. Some applicants may believe that all gathered information is used. It is for this reason that you should not ask these questions. It is best to avoid these topics so as to eliminate all possibility of legal problems.
- ✓ Write on the job application form. Any notes taken during interviews should be made on photocopies or other paper. This allows you to preserve the original application without marring it for your permanent records.

#### **DO:**

- ✓ Limit your interview questions to job duties. There is no reason to ask questions that do not apply to the responsibilities of the position. You may ask if an applicant has any barriers to completing the duties. Do not ask questions such as "Do you have children?" or "Are you married?" Small talk is acceptable if the interviewer is careful. Do not venture into conversation that might produce seemingly discriminatory information.
- ✓ Make sure all company procedures follow employment statutes. Have your advisors or attorney to review your system for application, hiring and termination before you begin hiring and periodically thereafter.
- ✓ EDUCATE YOURSELF!!!! The best way to prevent problems is to be familiar with the law. When you are in doubt about any issue concerning labor of safety, contact the GA Dept. of Labor. See the Resource Directory for contact information.

### **Termination Process:**

#### **DO:**

- ✓ Review company policies. If you have not yet developed company policies regarding application, hiring and termination, call the GDOL. Make a checklist of your procedures. Make sure that you have followed the rules in the firing process. If you have not completed your checklist, YOU SHOULD NOT TERMINATE THE EMPLOYEE YET. Take care to finish all steps in the process to alleviate any questions and possible legal repercussions.
- ✓ Have a stated code of expected employee behavior.

## **E. ONE YEAR CHECKLIST FOR ENTREPRENEURS**

Starting your own business is not something to be rushed into. Careful, advanced planning can ensure the success of your venture. Below is a suggested one-year plan.

### **ONE YEAR BEFORE START-UP**

- ✓ Refine your ideas in writing. Determine exactly where you want to go.
- ✓ Decide what business you want to start. Be specific in your business definition.
- ✓ Assess the impact on your family and personal life. How will this affect your relationships? Will your family support the use of finances and time?
- ✓ Begin research. You must determine if there is a need for your product. This research can be performed by students, professionals or on your own.
- ✓ Build your skills by taking management/business courses. Contact First Coast Technical College or St. Johns River Community College about continuing education courses or WFDC Business and Industry Services for options.
- ✓ Contact the SBDC for assistance in writing a business plan.
- ✓ Contact SBDC and SBA for information on educational seminars on labor/safety issues.

### **SIX MONTHS BEFORE START-UP**

- ✓ Determine the focus of your business. What do you want to specialize in? It is easier to excel at one area than at many.
- ✓ Start writing your business plan
- ✓ Define your target markets. Who is your intended clientele? Who should you aim your advertising towards?
- ✓ Research business and trade organizations. Most areas of business have agencies and organizations set up to facilitate business. Take advantage of what these groups have to offer.
- ✓ Seek the best location for your business. Do you need little or lots of space? Would your business be better suited downtown or in rural part of the county? Is a storefront location even needed or can you work from your home? Location can make or break a business. Conduct the search on your own or contact a real estate agent.

### **FOUR MONTHS BEFORE START-UP**

- ✓ Name your business. Be careful in deciding on a name and be aware that someone may already be using the name. Have a few back-up ideas. You can check to see if a name is being used by contacting the Florida Department of State's office.
- ✓ Select a business location. After seeking out several possible locations, now is the time to choose one. Make sure the location you choose is within your budget.
- ✓ Select outside advisors. This will be a very hectic time. It will be beneficial to have people on whom you can call to listen to your ideas, problems and plans. These people will provide you with guidance, constructive criticism and feedback. They should be people experienced and knowledgeable in business.
- ✓ Set up a network of mentors. Select people who can help you by giving you insight and ideas.
- ✓ Choose your business' legal form. Will you be a partnership, sole proprietorship or corporation? Legal form should be chosen very carefully as it can impact your business in many ways.



- ✓ Set up bookkeeping, accounting and office systems. How are you going to operate your office? If you are going to keep your own books, then you need to learn or refresh your skills. Are you going to hire a bookkeeper/bookkeeping firm?
- ✓ Seek outside demographic information. Gather secondary information.
- ✓ Work on your business plan.

### **THREE MONTHS BEFORE START-UP**

- ✓ Determine your cash needs. How much money do you need to start up? What will your monthly variable and fixed costs? What is your break-even point? These are all questions that must be answered. You must estimate your cash flow.
- ✓ Review preliminary financial objectives. How much profit do you expect to make? Are you planning on making investments? What is your intended cash flow?
- ✓ Decide on your pricing strategy. After determining your variable and fixed costs, decide what your markup rate will be. You will also need to consider demand and competitive factors in setting your price.
- ✓ Forecast sales. Contact the SBDC or others in your field to help you forecast accurately.
- ✓ Determine your company's employee needs. How many people do you need on your staff this is important to decide as it affects your requirements for insurance, etc.
- ✓ Project your cash flow. Write out an estimated statement of revenues and expenditures. This statement should cover one calendar year. Also project your net cash flow for the entire year.
- ✓ Work on your business plan.

### **TWO MONTHS BEFORE START-UP**

- ✓ Prepare your marketing plan. How are you going to market your product? Are you going to use publicity? Are you going to use paid advertisement? You must decide how you will go about introducing your business to the public.
- ✓ Get your business license.
- ✓ Review non-financial objectives (image, legal questions). How do you want the public to see your business? Are you a family establishment or geared more toward adults? What form is your business taking? Do you have all legal documents needed?
- ✓ Prepare a preliminary balance sheet. Contact SBDC for assistance.
- ✓ Secure necessary financing. Whether through a private lender or through other resources, you must obtain the necessary amount of start-up capital.
- ✓ Secure insurance coverage if applicable.
- ✓ Determine advertising, promotion and public relations strategies.
- ✓ Order opening inventories. Talk to your suppliers for estimated opening needs.
- ✓ Complete improvements to your facility.
- ✓ Start your hiring process.
- ✓ Refine your business plan.

### **ONE MONTH BEFORE START-UP**

- ✓ Fine-tune your cash flow budget
- ✓ Prepare for your grand opening. The Putnam County Chamber of Commerce can be of assistance in planning your event. Be creative and practical.

- ✓ Set up your office, display areas, etc. Have everything exactly as you want it. The last few days before opening are not the time to do this. The look of your store or office sets the tone for your business. You should put thought and time into it.
- ✓ Review your final checklist.
- ✓ Hire your staff.
- ✓ Make sure everything works. It is better to find out that your equipment does not work in advance. In that case, you can make any necessary repairs and be ready to open the doors on time.
- ✓ Implement marketing, promotion and opening plans. This will be a good time to start advertising in local newspapers, radio and television if your budget permits. Remember: word of mouth is your most powerful publicity! It's also the least expensive. Spread the Word.

### **START-UP AND AFTER**

- ✓ Budget your time. As a new business owner, your time will be precious. Schedule your time wisely. It is important to get the maximum out of time you have available. You must consider reading some time management materials or speaking with someone who you think manages time wisely.
- ✓ Continuously update your product/service. What is good about your product? Make it better. What doesn't work with your product? Eliminate the problem as much as possible. If people patronize your business for the original product, an improved product can only increase that.
- ✓ LISTEN to your customers, advisors and vendors. The customers are your cash flow. It is important to gather their opinions and put them to use. Their ideas can be helpful in updating your product. LISTEN to your advisors, you asked them to advise you for a reason. Let them guide you. LISTEN to your vendors. They have been in business much longer than you. They can possibly provide you with money saving or moneymaking ideas.
- ✓ Check cash flow budget against actual performance.
- ✓ Maintain good communications with your bankers and vendors. By keeping the lines of communication open, you are helping yourself. Should you need their help in the future, you are more likely to receive it.
- ✓ Continue to improve the 5 Cs of credit – character, collateral, capacity, capital and condition.
- ✓ Work with investors. Make sure you are in contact with them. Make sure that you understand the conditions of your repayment. When are payments due? Make sure you fulfill all obligations to investors. You may need to call them again someday.
- ✓ Check cost of living budget. If you are drawing money from the company for living expenses, be sure to take only what is necessary. Stick tightly to your budget.

CONSIDER delaying your official grand opening/ribbon cutting until you've been in business for a couple of weeks. If you do, you can make sure you have worked all the 'bugs' out and everything is running smoothly.

**F. DETERMINING CASH NEEDED TO START A BUSINESS** Estimate of monthly

|                                  | expenses<br>based on project sales of<br>\$_____ per year. | Estimate of cash needs<br>to start (col. 1 x non-profit<br>months) |
|----------------------------------|--|--|
| Salary of owner / manager        | _____  | _____  |
|                                  | —  |  |
| All other salaries / wages       | _____  | _____  |
|                                  | —  |  |
| Rent (building / equipment)      | _____  | _____  |
|                                  | —  |  |
| Advertising                      | _____  | _____  |
|                                  | —  |  |
| Office Expenses                  | _____  | _____  |
|                                  | —  |  |
| Supplies                         | _____  | _____  |
|                                  | —  |  |
| Telephone and Fax                | _____  | _____  |
|                                  | —  |  |
| Other utilities                  | _____  | _____  |
|                                  | —  |  |
| Insurance                        | _____  | _____  |
|                                  | —  |  |
| Taxes, including Social Security | _____  | _____  |
|                                  | —  |  |
| Maintenance / Repairs            | _____  | _____  |
|                                  | —  |  |
| Legal / Professional Fees        | _____  | _____  |
|                                  | —  |  |
| Loan Payments                    | _____  | _____  |
|                                  | —  |  |
| Miscellaneous                    | _____  | _____  |
|                                  | —  |  |
| <b>SUBTOTAL:</b>                 | _____  | —  |

---

**One Time Start-Up Costs**

Fixtures and equipment (get estimates from suppliers) \_\_\_\_\_

Decorating and remodeling (get estimates from contractors) \_\_\_\_\_

Installation of fixtures/equipment (get estimates from suppliers) \_\_\_\_\_

Starting inventory (vendors can advise as to amounts and costs) \_\_\_\_\_

Deposit of utilities (contact providers for estimates) \_\_\_\_\_

Legal/professional fees (get estimates from attorney/CPA, etc.) \_\_\_\_\_

Licenses & permits (contact government offices for amounts) \_\_\_\_\_

Advertising and promotions for opening (get estimates from media) \_\_\_\_\_

Other (make additional list if necessary) \_\_\_\_\_

**TOTAL ESTIMATE OF CASH NEEDED FOR START-UP** \_\_\_\_\_

## G. Break-Even Analysis

Break-even (B/E) analysis is a simple, but very effective financial feasibility test. B/E is used to determine the amount of sales necessary to pay all fixed costs (and have zero profit). Follow these steps:

- 1) **Determine Gross Profit Percent.** Gross profit equals sales minus cost of goods sold. Gross profit percent equals gross profit dollars divided by sales. Note: Cost of Goods Sold (CGS) is a variable expense, including materials and labor necessary to make an item ready for sale. If a business (like consulting) has no CGS, then gross profit percent is 100 percent.
- 2) **List and Total all Fixed Expenses.** Expenses which do not rise or fall with sales volume - rent, insurance, utilities, etc.
- 3) **Break Even Sales is Fixed Expenses divided by Gross Profit Percent.**

(See example below.)

|                           |      |                 |          |
|---------------------------|------|-----------------|----------|
| Per Unit Sales Price      | \$10 | Fixed Expenses: |          |
|                           |      | Rent            | \$2,000  |
| Cost of Goods Sold (CGS): |      | Utilities       | \$1,000  |
| Materials                 | \$3  | Salary          | \$3,000  |
| Labor                     | \$1  | Other           | \$4,000  |
| Total CGS                 | \$4  | Total Fixed Exp | \$10,000 |

$$\begin{aligned}\text{Gross Profit \%} &= 60\% (6/10) \\ \text{Break Even} &= \text{Fixed Expense} / \text{Gross Profit \%} \\ \text{Break Even} &= 10,000 / .6 \\ \text{Break Even} &= \$16,667\end{aligned}$$

## H. IS ENTREPRENEURSHIP FOR YOU?

There is no way to eliminate all the risks associated with starting a small business. You can improve your chances of success with good planning and preparation. A good starting place is to evaluate your strengths and weaknesses as the owner and manager of a small business. Carefully consider each of the following questions.

**Are you a self-starter?** It will be up to you – not someone else telling you to develop projects, organize your time and follow through on details.

**How well do you get along with different personalities?** Business owners need to develop working relationships with a variety of people including customers, vendors, staff, bankers and professionals such as attorneys, accountants or consultants. Can you deal with a demanding client, an unreliable vendor or cranky staff person in the best interest of your business?

**How good are you at making decisions?** Small business owners are required to make decisions constantly, often quickly, under pressure and independently.

**Do you have the physical and emotional stamina to run a business?** Business ownership can be challenging, fun and exciting, but it is also a lot of work. Can you face 12- hour days six or seven days a week?

**How well do you plan and organize?** Research indicates that many business failures could have been avoided through better planning. Good organization of financials, inventory, schedules and production can help avoid many pitfalls.

**Is your drive strong enough to maintain your motivation?** Running a business can wear you down. Some business owners feel burned out by having to carry all the responsibility on their shoulders. Strong motivation can make the business succeed and will help you survive slowdowns as well as periods of burnout.

**How will the business affect your family?** The first few years of business startup can be hard on family life. The strain of an unsupportive spouse may be hard to balance against the demands of a business. There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk.

# I. Self-Biz Quiz

Are you the type of person who should open their own business? Take this short quiz and see how your score adds up.

| <b>MOTIVATION</b>  | <b>Disagree</b> | <b>Strongly Agree</b> |
|--|-----------------|-----------------------|
| I constantly see business opportunities or ideas with potential commercial value.                | 1               | 2 3 4 5 6 7 8 9 10    |
| I like growing or building businesses or taking ideas and making something of them.              | 1               | 2 3 4 5 6 7 8 9 10    |
| I regularly come up with new ideas on doing things better or more efficiently.                   | 1               | 2 3 4 5 6 7 8 9 10    |
| I am able to find solutions to challenges and problems.  | 1               | 2 3 4 5 6 7 8 9 10    |
| I am able to find the help, assistance and resources I need to be successful.                    | 1               | 2 3 4 5 6 7 8 9 10    |
| I am a dynamic person providing vision, hope and energy to those with whom I work and partner.   | 1               | 2 3 4 5 6 7 8 9 10    |
| I am a hardworking person. I do what it takes to succeed.  | 1               | 2 3 4 5 6 7 8 9 10    |
| I am able to adapt to changes and surprises quickly and successfully.                            | 1               | 2 3 4 5 6 7 8 9 10    |
| I am able to successfully manage risk associated with creating and growing a business.           | 1               | 2 3 4 5 6 7 8 9 10    |
| I thrive on learning. I am constantly seeking new information that can help me with my business. | 1               | 2 3 4 5 6 7 8 9 10    |
| I am motivated by success and driven to do well.   | 1               | 2 3 4 5 6 7 8 9 10    |
| I believe in working with others who can make my dream a reality.                                | 1               | 2 3 4 5 6 7 8 9 10    |

| <b>CAPACITY RELATED TO BUSINESS SKILLS</b><br>Consider yourself and other members of your management team. | <b>Disagree</b> | <b>Strongly Agree</b> |
|--|-----------------|-----------------------|
| Ability to assess market opportunities.  | 1               | 2 3 4 5 6 7 8 9 10    |
| Ability to develop products for services.  | 1               | 2 3 4 5 6 7 8 9 10    |
| Ability to provide products or services.   | 1               | 2 3 4 5 6 7 8 9 10    |
| Marketing and communications capacity.   | 1               | 2 3 4 5 6 7 8 9 10    |
| Fiscal management.   | 1               | 2 3 4 5 6 7 8 9 10    |
| Ability to acquire financial capital.  | 1               | 2 3 4 5 6 7 8 9 10    |
| Personnel or team development management.  | 1               | 2 3 4 5 6 7 8 9 10    |
| Ability to develop and sustain partnerships.   | 1               | 2 3 4 5 6 7 8 9 10    |
| Quality control.   | 1               | 2 3 4 5 6 7 8 9 10    |

| <b>CAPACITY TO NETWORK AND PARTNER</b>                         | <b>Disagree</b> | <b>Strongly Agree</b> |
|--|-----------------|-----------------------|
| I am comfortable seeing information from others.               | 1               | 2 3 4 5 6 7 8 9 10    |
| I regularly network to gain information for my business.       | 1               | 2 3 4 5 6 7 8 9 10    |
| I have an extensive resource network I am constantly building. | 1               | 2 3 4 5 6 7 8 9 10    |
| I am comfortable with partners.                                | 1               | 2 3 4 5 6 7 8 9 10    |
| I have two or more partnerships associated with my business.   | 1               | 2 3 4 5 6 7 8 9 10    |
| I have learned how to deal with the challenges of partnering.  | 1               | 2 3 4 5 6 7 8 9 10    |

| <b>SUPPORT FROM FAMILY AND COMMUNITY</b>                  | <b>Disagree</b> | <b>Strongly Agree</b> |          |          |          |          |          |          |          |           |
|---|-----------------|-----------------------|----------|----------|----------|----------|----------|----------|----------|-----------|
| I am challenged and happy in my work building a business. | <b>1</b>        | <b>2</b>              | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> | <b>10</b> |
| There is good balance between my work and personal life.  | <b>1</b>        | <b>2</b>              | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> | <b>10</b> |
| Family and Friends are supportive and encourage me.       | <b>1</b>        | <b>2</b>              | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> | <b>10</b> |
| My community is supportive of me a my undertaking.        | <b>1</b>        | <b>2</b>              | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> | <b>10</b> |
| My community is actively helping me build my business.    | <b>1</b>        | <b>2</b>              | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> | <b>10</b> |

## SCORE Self-Biz Quiz

### SCORING

- 0-25 points            Low Potential
- 26-50 points        Some Potential
- 51-75 points        Moderate Potential
- 76-100 points      High Potential

| Questions    | Total Points |   | Value Factor | = | Points |
|--------------|--------------|---|--------------|---|--------|
| 1-2          |              | X | 1.0          | = |        |
| 3-12         |              | X | 0.25         | = |        |
| 13-21        |              | X | 0.25         | = |        |
| 22-27        |              | X | 0.25         | = |        |
| 28-32        |              | X | 0.25         | = |        |
| Total Points |              |   |              |   |        |

SOURCE: Center for Rural Entrepreneurship



## J. GLOSSARY OF TERMS

- **Assets** – resources, owned or controlled by a company, that have future benefits. These benefits must be quantifiable in monetary terms.
- **Balance Sheet** – a list of company's assets, liabilities and owner's equity of a particular point in time.
- **Break Even** – the unit volume where total revenue equals total cost; there is neither profit nor loss.
- **Capacity** – the amount of goods or work that can be produced by a company given its level of equipment, labor and facilities
- **Capital** – the funds necessary to establish or operate a business.
- **Cash Flow** – the movement of money into and out of a company; actual income received and actual payments paid out.
- **Cash Flow Statement** – a presentation of the cash inflows and outflows for a particular period of time. These flows are grouped into major categories of cash from operations, cash investing activities and cash-financing activities
- **Collateral** – assets pledged in return for loans
- **Conventional Financing** – financing from established lenders, such as banks, rather than from investors/debt financing
- **Debt Financing** – raising money for a business by borrowing, often in the form of bank loans. (see Conventional Financing above)
- **Debt Service** – money being paid out on a loan; the amount necessary to keep a loan from going into default
- **Disbursements** – money paid out
- **Equity** – shares of stock in a company; ownership interest in a company
- **Expenses** – outflows of resources to generate revenues
- **Fixed Costs** – those costs that are not responsive to changes in volume over the relevant range of time
- **Income Statement** – a matching of a company's accomplishments (i.e. sales) with effort (expenses from operations) during a particular period of time  
(Revenues – Expenses = Net Income)
- **Leasehold Improvements** – the changes made to a rented store, office or plant, to suit the tenant and make the location more appropriate for the conduct of the tenant's business
- **Letter of Intent** – a letter or other document by a customer indicating the customer's intention to buy from a company
- **Liabilities** – commitments to pay out assets (typically cash) to or render services for creditors
- **Licensing** – the granting or permission by one company to another to use its products, trademark or name in a limited, particular manner
- **Liquidity** – the ability to turn assets into cash quickly and easily
- **Market Share** – the percentage of the total available customer base captured by a company
- **Net Worth** – the total ownership interest in a company, represented by the excess of the total amount of assets minus the total amount of liabilities
- **Partnership** – a legal relationship of two or more individuals to run a company

- **Profit Margin** – the amount of money earned after the cost of goods or all operating expenses are deducted; usually expressed in percentage terms
  - **Pro Forma Statements** – a financial statement detailing management’s predictions
  - **Receipts** – funds coming into the company; the actual money paid to the company for its products or services; not necessarily the same as a company’s actual receipts
  - **SBA** – Small Business Administration
  - **SBDC** – Small Business Development Center
    - **Sole Proprietorship** – company owned and managed by one person
  - **Variable Costs** – those costs that are directly responsive to changes in volume over the relevant range of time
    - **Venture Capitalists** – individuals or firms who invest money in new enterprises
  - **Working Capital** – the cash available to the company for the ongoing operations of the business
-