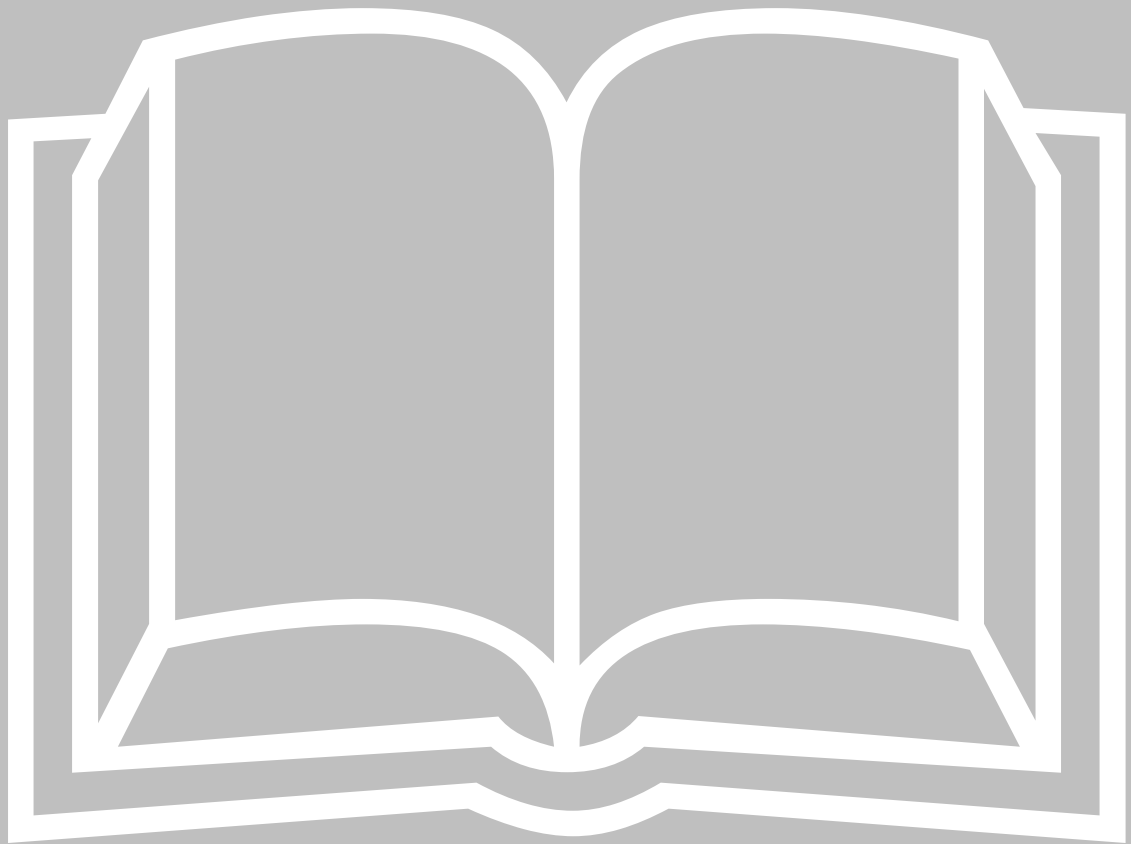


Guide To Starting A Business



ARE YOU READY?

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Introduction to Starting a Business

Owning a small business is not just another job. It's a totally different lifestyle. You have to ask yourself whether you're ready for a complete commitment to the success of your business. Just as important you have to ask your partner, if you're in a relationship, whether he or she is completely committed.

As a small business owner, you're going to have less time for your personal life and you'll probably be using much of what you own as collateral to raise money for the business. If you are willing to make those sacrifices, then let's move on to some of the advantages and disadvantages of owning your own business.

It's REWARDING!



Pros:

- You have the chance to make a lot more money than you can make working for someone else.
- You'll be your own boss and make the decisions that are crucial to your success or failure.
- You may be the boss of other people.
- You'll have job security — no one can fire you.
- You'll have the chance to put your ideas into practice.
- You may participate in every aspect of running a business.
- You'll learn more about every aspect of a business and gain experience in a variety of disciplines.
- You'll have the chance to work directly with your customers.
- You'll be able to benefit the local economy, such as by hiring other people to work for you.
- You'll have the personal satisfaction of creating and running a successful business.
- You'll be able to work in a field or area that you really enjoy.

DECISIONS! DECISIONS! DECISIONS!



Cons:

- You may have to take a large financial risk.
- You will probably have to work long hours and may have fewer opportunities to take vacations.
- You may end up spending a lot of your times attending to the details of running a business and less time on those things you really enjoy.
- You may find that your income is not steady and that there are times when you don't have much income coming in at all.
- You may have to undertake tasks you find unpleasant, such as firing someone or refusing to hire a friend or relative.
- You may have to learn many new disciplines, such as filing and bookkeeping, inventory control, production planning, advertising and promotion, market research, and general management.

JUGGLE! JUGGLE! JUGGLE!



Special pros and cons of the home-based business:

- Your startup costs will be lower.
- Your operating costs will be lower than they would if you were renting space and paying utilities.
- Your commute will be shorter.
- If your location is unimportant to your business, you can theoretically live anywhere and still operate your business.
- You may be more flexible in your schedule if your business can be conducted at your convenience or outside "normal" weekday business hours.
- On the other hand, you're much more vulnerable to interruptions from family members, neighbors, and door-to-door salespeople.
- You may have trouble attracting qualified employees.
- You may run out of space at home if your business grows.

Roles You'll Be Expected to Play

We've all heard of the executive who moans that he's overworked because he has to wear two or three hats at his company. Well, most small business owners would give anything if they had to wear only two or three hats. Here are some of the roles you can expect to play if you own your own business:



Tax collector— if you sell goods at the retail level, you're responsible for collecting a sales tax for various government entities; also, if you have employees, you're responsible for collecting payroll taxes from them.

Manager/boss— if you have employees, you'll be responsible for all of the human resources-related functions, including recruiting, hiring, firing, and keeping track of all the benefits information; you'll be the one filling out all the insurance forms, answering employee questions and complaints, and making the decisions about whether you should change the benefits package you offer your employees.

Sales/marketing/advertising executive— in addition to having to plan your marketing or advertising campaign, you'll have to carry it out; you may write advertising copy, do some preliminary market research, visit potential customers, and make sure existing customers stay happy; depending upon the type of business you own, you may have to join business groups, attend various breakfasts, lunches, and dinners, and just generally network with anyone who could help your business prosper.

Accountant— even if you have an accountant, you'll have to know a lot about accounting; you'll have to know which records to keep and how to keep them; if you don't have an accountant,

you'll also have to prepare all of your tax forms, and you'll have to know how to prepare and interpret all of your own financial statements.

Lawyer— even if you have a lawyer, you'll have to know a lot about the law; if you don't have a lawyer, you'll have to prepare all of your own contracts and other documents and understand all of the employment laws if you have employees or want to hire someone.

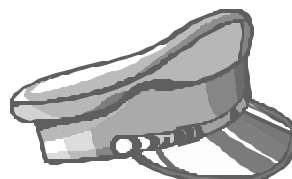
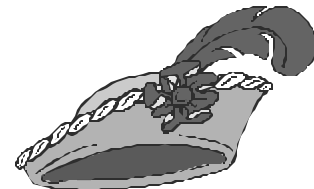
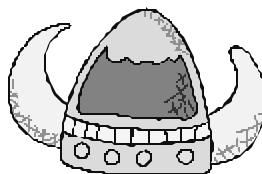
Business planner— as you own your business, you'll inevitably want to make changes, perhaps to expand the business or add a new product line; if you want to make a change, it'll be your responsibility to do it; you'll have to plan it and execute it, and you'll have to consider all of the ramifications of your decision.

Bill collector— when customers don't pay, it'll be up to you to collect from them; you'll have to know what you can and can't do when collecting; you'll have to decide how best to collect from them and when to give up.

Market researcher— before you start your business, you'll have to find out who your customers are and where they're located; you may also have to conduct market research at various times during the life of your business, such as when you are considering introducing a new product.

Technology expert — as a small business owner, you will probably come to depend upon your computer; you'll have to fix it when it breaks, install upgrades, and load software; you'll also have to keep up with the newest products and the latest changes in technology.

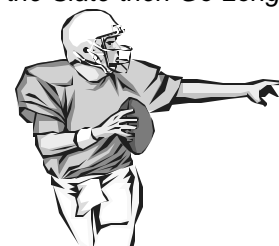
Clerk/receptionist/typist/secretary — even if you have clerical help, you'll inevitably do some of your filing, some of your typing, some of your mailing, and some of your telephone answering; even if you have someone else, for example, keep track of overdue accounts, you'll have to know how to do it so that you can teach them what to do.



Essential Qualities for Owners

You can still be successful even if you don't possess every skill needed to run a small business. There are, however, certain qualities that you should possess if you're to be successful. Also see *Exhibit A – Starting A Business – Are You Ready – Personal Characteristics?* Let's take a look at them:

Fate the Slate then Go Long!



Willingness to sacrifice — you must be willing to accept the fact that, as a small business owner, you are the last one to be paid. Your bank, your vendors, and your employees are all in line ahead of you and must be paid before you see any of the money. You must also be willing to sacrifice much of what once was your free time to your business. If you like working nine-to-five, knowing how much you'll make, and taking three weeks of vacation every year, don't go into business for yourself.

Strong interpersonal skills — if you thought that getting along with your boss was tough, wait until you have to deal with suppliers, customers, employees, lawyers, accountants, government officials, and everybody in between. Successful owners are able to work with all personality types, and they're able to find out from their customers what they like and don't like.

Strong leadership skills — successful owners understand that others are looking to them to be led to the Promised Land. Others will be looking to you for answers, and if you're not ready for that responsibility, you probably should not own your own business.

Strong organizational skills — successful owners are able to keep track of everything that's going on in their business and they're able to set priorities and get things done. They know that if they lose track of what's going on, they're sunk.

Intelligence — we're not talking about the ability to score well on standardized tests. We're talking more about "street smarts" and common sense. Successful owners are able to anticipate problems before they arise and to take preemptive steps to avoid them, and they know how to solve crises after they occur.

Management ability — small business is all about managing relationships, with your customers or clients, with your employees, with your suppliers, with your accountant and lawyer, with your banker,

and with your family. If you don't think you can effectively manage those relationships, you should not start a new business.

Business experience — without some solid business experience, you're probably not going to be able to borrow any money. Your banker will want to know about your experience, not just in business, but also in the same field as the business you're hoping to start. If you lack the experience, go get it any way you can: volunteer at an existing business or try to get a part-time or a weekend job in the field.

Optimism — how will you react when business isn't going as well as your expected? A pessimist may fold the tent, but an optimist who believes in the business will keep going. Successful owners are optimists who are able to weather the rough spots.

Although the qualities listed above are important to a small business' success, particularly to one just starting out, not every single owner of every single successful business has every single one of the desired qualities. This only suggests that there's hope for those who don't possess every quality.



Are you READY?

Strengths and Weaknesses Checklist

The chart below will help you identify your strengths and weaknesses and will give you a better idea of whether you're ready to become a small business owner. Examine each of the skills areas listed in the chart. Ask yourself whether you possess some or all of the skills listed in the parentheses. Then rate your skills in each area by circling the appropriate number, using a scale of 1-5, with 1 as low, 2 as between low and medium, 3 as medium, 4 as between medium and high, and 5 as high. Also see *Exhibit B – Starting A Business – Are You Ready?*

Skills	Rating				
	low		medium		high
Sales ■ Pricing, buying, sales planning, negotiating ■ direct selling to buyers, ■ customer service follow-up ■ managing other sales reps ■ tracking competitors	1	2	3	4	5
Marketing ■ advertising/promotion/public relations ■ annual marketing plans ■ marketing strategies ■ distribution channel planning ■ pricing	1	2	3	4	5
Financial planning ■ cash flow planning ■ monthly financial ■ bank relationships ■ management of credit lines	1	2	3	4	5
Accounting ■ bookkeeping ■ billing, payables, receivables ■ monthly profit and loss statements/balance sheets ■ quarterly/annual tax preparation	1	2	3	4	5
Administrative ■ scheduling ■ payroll handling ■ benefits administration	1	2	3	4	5
Personnel management ■ hiring and firing employees ■ motivating employees ■ general management skills	1	2	3	4	5
Personal business skills ■ oral and written communication skills ■ computer skills, word processing skills ■ fax, e-mail experience ■ organizational skills	1	2	3	4	5
Intangibles ■ ability to work long, hard and manage risk/stress ■ family support ■ ability to deal with failure ■ ability to work alone and with/manage others	1	2	3	4	5
Total					

After you've rated yourself in each area, total up the numbers. Then apply the following rating scale:

- if your total is < 20 points, you should reconsider whether owning a business is the right step for you,
- if your total is between 20 and 25, you're on the verge of being ready, but you may be wise to spend some time strengthening some of your weaker areas, and
- if your total is above 25, you're ready to start a new business now

Business Selection Checklist

The following chart below is designed to help you choose the business that's right for you. Follow these steps:

(Step 1) In the far left-hand column, list the business ideas you're considering by order of interest. So, in the top left-hand blank space, put the idea you think you're most interested in. Underneath it put the next idea and so forth until you've listed all of your possible ideas down the left side of the chart.

(Step 2) Now take each idea and rate it on a scale of 0-3 in each of the areas listed. Use the following rating system: 0-none, 1-below average, 2-average, and 3-above average.

Your knowledge of the business. How much do you know about the area? Will you have to spend extra time, money or because you don't know the business well enough? *Rating:* 0-no knowledge of the business; 1-some indirect knowledge of the business; 2-limited knowledge; 3-working knowledge.

Your experience in the field. Have you ever owned or worked in this type of business before? To what extent is hands-on experience crucial to the business? *Rating:* 0-no experience; 1-indirect experience; 2-limited experience; 3-familiar with the business.

Your skills. To what extent do you possess those skills? If you lack them, how difficult will it be to get them? *Rating:* 0-none; 1-limited skills; 2-some skills; 3-extensive skills.

Ease of entry. Think both of the costs of entering the business and of the competitive barriers. *Rating:* 0-crowded field, very difficult to enter; 1-limited entry available; 2-mix of large and small competitors; 3-virtually unrestricted entry for any size business.

Uniqueness. Uniqueness does not necessarily mean that literally no one else is providing the same product or service; it can mean that no one else is providing it in the same way you provide it, or no one else is providing that product or service in your area. You're looking for some way to distinguish your product or service from others who are already in business. *Rating:* 0-your product or service widely available; 1-a few to several others offering your product or service; 2-only one or two others; 3-no others providing your product or service.

Business idea	Your knowledge	Your experience	Your skills	Ease of entry	Uniqueness	Total

(Step 3) Now total up the numbers. Here are some tips for making sense of the numbers and for narrowing your list of business possibilities:

- eliminate any of scored less than a total of 10
- eliminate any idea that did not score at least a 2 in every category
- eliminate any idea that did not score at least a 3 in the uniqueness category

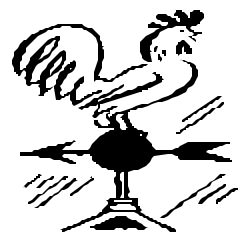
How many ideas are left? If the answer is "none," then you need to use the list to identify where you need to improve and you need to develop a strategy for raising the "1's" to "2's" or "3's." If the answer is "more than one," you have a pleasant dilemma: a choice of which business to start. If the answer is "one," you may have just found the business that's perfect for you.

Getting Started

Once you've decided that you have what it takes to start a business of your own, determined the kind of business you want, and evaluated your chances of success, you have to begin setting it up. To get started, consider the following:

- 1) **Choosing professionals** to assist you discusses your need for a professional when you are starting your business, including insight on how to assess your needs and how to find a professional.
- 2) **Building a business plan** addresses what a business plan is and why it is essential for your new business.
- 3) **Organizing your business** considers the legal steps necessary to get your business up and, such as choosing a name and form of organization.
- 4) **Getting a loan** for your business addresses the need for financing for your business and gives you some suggestions for raising startup funds.
- 5) **Setting up your books** tells you what you should do to make sure that your business record keeping gets off to a good start.
- 6) **Beginning operations** gives you ideas for getting your business off the ground, including deciding where to open your new business, when it should be opened, how to market your product or service, how to get licenses and permits for your business, how to find contractors and suppliers, how to hire employees, and how to join a business association.
- 7) **Protecting yourself** and your ideas introduces the subject of business insurance and provides you with an overview of what intellectual property are, including patents, trademarks, and copyrights, and how it may affect your business.

Time to Rise and Shine!



Choosing a Professional

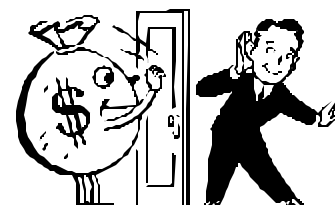
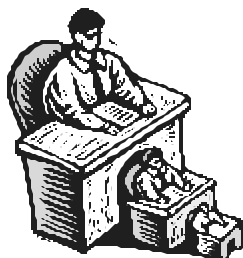
Nearly every small business owner will need the assistance of an accountant, attorney, banker, and insurance agent at one time or another. Some also hire a management or marketing consultant.

In fact, if you decide that you do need the help of a professional, finding a good one should be one of the very first steps you take to start your new business. Some of the first steps you'll be deciding on the form of your business, for example, will be easier if you already have professionals lined up.

Which professionals will you need? The first step in answering that question is for you to understand how each professional can help you. Here's a quick look at the types of assistance each can provide to you:

- **Accountant** - sets up your books; prepares your taxes; provides you with tax advice related to the operation of your business, such as how to choose the best retirement plan and how to take advantage of tax deductions.
- **Banker** - helps you get financing; helps you establish credit card accounts; works, in many cases, as your silent partner, providing you with business operation advice.
- **Insurance agent** - evaluates your insurance needs; provides you with advice on which types of coverage you need.
- **Management and marketing consultant** - provides basic business operation advice; provides pricing and inventory advice; provides sales and advertising advice.

To assist you in this process, please see the next Sections.



How may WE HELP you?

Selecting an Attorney

An Attorney helps you choose the right form of business; makes sure the proper papers are filed; drafts and interprets contracts and leases; defends you if legal action is brought against your business; represents you if you bring legal action against someone else; provides you with legal advice related to the operation of your business, such as the rules for hiring and firing of employees.

Ask business associates and other small business owners. If you have a banker, accountant, or insurance agent, ask for a recommendation or contact the American Bar Association. If you're interested in joining a professional association, you can get more information from them or from your local chamber of commerce. When all else fails, look in the Yellow Pages. Initial consultations are usually free, but make sure that's true before you make an appointment. Be sure you shop around and compare rates. Negotiate the fees in advance.

Select three to five Attorneys to consult with:

Name of Company

Name of Attorney

Telephone



Selecting an Accountant

An Accountant sets up your books; prepares your taxes; provides you with tax advice related to the operation of your business, such as how to choose the best retirement plan and how to take advantage of tax deductions.

Ask business associates and other small business owners. If you have a banker, attorney, or insurance agent, ask him or her for a recommendation or contact the American Institute of Certified Public Accountants. If you're interested in joining a professional association, you can get more information from them or from your local chamber of commerce. When all else fails, look in the Yellow Pages. Be sure you shop around and compare rates. Negotiate the fees in advance.

Select three to five Accountants to consult with:

Name of Company

Name of Accountant

Telephone



Selecting an Banker

An Banker helps you get financing; helps you establish credit card accounts; works, in many cases, as your silent partner, providing you with business operation advice.

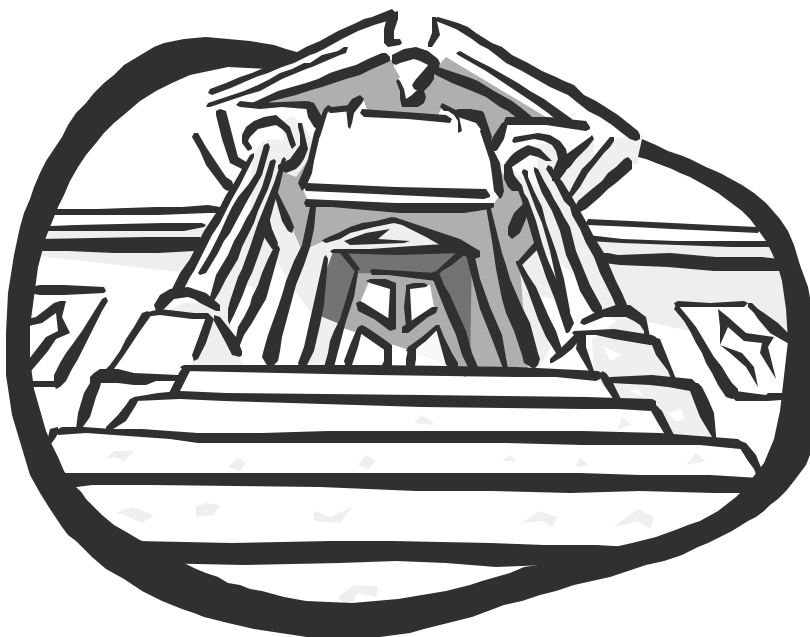
Start with the bank where you have your personal accounts. If that doesn't work out, ask business associates, other small business owners or contact the Small Business Administration (SBA). SBA keeps track of which banks in your area have the best small business-lending records.

Select three to five Bankers to consult with:

Name of Company

Name of Banker

Telephone



Selecting an Insurance Agent

An Insurance agent evaluates your insurance needs; provides you with advice on which types of coverage you need.

Ask business associates and other small business owners. Look in the Yellow Pages. Be sure you shop around.

Select three to five Insurance Agents to consult with:

Name of Company

Name of Agent

Telephone

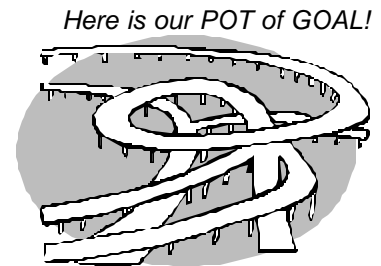


Building a Business Plan

A business plan is a written document that defines the goals of your business and describes the means you will use to attain those goals. Every business owner should prepare one, though in reality many do not. Although creating a business plan will take a lot of time, effort, and energy, it'll be well worth the trouble.

Why have a business plan? Formulating a written business plan will force you think about where you want your business to go and how you're going to get there. It will become, in effect, a roadmap for you to follow as your business grows and develops. And, of course, if you ever intend to borrow money or establish credit, you'll be asked to produce a business plan.

A business plan can be assembled in any number of ways. However, some essential components should be included in any plan, which are listed below:



1. **Description of the business.** Describe the business, including what the products and services of the business are.
2. **The marketing plan.** Describe the target market for your product and explain how you will reach that market.
3. **The financial management plan.** Detail the costs associated with operating your business and explain how you will pay those costs. Will you need financing to start the business? If so, how much.
4. **The operation management plan.** Describe how you will manage the core processes of your business, including use of human resources.

Organizing your Business

After deciding that you're going to start your own business, your next step should be to begin planning the most basic organizational aspects of your business. What you're going to call yourself, and whether the business will be a sole proprietorship, partnership, corporation, etc.

Naming your business may not be as simple as it seems. When selecting a name, try to make the name short, easy to remember, descriptive of the business, and capable of drawing attention. Depending on the business form you choose, you may have to register and/or receive approval from the local or state government where your business is formed. The name of your business must not be misleading or in any way imply something that the business is not. Below are specific rules and requirements for each of the various business types: sole proprietorships, partnerships, limited liability companies, and corporations.



Sole proprietorships. A sole proprietorship is an un-incorporated business that is owned by one individual. It is the simplest form of business organization to start and maintain. The business has no existence apart from you, the owner. Its liabilities are your personal liabilities and you undertake the risks of the business for all assets owned, whether or not used in the business. You include the income and expenses of the business on your own tax return.

Partnerships. A partnership is the relationship existing between two or more persons 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. The two most common types are general and limited partnerships. A general partnership can be formed simply by an oral agreement between two or more persons, but a legal partnership agreement drawn up by an attorney is highly recommended.

Limited Liability Companies. A limited liability company (LLC) is an entity formed under state law by filing articles of organization as an LLC. None of the members of an LLC are personally liable for its debts. The name of the limited liability company must include the words "limited liability company", the letters "L.L.C.", or some other phrase indicating that the entity is a limited liability company. Most state statutes specifically identify which descriptions can be used.

Corporations. The corporate structure is usually the most complex and more costly to organize than the other two business formations. Control depends on stock ownership. Persons with the largest stock ownership, not the total number of shareholders, control the corporation. With control of stock shares or 51 percent of stock, a person or group is able to make policy decisions. Control is exercised through regular board of directors' meetings and annual stockholders' meetings. Records must be kept to document decisions made by the board of directors. Officers of a corporation can be liable to stockholders for improper actions.

S corporations. An eligible domestic corporation can avoid double taxation (once to the corporation and again to the shareholders) by electing to be treated as an S corporation. S corporations are subject to the same name rules that a regular corporation is subject to. The S corporation can have no more than 75 shareholders. An S corporation does not have to indicate its status as an S corporation in its name.



Getting a Loan

New small businesses that need a loan to get started are in a classic catch-22: lenders will want to see a proven track record before they lend you any money, but you can't establish the track record until you get the loan. As a result, a lot of new owners have to turn to alternate sources of financing, such as selling personal assets, borrowing from friends and relatives, or taking on partners or investors.

If the alternate sources of financing are not available to you, don't give up on getting a loan from a bank or other traditional lending source just because you're told that it's difficult to do. Be persistent. If you already have a good credit relationship with a bank, you may have built the track record you need without even realizing it. Here are two suggestions for succeeding where others have failed:

- Develop a first-rate business plan. If your business plan is well thought out and well put together, you've just improved your chances of getting a loan.
- Go to banks with a good small business lending record.

As part of any effort to raise money for your business, you should develop financial data on your business that you should be prepared to give to a lender. Here's a list of information you should compile:

- a personal expense budget for one year
- a personal financial statement
- estimated startup costs of your business
- estimated first-year business expenses
- estimated total cash requirements
- the amount of money you can invest and the amount of money you need to borrow
- estimated break-even point
- a business plan

Break your BANK --- and --- SMILE, SMILE, at your banker!



Setting up your Books

Even if your business has an accountant, you should know something about basic accounting principles. Setting up your books in an organized manner is one of the important, and most ignored, first steps a new owner can take.

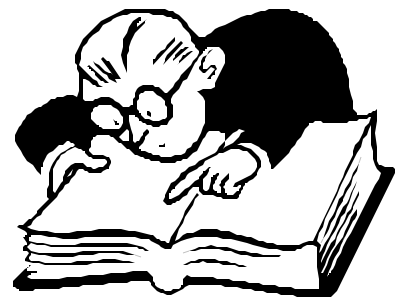
The importance **of keeping good** financial records cannot be overstated. It's important at tax time; it's important if you want to get financing; it's important if you ever want to monitor your business's progress; it's important if you ever want to sell your business; and it's important if you just want to know where your money is going. If you intend to keep good financial records, the only way to do it is to develop good record keeping habits from the very beginning. Your accountant should be able to advise you on the best way to set up your books.



- **Monitoring the success or failure of your business.** It's hard to know how your business is doing without a clear financial picture. Am I making money? Are expenditures increasing faster than sales? Which expenses are too high based on my level of sales?
- **Providing the information you need to make decisions.** Evaluating the financial consequences should be a part of every business decision you make. Without accurate records and financial information, it may be hard for you to know the financial impact of a given course of action.
- **Obtaining bank financing.** A banker will usually want to see financial statements: a balance sheet, income statement, and cash flow budget for the most current and prior years, as well as your projected statements showing the impact of the requested loan.
- **Obtaining other sources of capital.** If your business has reached the point where you need to take in a partner, any prospective partner will want to become intimately familiar with your financial picture. If you need capital and are thinking of taking in an outside

investor, you will need to produce a lot of financial information. Even your suppliers and other creditors may ask to see certain financial records.

- **Budgeting.** All businesses should use a budget for planning purposes. A budget will help keep your business on track by forecasting your cash needs and helping you control expenditures. You must have solid financial information to prepare a meaningful budget.
- **Preparing your income tax return.** You must file an income tax return and pay income taxes. With good records, preparing an accurate tax return will be easier and you're more likely to be able to do it on time. Poor records may result in your underpaying or overpaying your taxes and/or filing late and paying penalties.
- **Complying with federal and state payroll tax rules.** If you have employees, you are aware of the myriad rules and regulations relating to payroll taxes. Payroll tax deposits must be made according to strict deadlines. Late payment of payroll taxes results in severe, and unnecessary, penalties. Also, you must file a payroll tax return every quarter, which you must reconcile with the payroll deposits made during the quarter. Then at the end of the year, you are required to give your employees and the government W-2 forms, which must agree with your quarterly payroll returns.
- **Submitting sales taxes.** If you collect sales tax from your customers, good records will make it easy for you to compute the tax due and prepare the required reports.
- **Distributing profits.** If your business is a partnership, you will need good records to determine the correct amount of profits to distribute to each partner. If you are operating as a corporation, you must determine the company profits that you will be paying out as dividends to the shareholders.



Beginning Operations

Where. Here are some factors that you should consider in making your site decision. Also see *Exhibit C – Checklist for Locating Your Business*.



- Access to public transportation
- Availability of utilities
- Availability of physical plants
- Cost of physical plant
- Parking facilities
- Suitability of location for future expansion
- Traffic flow
- Transportation rates
- Availability of inventory and supplies
- Availability of workforce
- Community services and amenities
- Location of competitors
- Proximity to markets
- Taxes
- Transportation facilities
- Wage scales in the locality

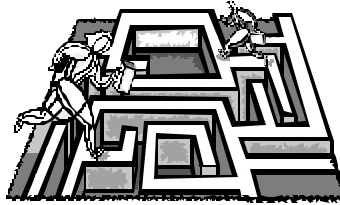
When. There really aren't too many hard and fast rules for when to open your business. It'll largely depend on your individual circumstances. The simple answer to the question "when?" is: at the point when you've completed all of the steps you need to take in order to set up your business. The important point to remember is that you shouldn't start the business before you're really ready. In some cases, the "when" will be decided for you.

Market. When you were figuring out how much it would cost you to start your new business, you should have set aside a sum for marketing and advertising. The sum that you set aside is your marketing and advertising budget. How you will market and advertise your product will depend largely on your budget. Those with a large budget might want to consider hiring a marketing consultant to help them.

Small budgets. Most new small businesses, however, will be operating on a small budget with little room for error. If you have a small budget, you know that you must spend your dollars wisely and that you must be sure that what you spend reaches the customers you want to reach.

Here are a few suggestions for marketing and advertising on a small budget (pick the ones that look good to you because you probably can't afford to do all of them):

- advertise in the local Yellow Pages
- ask for referrals
- rent customer lists, or better yet, develop customer lists from friends, family, and business associates, and send out direct mailings
- get your name out before the public as an expert in your field by writing articles or giving speeches to local business groups
- get professionally designed business cards
- mail/hand deliver announcing your business
- advertise through coupon mailing services
- get your name out before the public by doing volunteer work in the community
- allow customers to sample your product or service by giving it away for free for a short time
- put low-cost ads in free community flyers

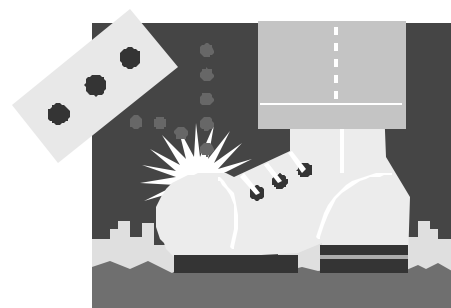


Protecting Yourself

As a new small business owner, you need to give some thought to protecting yourself. Your first step is to talk to your insurance agent and lawyer about your options. To help you figure out what to do next, take a look at either of the following:

- **Buying insurance** for your business discusses the various types of business insurance and provides you with a means for finding out more about insurance.
- **Protecting your ideas** explains some of the ways for protecting intellectual property, such as with patents, copyrights, and trademarks.

Ouch! Glad I'm PROTECTED!



Below is an overview of the types of insurance that your business may need.

Disability insurance. Disability insurance provides benefits in the event of partial or complete disability.

General liability coverage. General liability coverage is the basic coverage that you have on your business premises. It insures against employees, clients, and other visitors getting injured while at your business site. If you are working out of your home, make certain that your homeowner's policy will cover business claims.

Health insurance. Health insurance is often cited by small business owners as among their greatest concern because it's so expensive to obtain individually. In fact, by some estimates, you will have to earn as a small business owner 140 percent of what you earned for a corporation in order to replace all of your benefits.

Life insurance. Life insurance is paid upon the loss of the life of the insured. If your business relies on a partner, owner, or employee, you can take out insurance on that person to protect your business in the event of that person's death.

Professional liability insurance (malpractice). Malpractice insurance protects you against claims resulting from professional services rendered by you to your clients. If you provide professional services, you are probably aware of the need for this type of insurance

Product liability insurance. Product liability insurance protects against losses from injuries sustained by products produced by you. If you produce products that can possibly injure someone, even if that possibility is remote, you should consider obtaining product liability insurance.

Patents, trademarks, and copyrights are collectively known as intellectual property and generally refer to the rights associated with intangible knowledge or concepts. Intellectual property may be a concern if your business is developing (or has developed) a product, process, or concept that you are going to market.

Patent. A patent is a grant of a right to the inventor by the U. S. government. The right embodied in a patent allows the inventor of the right (or the patent holder, if the patent has been assigned) to exclude others from making or using the invention for a period of time, usually seventeen years.

Trademark. A trademark is the right to use a specific name, word, phrase, symbol, logo, design, sound, color, or a combination of any of these elements; to identify your products and to distinguish them from the products of others. The name must be sufficiently unique to identify your products; you can't obtain trademark rights to a generic term like "computers" or "coffee."

Copyright. A copyright is the right to reproduce a certain work if the work is in fixed form. A copyright is secured automatically when the work is created and is identified by the symbol. However, in order to be able to enforce a copyright the work should be registered with the federal government. A copyright term is for the life of the creator plus 50 years. Copyright infringement can be avoided by showing that the work in question was created independently of the copyrighted work.



Establishing your Business

Once you've decided that you have what it takes to start a business of your own, determined the kind of business you want, and evaluated your chances of success, you have to begin setting it up. However, this list does not necessarily include every possible office that should be contacted under conceivable circumstance. Remember to ask questions at each office.

Task	Office	Completed
Choose a Form of Organization Proprietorship – Partnership -Corporation	See IRS PUB 583 - Starting a Business and Keeping Records	
Choose a Business Name		
Register your Name	Register of Deeds – to register an assumed name.	
Register your Business Property	Business Listing Department – list property for personal property tax in January each year.	
Review Local Business Codes	Zoning Department – determination of conformity according to zoning regulations.	
Obtain a Business License/Permit	Local Business or Privilege – a license for the purpose of conducting business.	
Obtain a Federal Employer Id #	Internal Revenue Service	
Obtain a State Employer Id #	Department of Revenue	
Setup a Business Checking Account		
Obtain Business Insurance		
Apply for a Business Loan		
Establish a Line of Credit		

Non Home-based Businesses may want to check with the following offices.

Task	Where to start	Date Completed
Police Department	To distribute numbers and information in case of an emergency.	
Fire Inspection	To assure compliance with fire codes.	

Exhibits

Exhibit A: Starting A Business – Are You Ready – Personal Characteristics?

Characteristics can be developed and changed but it takes a lot of time, effort, and will, because they are related to your basic attitudes and values. Where do you stand in relationship to your peers on the following characteristics? Answer 1 would be low, 3 – middle and 5 is high or top 20% of your peers. Circle the number most accurately applies to you.

1. HONESTY AND INTEGRITY (Do people trust you?)

Do people come to you for advice? Do you have strong principles that govern your actions and have a reputation for accuracy and confidence in you relationships with others?

1 2 3 4 5

2. DRIVE AND MOTIVATION (Internal energy toward purpose)

How many projects have you initiated and completed in the past couple of years that involved others?

1 2 3 4 5

3. POSITIVE ATTITUDES (Not speculative but factual)

Do people count on you for encouragement? To circle a 5, your mind must focus on the positive aspects of people and situations and not the negative.

1 2 3 4 5

4. INTUITION ON INSTINCT (Ability to establish high level priorities based on predicted trends and events. For example, a buyer in the fashion industry.)

Do you anticipate and include trend analysis in your decision-making? Do you set your current priorities around future projections? To circle a 5, you are usually successful at predicting events based on current decision-making.)

1 2 3 4 5

5. OBJECTIVITY (Analyze situations and assess risks.)

Are you able to see and understand all sides of an issue and come to a rational conclusion? Could you debate both sides of the issues you face today?

1 2 3 4 5

6. CREATIVITY (Resourceful and innovative marketable ideas.)

Have you been able to sell new and different solutions for a variety of situations and problems? Do other people depend on you as an idea factory? Are you a person brimming with ideas?

1 2 3 4 5

Exhibit B: Starting A Business – Are You Ready – Test Yourself?

If you want to start a business and be successful, you need to:

1. rank in the top 20% of the population,
2. find a partner who has strengths in the areas that you are weaker in, or
3. put together a plan to improve those characteristics that need to be upgraded.

How others view and perceive you on your characteristics is key to your business success and growth. If there is doubt as to where you stand on any of the characteristics, it means that you have not challenged yourself or become involved.

To further test the needed characteristics, answer yes or no to the following checklist:

1. Have you been asked to assume a leadership role in current civic or volunteer organizations?
2. Do you like to make decisions that are acceptable and stimulate others?
3. Are you a competitive person by nature and respected for it?
4. Do you have will power and self-discipline to plan and control your actions?
5. Is your product or service different from others already in your marketing area?
6. Can you prepare a detailed, credible business plan for the first three years?
7. Do you readily take responsibility and follow through?
8. Are you a good organizer, develop plans, follow through?
9. Are you ready to put in long hours?
10. Will you stick to it even during the rough times?
11. Do you have your immediate family's support, money, and time?
12. Are your resources and credit adequate or preferably, more adequate?
13. Is your health up to the tasks ahead? Do you have a high energy level?
14. Do you have experience working in the type of business you want to start? Do you know the key financial ratios that make a business in your field successful?
15. Do you have a product or service for which you know there is a demand?

To start a business, you should be able to answer all questions positively. If you can't, then you need to develop the experience necessary to answer each question with a resounding 'YES'.

Exhibit C: Checklist for Locating Your Business.

A. Lease

- | | |
|---|---|
| <input type="checkbox"/> Type facility required | <input type="checkbox"/> Upfitting expenses |
| <input type="checkbox"/> Parking requirements | <input type="checkbox"/> Additional costs |
| <input type="checkbox"/> Location (zoning) | <input type="checkbox"/> Governmental regulations (fire code, etc.) |
| <input type="checkbox"/> Rent range | <input type="checkbox"/> Occupancy permit |
| <input type="checkbox"/> Length of lease | <input type="checkbox"/> Utilities provided |

B. Lease with Option to Purchase

- | | |
|--|---|
| <input type="checkbox"/> Same as above plus: | <input type="checkbox"/> Fixed price or by future agreement |
| <input type="checkbox"/> Length of option period | <input type="checkbox"/> Financing |
| <input type="checkbox"/> Rent apply to purchase | <input type="checkbox"/> Operating expenses of ownership |

C. Purchase Existing Facility

- | | |
|---|---|
| <input type="checkbox"/> Type facility required | <input type="checkbox"/> Expansion potential |
| <input type="checkbox"/> Parking requirements | <input type="checkbox"/> Contract (consult attorney) |
| <input type="checkbox"/> Location (zoning) | <input type="checkbox"/> Governmental regulations (fire code, etc.) |
| <input type="checkbox"/> Inspection of premises | <input type="checkbox"/> Occupancy permit |
| <input type="checkbox"/> Financing | <input type="checkbox"/> Building permit (renovation or addition) |
| <input type="checkbox"/> Ownership expenses | <input type="checkbox"/> Utilities provided |

D. Buy Land and Build New Facility

- | | |
|---|---|
| <input type="checkbox"/> Property size, shape, topography | <input type="checkbox"/> Parking requirements |
| <input type="checkbox"/> Soil Condition | <input type="checkbox"/> Contractor bids |
| <input type="checkbox"/> Location (zoning) | <input type="checkbox"/> Financing (construction & permanent) |
| <input type="checkbox"/> Utilities provided | <input type="checkbox"/> Property Insurance |
| <input type="checkbox"/> Transportation | <input type="checkbox"/> Occupancy permit |
| <input type="checkbox"/> Building design (architect) | <input type="checkbox"/> Contracts (consult attorney) |